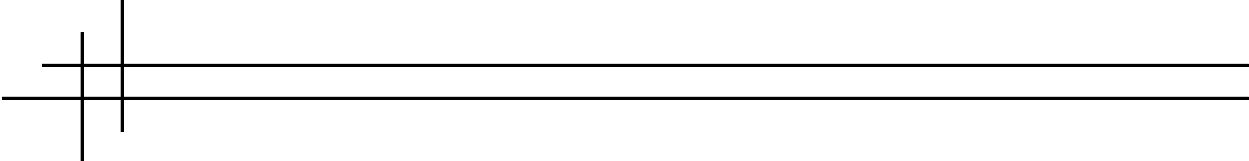




State of New Mexico
Village of Questa

Annual Financial Report
June 30, 2019

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



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State of New Mexico
Village of Questa
Official Roster
June 30, 2019

Board of Trustees

Mark L. Gallegos	Mayor
Louise T. Gallegos	Mayor Pro-Tem
Brent P. Jaramillo	Councilmember
John A. Ortega	Councilmember
Charlie I. Gonzales	Councilmember

Administrative Officials

Renee Martinez	Interim Village Administrator
Renee Martinez	Village Clerk
Karen Quintana Shannon	Finance Director

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of the Village of Questa

Mr. Colón and Members of the Board

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 funds information, and the budgetary comparisons for the general fund and major special revenue funds of the Village of Questa (Village), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's nonmajor governmental funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2019, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Village'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 Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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 Schedules of Required Supplementary Information for the Pension Plan and Other Post Employment Benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2019, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
November 6, 2019

Financial Section

State of New Mexico
Village of Questa
Government-Wide Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 972,615	\$ 78,744	\$ 1,051,359
Receivables			
Taxes	207,550	3,734	211,284
Accounts	21,722	212,047	233,769
Due from Grantor	5,777	4,066	9,843
Other	201,044	0	201,044
Total Current Assets	<u>1,408,708</u>	<u>298,591</u>	<u>1,707,299</u>
Noncurrent Assets			
Restricted Cash	604	67,656	68,260
Capital Assets	7,682,356	2,339,927	10,022,283
Less Accumulated Depreciation	<u>(4,858,293)</u>	<u>(1,135,808)</u>	<u>(5,994,101)</u>
Total Noncurrent Assets	<u>2,824,667</u>	<u>1,271,775</u>	<u>4,096,442</u>
Total Assets	<u>4,233,375</u>	<u>1,570,366</u>	<u>5,803,741</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	212,968	63,614	276,582
Deferred Outflows Related to Other Post Employment Benefits	<u>8,220</u>	<u>2,455</u>	<u>10,675</u>
Total Deferred Outflows of Resources	<u>221,188</u>	<u>66,069</u>	<u>287,257</u>
Liabilities			
Current Liabilities			
Accounts Payable	208,968	6,480	215,448
Accrued Salaries and Benefits	24,444	7,614	32,058
Accrued Interest	374	300	674
Compensated Absences	11,796	6,178	17,974
Current Portion of Long-Term Debt	41,451	16,101	57,552
Total Current Liabilities	<u>287,033</u>	<u>36,673</u>	<u>323,706</u>
Noncurrent Liabilities			
Long Term Debt	170,509	181,580	352,089
Net Pension Liability	750,623	224,212	974,835
Net Other Post Employment Benefits	354,578	105,913	460,491
Total Noncurrent Liabilities	<u>1,275,710</u>	<u>511,705</u>	<u>1,787,415</u>
Total Liabilities	<u>1,562,743</u>	<u>548,378</u>	<u>2,111,121</u>
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	89,691	26,791	116,482
Deferred Inflows Related to Other Post Employment Benefits	<u>137,568</u>	<u>41,092</u>	<u>178,660</u>
Total Deferred Inflows of Resources	<u>227,259</u>	<u>67,883</u>	<u>295,142</u>
Net Position			
Net Investment in Capital Assets	2,031,989	1,006,438	3,038,427
Restricted for Special Revenue	472,762	0	472,762
Unrestricted	159,810	13,736	173,546
Total Net Position	<u>\$ 2,664,561</u>	<u>\$ 1,020,174</u>	<u>\$ 3,684,735</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
Government-Wide Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Business-Type Activities	Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants			Total
Governmental Activities							
General Government	\$ 610,394	\$ 12,285	\$ 453,494	\$ 0	\$ (144,615)	\$ 0	\$ (144,615)
Public Safety	797,933	166,934	376,637	0	(254,362)	0	(254,362)
Public Works	164,406	35,640	112,759	0	(16,007)	0	(16,007)
Environmental	421,066	0	146,225	0	(274,841)	0	(274,841)
Economic Development	34,445	27,550	25,000	0	18,105	0	18,105
Culture & Recreation	106,710	140	14,493	0	(92,077)	0	(92,077)
Interest	5,550	0	0	0	(5,550)	0	(5,550)
Total Governmental Activities	\$ 2,140,504	\$ 242,549	\$ 1,128,608	\$ 0	(769,347)	0	(769,347)
Business-Type Activities							
Water	\$ 273,678	\$ 283,221	\$ 0	\$ 4,066	0	13,609	13,609
Sewer	142,238	171,503	0	0	0	29,265	29,265
Solid Waste	240,005	237,421	0	0	0	(2,584)	(2,584)
Total Business-type Activities	\$ 655,921	\$ 692,145	\$ 0	\$ 4,066	0	40,290	40,290
General Revenues							
Taxes							
Property					164,460	0	164,460
Gross Receipts					527,566	0	527,566
Franchise					54,366	0	54,366
Gasoline					27,542	0	27,542
Environmental Gross Receipts					0	12,012	12,012
Miscellaneous					295,059	0	295,059
Total General Revenues and Transfers					1,068,993	12,012	1,081,005
Change in Net Position					299,646	52,302	351,948
Net Position - Beginning					2,213,693	1,113,183	3,326,876
Restatement					151,222	(145,311)	5,911
Restated Net Position					2,364,915	967,872	3,332,787
Net Position - Ending					\$ 2,664,561	\$ 1,020,174	\$ 3,684,735

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
 Governmental Funds
 Balance Sheet
 June 30, 2019

	General	Special Revenue	
		EMS and Ambulance	Streets
Assets			
Cash and Cash Equivalents	\$ 511,822	\$ 111,926	\$ 312,117
Receivables			
Taxes	205,315	0	2,235
Accounts	0	21,722	0
Due from Grantor	5,777	0	0
Other	920	0	0
Restricted Cash	0	0	0
Total Assets	<u>\$ 723,834</u>	<u>\$ 133,648</u>	<u>\$ 314,352</u>
Liabilities			
Current Liabilities			
Accounts Payables	\$ 6,042	\$ 390	\$ 1,709
Accrued Salaries and Benefits	14,654	8,608	0
Total Liabilities	<u>20,696</u>	<u>8,998</u>	<u>1,709</u>
Fund Balances			
Restricted for:			
Special Revenue	0	124,650	312,643
Unassigned	703,138	0	0
Total Fund Balances	<u>703,138</u>	<u>124,650</u>	<u>312,643</u>
Total Liabilities and Fund Balances	<u>\$ 723,834</u>	<u>\$ 133,648</u>	<u>\$ 314,352</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
Governmental Funds
Balance Sheet
June 30, 2019

	<u>Special Revenue</u>		Non-Major
	<u>Oversight</u>	<u>Grants</u>	Governmental
			<u>Funds</u>
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 36,750
Receivables			
Taxes	0	0	0
Accounts	0	0	0
Due from Grantor	0	0	0
Other	200,124	0	0
Restricted Cash	0	0	604
Total Assets	<u>\$ 200,124</u>	<u>\$ 0</u>	<u>\$ 37,354</u>
Liabilities			
Current Liabilities			
Accounts Payables	\$ 200,124	\$ 0	\$ 703
Accrued Salaries and Benefits	0	0	1,182
Total Liabilities	<u>200,124</u>	<u>0</u>	<u>1,885</u>
Fund Balances			
Restricted for:			
Special Revenue	0	0	35,469
Unassigned	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>35,469</u>
Total Liabilities and Fund Balances	<u>\$ 200,124</u>	<u>\$ 0</u>	<u>\$ 37,354</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
 Governmental Funds
 Balance Sheet
 June 30, 2019

	<u>Total Governmental Funds</u>
Assets	
Cash and Cash Equivalents	\$ 972,615
Receivables	
Taxes	207,550
Accounts	21,722
Due from Grantor	5,777
Other	201,044
Restricted Cash	604
Total Assets	<u>\$ 1,409,312</u>
Liabilities	
Current Liabilities	
Accounts Payables	\$ 208,968
Accrued Salaries and Benefits	24,444
Total Liabilities	<u>233,412</u>
Fund Balances	
Restricted for:	
Special Revenue	472,762
Unassigned	703,138
Total Fund Balances	<u>1,175,900</u>
Total Liabilities and Fund Balances	<u>\$ 1,409,312</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2019

Total Fund Balance - Governmental Funds \$ 1,175,900

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 as assets in governmental funds.

Capital Assets	\$ 7,682,356	
Accumulated Depreciation	<u>(4,858,293)</u>	2,824,063

Deferred Outflows and Inflows Related to Pensions and Other Post Employment Benefits (OPEB) are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	212,968	
Deferred Outflows Related to OPEB	8,220	
Deferred Inflows Related to Pensions	(89,691)	
Deferred Inflows Related to OPEB	<u>(137,568)</u>	(6,071)

Long-term and certain other liabilities, including notes 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 :

Notes Payable	(211,960)	
Net Pension Liability	(750,623)	
Net Other Post Employment Benefits	(354,578)	
Accrued interest on Notes Payable	(374)	
Compensated Absences	<u>(11,796)</u>	<u>(1,329,331)</u>

Total Net Position - Governmental Activities \$ 2,664,561

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2019

	General	Special Revenue	
		EMS and Ambulance	Streets
Revenues			
Taxes			
Property	\$ 164,460	\$ 0	\$ 0
Gross Receipts	527,566	0	0
Franchise	54,366	0	0
Gasoline	0	0	27,542
State Grants	633,811	25,745	97,193
Federal Grants	7,787	0	0
Local Grants	63,180	120,000	0
Fines and Forfeits	12,403	0	0
Charges for Services	40,190	150,156	0
Miscellaneous	17,446	2,252	0
Total Revenues	1,521,209	298,153	124,735
Expenditures			
Current			
General Government	592,934	0	0
Public Safety	311,637	305,438	0
Public Works	11,089	0	40,980
Environmental	146,308	0	0
Economic Development	17,601	0	0
Culture and Recreation	82,436	0	0
Capital Outlay	50,000	28,478	88,507
Debt Service			
Principal	5,000	0	0
Interest	0	0	0
Total Expenditures	1,217,005	333,916	129,487
Excess (Deficiency) of Revenues Over Expenditures	304,204	(35,763)	(4,752)
Other Financing Sources (Uses)			
Transfers	9,408	39,739	292,230
Total Other Sources (Uses)	9,408	39,739	292,230
Net Change in Fund Balance	313,612	3,976	287,478
Fund Balance at Beginning of year	369,054	(521)	25,165
Restatement-Note P	20,472	121,195	0
Restated Beginning Fund Balance	389,526	120,674	25,165
Fund Balance End of Year	\$ 703,138	\$ 124,650	\$ 312,643

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2019

	Special Revenue		Non-Major Governmental Funds
	Oversight	Grants	
Revenues			
Taxes			
Property	\$ 0	\$ 0	\$ 0
Gross Receipts	0	0	0
Franchise	0	0	0
Gasoline	0	0	0
State Grants	0	0	180,892
Federal Grants	0	0	0
Local Grants	0	0	0
Fines and Forfeits	0	0	4,160
Charges for Services	0	0	35,640
Miscellaneous	274,758	0	603
Total Revenues	<u>274,758</u>	<u>0</u>	<u>221,295</u>
Expenditures			
Current			
General Government	0	0	0
Public Safety	0	0	96,973
Public Works	0	0	40,122
Environmental	274,758	0	0
Economic Development	0	0	0
Culture and Recreation	0	0	0
Capital Outlay	0	0	60,921
Debt Service			
Principal	0	0	31,846
Interest	0	0	5,176
Total Expenditures	<u>274,758</u>	<u>0</u>	<u>235,038</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>(13,743)</u>
Other Financing Sources (Uses)			
Transfers	0	(327,904)	(13,473)
Total Other Sources (Uses)	<u>0</u>	<u>(327,904)</u>	<u>(13,473)</u>
Net Change in Fund Balance	<u>0</u>	<u>(327,904)</u>	<u>(27,216)</u>
Fund Balance at Beginning of year	0	327,904	102,287
Restatement-Note P	0	0	(39,602)
Restated Beginning Fund Balance	<u>0</u>	<u>327,904</u>	<u>62,685</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 35,469</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2019

	<u>Total Governmental Funds</u>
Revenues	
Taxes	
Property	\$ 164,460
Gross Receipts	527,566
Franchise	54,366
Gasoline	27,542
State Grants	937,641
Federal Grants	7,787
Local Grants	183,180
Fines and Forfeits	16,563
Charges for Services	225,986
Miscellaneous	295,059
Total Revenues	<u>2,440,150</u>
Expenditures	
Current	
General Government	592,934
Public Safety	714,048
Public Works	92,191
Environmental	421,066
Economic Development	17,601
Culture and Recreation	82,436
Capital Outlay	227,906
Debt Service	
Principal	36,846
Interest	5,176
Total Expenditures	<u>2,190,204</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>249,946</u>
Other Financing Sources (Uses)	
Transfers	0
Total Other Sources (Uses)	<u>0</u>
Net Change in Fund Balance	<u>249,946</u>
Fund Balance at Beginning of year	823,889
Restatement-Note P	102,065
Restated Beginning Fund Balance	<u>925,954</u>
Fund Balance End of Year	<u>\$ 1,175,900</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2019

Net Change in Fund Balance \$ 249,946

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, for 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.

Depreciation expense	\$ (182,557)	
Capital Outlay	<u>227,906</u>	45,349

Pension and Other Post Employment Benefit (OPEB) contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension and Other Post Employment Benefit expenses are reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	44,768	
OPEB Contributions	8,220	
Pension Expense	(102,849)	
OPEB Expense	<u>15,496</u>	(34,365)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

36,846

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest, June 30, 2018	0	
Accrued Interest, June 30, 2019	<u>(374)</u>	(374)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2018	14,040	
Compensated Absences, June 30, 2019	<u>(11,796)</u>	<u>2,244</u>

Changes in Net Position of Governmental Activities \$ 299,646

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
 General Fund
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Non-GAAP-Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
Property	\$ 154,806	\$ 163,122	\$ 163,122	\$ 0
Franchise	48,086	48,086	30,284	(17,802)
Gross Receipts	455,340	458,304	453,531	(4,773)
State Grants	90,000	390,276	628,034	237,758
Federal Grants	0	0	7,787	7,787
Local Grants	0	0	58,000	58,000
License and Permits	4,600	5,380	5,380	0
Fines & Forfeits	4,260	12,404	12,403	(1)
Charges for Services	41,251	43,218	40,191	(3,027)
Miscellaneous	53,687	64,204	18,369	(45,835)
Total Revenues	<u>852,030</u>	<u>1,184,994</u>	<u>1,417,101</u>	<u>232,107</u>
Expenditures				
Executive				
Personnel Services	23,401	23,401	23,400	1
Benefits	3,574	3,405	3,403	2
Operating Expenses	6,359	9,018	37,204	(28,186)
Total Executive	<u>33,334</u>	<u>35,824</u>	<u>64,007</u>	<u>(28,183)</u>
Judicial				
Personnel Services	18,813	18,842	18,562	280
Benefits	1,700	1,671	1,494	177
Operating Expenses	25,210	29,189	28,836	353
Total Judicial	<u>45,723</u>	<u>49,702</u>	<u>48,892</u>	<u>810</u>
General Administration				
Personnel Services	168,503	167,398	167,398	0
Benefits	79,463	83,762	83,754	8
Operating Expenses	164,384	239,346	234,421	4,925
Total General Administration	<u>412,350</u>	<u>490,506</u>	<u>485,573</u>	<u>4,933</u>
Police Department				
Personnel Services	170,934	171,234	159,774	11,460
Benefits	112,039	104,245	87,343	16,902
Operating Expenses	62,397	70,032	66,989	3,043
Capital Outlay	0	50,000	50,000	0
Total Police Department	<u>345,370</u>	<u>395,511</u>	<u>364,106</u>	<u>31,405</u>
Airport				
Operating Expenses	14,555	14,555	13,744	811
Total Airport	<u>\$ 14,555</u>	<u>\$ 14,555</u>	<u>\$ 13,744</u>	<u>\$ 811</u>

State of New Mexico
Village of Questa
 General Fund
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Non-GAAP-Budgetary Basis)
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Environmental				
Operating Expenses	\$ 150,000	\$ 150,000	\$ 146,308	\$ 3,692
Total Environmental	<u>150,000</u>	<u>150,000</u>	<u>146,308</u>	<u>3,692</u>
Economic Development				
Operating Expenses	3,000	10,771	17,492	(6,721)
Total Economic Development	<u>3,000</u>	<u>10,771</u>	<u>17,492</u>	<u>(6,721)</u>
Library				
Personnel Services	16,847	19,528	19,527	1
Benefits	1,564	2,983	2,982	1
Operating Expenses	9,395	31,086	29,357	1,729
Total Library	<u>27,806</u>	<u>53,597</u>	<u>51,866</u>	<u>1,731</u>
Recreation				
Operating Expenses	7,306	7,306	11,380	(4,074)
Total Recreation	<u>7,306</u>	<u>7,306</u>	<u>11,380</u>	<u>(4,074)</u>
Community Center				
Personnel Services	1,560	1,210	426	784
Benefits	144	144	38	106
Operating Expenses	15,784	17,291	16,573	718
Total Community Center	<u>17,488</u>	<u>18,645</u>	<u>17,037</u>	<u>1,608</u>
Senior Citizens				
Operating Expenses	250	250	0	250
Total Senior Citizens	<u>250</u>	<u>250</u>	<u>0</u>	<u>250</u>
Debt Service				
Principal	5,000	5,000	5,000	0
Total Debt Service	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>
Total Expenditures	<u>1,062,182</u>	<u>1,231,667</u>	<u>1,225,405</u>	<u>6,262</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>(210,152)</u>	\$ <u>(46,673)</u>	\$ <u>191,696</u>	\$ <u>238,369</u>

State of New Mexico

Village of Questa

General Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)

For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers In	\$ 0	\$ 0	\$ 52,745	\$ (52,745)
Transfers Out	<u>(102,305)</u>	<u>(129,067)</u>	<u>(43,338)</u>	<u>(85,729)</u>
Total Other Sources (Uses)	<u>(102,305)</u>	<u>(129,067)</u>	<u>9,407</u>	<u>(138,474)</u>
Net Change in Fund Balance	(312,457)	(175,740)	201,103	(376,843)
Cash Balance Beginning of Year	<u>310,719</u>	<u>310,719</u>	<u>310,719</u>	<u>0</u>
Cash Balance End of Year	<u><u>\$ (1,738)</u></u>	<u><u>\$ 134,979</u></u>	<u><u>\$ 511,822</u></u>	<u><u>\$ (376,843)</u></u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 201,103	
Net Change in Taxes Receivables			104,110	
Net Change in Accounts Payable			5,848	
Net Change in Accrued Salaries and Benefits			<u>2,551</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u><u>\$ 313,612</u></u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico

Village of Questa

Special Revenue Fund-EMS and Ambulance

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Charge for Services	\$ 50,000	\$ 149,644	\$ 149,642	\$ (2)
County Subsidy	100,000	120,000	120,000	0
State Grant	7,470	25,745	25,745	0
Miscellaneous	0	0	2,252	2,252
Total Revenues	<u>157,470</u>	<u>295,389</u>	<u>297,639</u>	<u>2,250</u>
Expenditures				
Public Safety				
Personnel Services	149,701	149,779	149,777	2
Benefits	60,325	63,081	54,875	8,206
Operating Expenses	59,029	96,789	92,309	4,480
Capital Outlay	0	28,479	28,478	1
Total Expenditures	<u>269,055</u>	<u>338,128</u>	<u>325,439</u>	<u>12,689</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(111,585)</u>	<u>(42,739)</u>	<u>(27,800)</u>	<u>14,939</u>
Other Financing Sources (Uses)				
Transfers In	0	0	39,739	(39,739)
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>39,739</u>	<u>(39,739)</u>
Net Change in Fund Balance	(111,585)	(42,739)	11,939	(54,678)
Cash Balance Beginning of Year	<u>99,987</u>	<u>99,987</u>	<u>99,987</u>	<u>0</u>
Cash Balance End of Year	<u>\$ (11,598)</u>	<u>\$ 57,248</u>	<u>\$ 111,926</u>	<u>\$ (54,678)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 11,939	
Net Change in Receivables			514	
Net Change in Accounts Payable			131	
Net Change in Accrued Salaries			(8,608)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 3,976</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
Special Revenue Fund-Streets
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Gasoline Tax	\$ 23,440	\$ 27,855	\$ 27,854	\$ (1)
State Grant	100,000	100,000	97,192	(2,808)
Total Revenues	<u>123,440</u>	<u>127,855</u>	<u>125,046</u>	<u>(2,809)</u>
Expenditures				
Public Works				
Operating Expenses	50,250	52,974	39,271	13,703
Capital Outlay	7,000	105,445	88,506	16,939
Total Expenditures	<u>57,250</u>	<u>158,419</u>	<u>127,777</u>	<u>30,642</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>66,190</u>	<u>(30,564)</u>	<u>(2,731)</u>	<u>27,833</u>
Other Financing Sources (Uses)				
Transfers In	0	292,230	292,230	0
Total Other Sources (Uses)	<u>0</u>	<u>292,230</u>	<u>292,230</u>	<u>0</u>
Net Change in Fund Balance	66,190	261,666	289,499	(27,833)
Cash Balance Beginning of Year	<u>22,618</u>	<u>22,618</u>	<u>22,618</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 88,808</u>	<u>\$ 284,284</u>	<u>\$ 312,117</u>	<u>\$ (27,833)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 289,499	
Net Change in Receivables			(312)	
Net Change in Accounts Payable			(1,709)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 287,478</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
Special Revenue Fund-Oversight
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Miscellaneous	\$ 200,000	\$ 200,000	\$ 74,634	\$ (125,366)
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>74,634</u>	<u>(125,366)</u>
Expenditures				
Environmental				
Operating Expenses	200,000	200,000	74,634	125,366
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>74,634</u>	<u>125,366</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Net Change in Receivables			200,124	
Net Change in Accounts Payable			(200,124)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
Special Revenue Fund-Grants
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 61,969	\$ 61,969	\$ 61,969	\$ 0
Total Revenues	<u>61,969</u>	<u>61,969</u>	<u>61,969</u>	<u>0</u>
Expenditures				
Public Works				
Operating Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>61,969</u>	<u>61,969</u>	<u>61,969</u>	<u>0</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(327,903)</u>	<u>(327,903)</u>	<u>(327,903)</u>	<u>0</u>
Total Other Sources (Uses)	<u>(327,903)</u>	<u>(327,903)</u>	<u>(327,903)</u>	<u>0</u>
Net Change in Fund Balance	(265,934)	(265,934)	(265,934)	
Cash Balance Beginning of Year	<u>265,934</u>	<u>265,934</u>	<u>265,934</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (265,934)	
Net Change in Receivables			<u>(61,970)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (327,904)</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
Proprietary Fund
Statement of Net Position
June 30, 2019

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 78,744
Receivables	
Accounts	212,047
Taxes	3,734
Due from Grantor	4,066
Total Current Assets	<u>298,591</u>
Noncurrent Assets	
Restricted Cash	67,656
Capital Assets	2,339,927
Less Accumulated Depreciation	<u>(1,135,808)</u>
Total Noncurrent Assets	<u>1,271,775</u>
Total Assets	<u>1,570,366</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	63,614
Deferred Outflows Related to Other Post Employment Benefits	<u>2,455</u>
Total Deferred Outflows of Resources	<u>66,069</u>
Total Assets and Deferred Inflows of Resources	<u>\$ 1,636,435</u>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 6,480
Accrued Salaries and Benefits	7,614
Accrued Interest	300
Compensated Absences	6,178
Current Amount Due	<u>16,101</u>
Total Current Liabilities	<u>36,673</u>
Noncurrent Liabilities	
Bonds and Loans	181,580
Net Pension Liability	224,212
Net Other Post Employment Benefits	<u>105,913</u>
Total Noncurrent Liabilities	<u>511,705</u>
Total Liabilities	<u>548,378</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	26,791
Deferred Inflows Related to Other Post Employment Benefits	<u>41,092</u>
Total Deferred Inflows of Resources	<u>67,883</u>
Net Position	
Net Investment in Capital Assets	1,006,438
Unrestricted	<u>13,736</u>
Total Net Position	<u>1,020,174</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,636,435</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
Proprietary Fund-Joint Utilities
Statement of Revenue, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

Revenues	
Sales and Service	\$ 662,549
Other	29,595
Total Revenues	<u>692,144</u>
Expenses	
Operating Expenses	615,363
Depreciation	38,882
Total Expenses	<u>654,245</u>
Operating Income (Loss)	<u>37,899</u>
Nonoperating Revenue (Expenses)	
Environmental Gross Receipts Tax	12,012
State Grant	4,066
Interest Expense	<u>(1,675)</u>
Total Nonoperating Revenue (Expense)	<u>14,403</u>
Change in Net Position	<u>52,302</u>
Total Net Position - Beginning	991,988
Restatement-Note L	<u>(24,116)</u>
Restated Beginning Net Position	<u>967,872</u>
Total Net Position - Ending	<u>\$ 1,020,174</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
Proprietary Fund
Combined Statement of Cash Flows
For the Year Ended June 30, 2019

Cash Flows from Operating Activities	
Cash Received From Customers	\$ 648,308
Cash Paid to Suppliers and Employees	(611,290)
Net Cash Provided by Operating Activities	<u>37,018</u>
Cash Flows from Noncapital Financing Activities	
Taxes	10,356
State Grant	<u>0</u>
Net Cash Provided by Noncapital Financing Activities	<u>10,356</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(10,332)
Principal Paid	(18,687)
Interest Paid	<u>(1,375)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(30,394)</u>
Net Increase (Decrease) in Cash	16,980
Cash, Beginning of Year	<u>129,420</u>
Cash, End of Year	\$ <u><u>146,400</u></u>
Cash and Cash Equivalents	\$ 78,744
Restricted Cash	<u>67,656</u>
Total Cash	\$ <u><u>146,400</u></u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 37,899
Depreciation	38,882
Pension Expense	20,321
Other Post Employment Benefits Expense	(3,049)
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(43,836)
(Increase) Decrease in Taxes Receivable	(1,656)
(Increase) Decrease in Due from Grantor	(4,066)
Increase (Decrease) in Accounts Payable	(4,539)
Increase (Decrease) in Accrued Salaries & Benefits	(4,911)
Increase (Decrease) in Compensated Absences	1,673
Increase (Decrease) in Accrued Interest	300
Net Cash Provided by Operating Activities	\$ <u><u>37,018</u></u>

The notes to the financial statements are an integral part of this statement.

A. Summary of Significant Accounting Policies

The financial statements of the Village of Questa (Village) have been prepared in accordance with general accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. The more significant of the Village's accounting policies are described below.

Financial Reporting Entity

The Village was incorporated under the laws of the State of New Mexico. 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), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The Village has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected Village members are financially accountable. There are no other primary governments with which the Village Board Members are financially accountable. There are no other primary governments with which the Village has a significant relationship.

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the Village are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

Basis of Presentation

Government-Wide Financial Statements (GWFS)

The government-wide financial statements (the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the activities of the Village. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular program which includes public safety grants for the fire protection and law enforcement and 3) capital grants or contributions restricted to meeting capital requirements of a particular program including the USDA grant to construct a sewer system. Taxes and other items not properly included amount program revenues are reported instead as general revenues.

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following major governmental funds:

General - The General Fund is the general operating fund of the Village and accounts for all revenues and expenditures of the Village not encompassed within other funds.

EMS and Ambulance - To account for the operation and maintenance of the Village EMS Department. Financing is primarily from an annual EMS allotment and fees collected for emergency transportation. The fund was created by the authority of state grant provisions. (NMSA 59A-53-1)

Streets - To account for the receipts and expenditures of special gasoline tax which is restricted for use in repairing and maintaining roads and streets within the municipality. The fund was created by the authority of state statute. (NMSA 7-1-16.9 and 7-13-1 to 18)

Oversight - To account for reimbursements received from Chevron to fund oversight costs associated with the environmental clean up of the mining operation. The fund was created by definition.

Grants - To account for grants received for special projects. The grants were moved to alien with the new chart of accounts required by Department of Finance and Administration. The fund was created by definition.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The Village has presented the following major proprietary funds:

Joint Utility - The funds are used to account for the provision of Joint Utility to the residents of the Village. Activities of the funds include administration, operations and maintenance of the Joint Utility system and billing and collection activities. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for Joint Utility debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Additionally, the Village reports the following non-major funds types:

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

Capital Projects Funds - The Capital Projects Funds is used to account for all resources for the acquisition of capital facilities.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Derived tax revenue, such as franchise and sales tax revenue, is recognized when the underlying exchange transaction occurs.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Village's taxpayer or citizenry, as a whole; program revenues reduced the cost of the function to be financed from the Village's general revenues. Program revenues include charges for services or applicants who purchase, use or directly benefit from the goods or services provided by the given function.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Budget comparison schedules are no longer required for non-major funds and are not included.

Budgetary Control

1. Prior to June 1, the Village's Finance Director/Treasurer submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration.
3. The Village treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Trustees and the State Department of Finance and Administration.
4. Formal budgetary integration is employed as a management control device during the year for all funds.
5. The level of budget authority is at the fund level.

The Proprietary Funds group accounts for funds received in the course of the operation of self-supporting functions which receive their revenues from providing goods or services to internal or external customers. The two types of funds that make up this category are:

1. Enterprise Funds. Enterprise Funds account for operations carried out and financed like a business operation, usually designated to be self-supporting through fees for services and generating revenues from outside sources. The Village has one of these funds ,the Joint Utility Fund. Enterprise Funds are budgeted as separate cost centers but as integral parts of the work programs.
2. Internal Service Fund (ISF). An ISF accounts for financing goods or services provided by an organizational unit of the Village to other units of the Village, on a self-liquidating, fee-for-service basis. The Village does not have an ISF Fund.

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.

The Village is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the Village may be invested in :

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or Village which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or

(b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Prepaid Items

Prepaid balances are for payments made by the Village in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Property Taxes

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

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Inventory

Purchased inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of pipe and other maintenance items used to maintain the system. Costs are recorded as expenditures at the time individual inventory items are used (consumption method).

Capital Assets

Capital assets, which includes property, plant, equipment (including software), and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The construction period interest is not capitalized in the proprietary funds.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings, Improvements and Infrastructure	20-50 Years
Equipment and Vehicles	3-15 Years

Use of Restricted Funds

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

Revenue

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water, Waste Water and the Solid Waste Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Unearned and Unavailable Revenue

The Village reports unearned and unavailable revenues on its Statement of Net Position and Fund Balance Sheet. Unearned revenues arise when resources are received by the Village before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Village has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and the revenue is recognized. Unavailable revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Compensated Absences

< 5 years 3.08 hours per pay period - All employees, with the exception of temporary employees, are eligible to earn and use vacation time as described in this policy. Regular full-time employees with less than five years of service and full-time probationary employees are entitled to 2 weeks of annual leave per year, which accumulates at the rate of 3.08 hours per pay period. - All employees, with the exception of temporary employees, are eligible to earn and use vacation time as described in this policy. Regular full-time employees with less than five years of service and full-time probationary employees are entitled to 2 weeks of annual leave per year, which accumulates at the rate of 3.08 hours per pay period.

After 5 years. - Regular, full-time employees after five years of service are entitled to 3 weeks per year, which accumulates at the rate of 9.24 hours per month. Regular, full-time employees with fifteen years of service are entitled to four weeks per year, which accumulates at the rate of 12.30 hours per month. Regular part-time employees are entitled to annual leave on a pro rata basis.

For purposes of employee benefits, a “part-time” employee is defined as an employee who works 20-31 hours per workweek, unless otherwise provided in specific sections of these policies. A part-time employee is entitled to receive half the employee benefits available to a full-time employee, unless otherwise stated in these policies.

Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The Village does not have any activity in short-term debt.

Long-Term Liabilities

In the government-wide 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 are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is minimal. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net of debt proceeds received, are reported as debt service expenditures.

Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net positions are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net positions are available it will first be applied to restricted resources.

Restricted Net Position

For the government-wide statement of net position, net positions are reported as restricted when constraints placed on net positions use are either:

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

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Nonspendable fund balance indicates that portion of fund equity is not spendable such as inventory.

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

Revenue

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

Reconciliation of Budgetary Basis to GAAP Basis Statements

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

Reconciliations are located at the bottom of each Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Non-GAAP-Budgetary Basis)

B. Deposits and Investments

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

<u>Name of Account</u>	Balance Per Bank 06/30/2019	Reconciled Balance	<u>Type</u>
General Fund	\$ 497,763	\$ 543,043	Checking-Non-Interest Bearing
Payroll Account	10,093	3,000	Checking-Non-Interest Bearing
Clearing Account	257,278	139,031	Checking-Non-Interest Bearing
MVD Clearing	3,628	2,000	Checking-Non-Interest Bearing
Oversight Account	18,782	14,918	Checking-Non-Interest Bearing
EMS Account	200	0	Checking-Non-Interest Bearing
Ambulance	112,806	111,926	Checking-Non-Interest Bearing
Fire Protection	24,892	24,583	Checking-Non-Interest Bearing
Law Enforcement Protection	508	1	Checking-Non-Interest Bearing
Municipal Court	3,110	1,038	Checking-Non-Interest Bearing
Airport Grant	0	0	Checking-Non-Interest Bearing
CDBG	0	0	Checking-Non-Interest Bearing
Enterprise	113,183	82,810	Checking-Non-Interest Bearing
Water Rights	31,739	31,739	Checking-Non-Interest Bearing
Sewer Revenue	9,245	9,245	Checking-Non-Interest Bearing
Total Deposited	<u>1,083,227</u>	<u>\$ 963,334</u>	
Less FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	833,227		
50% collateral requirement	416,614		
Pledged securities	<u>492,059</u>		
Over (Under) requirement	<u>\$ 75,446</u>		

The difference between the bank balance and reconciled balance is outstanding deposits, outstanding checks, and pending bank adjustments.

The following securities are pledged at Hillcrest Bank:

<u>Description</u>	<u>CUSIP #</u>	Par/Market Value	<u>Maturity Date</u>	Place of Safekeeping
FNM17099 PA	3128P7P56	\$ 391,625	11/01/2030	FHLB
FNR 2013 26 QK	38379UFP6	100,434	12/16/2056	Dallas, TX
		<u>\$ 492,059</u>		

<u>Name of Account</u>	Balance Per Bank 06/30/2019	Reconciled Balance	<u>Type</u>
Village of Questa	\$ 10,000	\$ 10,000	Savings
Village of Questa	5,000	5,000	Savings
Total Deposited	<u>15,000</u>	<u>\$ 15,000</u>	
Less FDIC Coverage	<u>(15,000)</u>		
Uninsured Amount	<u>\$ 0</u>		

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Questa Credit Union

<u>Name of Account</u>	Balance Per Bank 06/30/2019	Reconciled Balance	Type
Village of Questa	\$ 140,481	\$ 140,481	Savings
Total Deposited	140,481	\$ 140,481	
Less FDIC Coverage	(140,481)		
Uninsured Amount	\$ 0		

Restricted Cash held by NMFA

<u>Name of Account</u>	Balance Per Bank 06/30/2019	Reconciled Balance	Type
NMFA 12	\$ 96	\$ 96	Savings
NMFA 13	508	508	Savings
Total Deposited	\$ 604	\$ 604	

Custodial Credit Risk-Deposits

<u>Depository Account</u>	Bank Balance
Insured	\$ 405,481
Collateralized:	
Collateral held by the pledging bank in Village's name	492,059
Uninsured and uncollateralized	341,772
Total Deposits	\$ 1,239,312

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2019 \$341,772 of the Village's bank balance of \$1,239,312 was exposed to custodial credit risk.

There was \$604 restricted cash in the Fire Fund for the retirement of debt financed by New Mexico Finance Authority. The restricted cash in the Joint Utility Fund of \$67,656 is for retirement of debt.

C. Receivables

Receivables as of June 30, 2019, were as follows:

<u>Receivables</u>	<u>General</u>	<u>EMS and Ambulance</u>	<u>Streets</u>	<u>Oversight</u>	<u>Utilities</u>
Taxes					
Property	\$ 7,836	0	\$ 0	\$ 0	\$ 0
Gross Receipts	166,721	0	0	0	0
Franchise	30,758	0	0	0	0
Gasoline	0	0	2,235	0	0
Environmental	0	0	0	0	3,734
Other Receivables	920	0	0	200,124	0
Due From Grantor	5,777	0	0	0	4,066
Accounts	0	33,419	0	0	336,601
Less Allowance for Uncollectible Accounts	0	(11,697)	0	0	(124,554)
	\$ 212,012	\$ 21,722	\$ 2,235	\$ 200,124	\$ 219,847

D. Transfers Among Funds

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 52,745	\$ 43,338
EMS and Ambulance	39,739	0
Streets	292,230	0
Grants	0	327,903
Corrections	0	17,000
Motor Vehicle Department	3,527	
	<u>\$ 388,241</u>	<u>\$ 388,241</u>

E. Capital Assets

Capital Assets Balances and Activity for the Year Ended June 30, 2019, is as follows:

	<u>Balance 6/30/18</u>	<u>Restatement</u>	<u>Restated Beginning Balance</u>
Governmental Activities			
Capital Assets, not being Depreciated			
Land	\$ 553,718	\$ 0	\$ 553,718
Construction in Progress	350,085	0	350,085
Total Capital Assets, not being Depreciated	<u>903,803</u>	<u>0</u>	<u>903,803</u>
Capital Assets, being Depreciated			
Infrastructure	0	0	0
Buildings and Improvements	4,562,653	0	4,562,653
Equipment	541,192	13,500	554,692
Vehicles	1,195,429	237,873	1,433,302
Total Capital Assets, being Depreciated	<u>6,299,274</u>	<u>251,373</u>	<u>6,550,647</u>
Total Capital Assets	<u>7,203,077</u>	<u>251,373</u>	<u>\$ 7,454,450</u>
Less Accumulated Depreciation			
Infrastructure	0	0	0
Buildings and Improvements	3,065,763	0	3,065,763
Equipment	349,482	13,500	362,982
Vehicles	1,009,119	237,873	1,246,992
Total Accumulated Depreciation	<u>4,424,364</u>	<u>251,373</u>	<u>4,675,737</u>
Capital Assets, net	<u>\$ 2,778,713</u>	<u>\$ 0</u>	<u>\$ 2,778,713</u>

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	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/2019</u>
Governmental Activities			
Capital Assets, not being Depreciated			
Land	\$ 0	\$ 0	\$ 553,718
Construction in Progress	0	(350,085)	0
Total Capital Assets, not being Depreciated	<u>0</u>	<u>(350,085)</u>	<u>553,718</u>
Capital Assets, being Depreciated			
Infrastructure	438,592	0	438,592
Buildings and Improvements	56,921	0	4,619,574
Equipment	18,095	0	572,787
Vehicles	64,383	0	1,497,685
Total Capital Assets, being Depreciated	<u>577,991</u>	<u>0</u>	<u>7,128,638</u>
Total Capital Assets	<u>\$ 577,991</u>	<u>\$ (350,085)</u>	<u>\$ 7,682,356</u>
Less Accumulated Depreciation			
Infrastructure	\$ 19,410	\$ 0	\$ 19,410
Buildings and Improvements	76,349	0	3,142,112
Equipment	33,508	0	396,490
Vehicles	53,289	0	1,300,281
Total Accumulated Depreciation	<u>182,556</u>	<u>0</u>	<u>4,858,293</u>
Capital Assets, net	<u>\$ 395,435</u>	<u>\$ (350,085)</u>	<u>\$ 2,824,063</u>
Depreciation expense was charged to governmental activities as follows:			
General	\$ 7,592		
Public Safety	63,990		
Public Works	70,668		
Health and Welfare	16,844		
Culture and Recreation	23,462		
Total Depreciation Expenses	<u>\$ 182,556</u>		

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	Balance 6/30/18	Restatement	Restated Beginning Balance
Joint Utility			
Capital Assets not being Depreciated			
Land	\$ 82,881	\$ 0	\$ 82,881
Construction in Progress	0	0	0
Total Capital Assets not being Depreciated	<u>82,881</u>	<u>0</u>	<u>82,881</u>
Other Capital Assets			
Utility Systems	1,629,624	0	1,629,624
Equipment	446,333	(13,500)	432,833
Vehicles	422,130	(237,873)	184,257
Total Capital Assets, being Depreciated	<u>\$ 2,498,087</u>	<u>\$ (251,373)</u>	<u>\$ 2,246,714</u>
Total Capital Assets	<u>\$ 2,580,968</u>	<u>\$ (251,373)</u>	<u>\$ 2,329,595</u>
Less Accumulated Depreciation			
Utility Systems	479,836	0	479,836
Equipment	446,333	(13,500)	432,833
Vehicles	422,130	(237,873)	184,257
Total Accumulated Depreciation	<u>1,348,299</u>	<u>(251,373)</u>	<u>1,096,926</u>
Capital Assets, net	<u>\$ 1,232,669</u>	<u>\$ 0</u>	<u>\$ 1,232,669</u>
Joint Utility			
	Increases	Decreases	Balance 6/30/19
Capital Assets not being Depreciated			
Land	\$ 0	\$ 0	\$ 82,881
Construction in Progress	0	0	0
Total Capital Assets not being Depreciated	<u>0</u>	<u>0</u>	<u>82,881</u>
Other Capital Assets			
Utility Systems	10,332	0	1,639,956
Equipment	0	0	432,833
Vehicles	0	0	184,257
Total Capital Assets, being Depreciated	<u>10,332</u>	<u>0</u>	<u>2,257,046</u>
Total Capital Assets	<u>10,332</u>	<u>0</u>	<u>2,339,927</u>
Less Accumulated Depreciation			
Utility Systems	38,882	0	518,718
Equipment	0	0	432,833
Vehicles	0	0	184,257
Total Accumulated Depreciation	<u>38,882</u>	<u>0</u>	<u>1,135,808</u>
Capital Assets, net	<u>\$ (28,550)</u>	<u>\$ 0</u>	<u>\$ 1,204,119</u>

F. Long-Term Liabilities and Other Liabilities

A summary of activity in the Long-Term Debt is as follows:

	Balance 6/30/18	Restatement	Restated Beginning Balance
Governmental Activities			
Notes Payable	\$ 317,180	\$ (68,374)	\$ 248,806
	<u> </u>	<u> </u>	<u> </u>
	Additions	Reductions	Balance 6/30/19
Governmental Activities			Due Within One Year
Notes Payable	\$ 0	\$ (36,846)	\$ 211,960
	<u> </u>	<u> </u>	<u> </u>
Other Liabilities	Balance 6/30/18	Earned	Used
Compensated Absences	\$ 11,030	\$ 16,022	\$ (15,256)
	<u> </u>	<u> </u>	<u> </u>
		Original Amount	Interest Rate
Description	Fund	Maturity Date	Balance
NMFA Fire 12	Fire	05/01/2024	\$ 313,534
NMFA Fire 13	Fire	05/01/2024	50,378
State Board of Finance	General	07/15/2027	79,239
			0.0%
			39,239
			<u> </u>
			\$ 211,960

The fire allotment grant has been pledged to cover the payments for fire truck and equipment loans.

The annual requirements to amortize the loans as of June 30, 2019, including interest payments are as follows:

	Principal	Interest	Total
2020	\$ 37,852	\$ 4,519	\$ 42,371
2021	38,762	3,751	42,513
2022	39,363	2,908	42,271
2023	40,368	2,009	42,377
2024	41,374	1,040	42,414
2025-2027	14,239	0	14,239
	<u> </u>	<u> </u>	<u> </u>
	\$ 211,958	\$ 14,227	\$ 226,185

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	Balance 6/30/18	Restatement	Restated Beginning Balance
Business-Type Activities			
Bonds and Loans	\$ 141,990	\$ 74,375	\$ 216,365
	<u>\$ 141,990</u>	<u>\$ 74,375</u>	<u>\$ 216,365</u>

	Additions	Reductions	Balance 6/30/19	Due Within One Year
Business-Type Activities				
Bonds and Loans	\$ 0	\$ (18,684)	\$ 197,681	\$ 16,101
	<u>\$ 0</u>	<u>\$ (18,684)</u>	<u>\$ 197,681</u>	<u>\$ 16,101</u>

	Balance 6/30/18	Earned	Used	Balance 6/30/19
Other Liabilities				
Compensated Absences	4,505	6,158	(4,485)	6,178
	<u>\$ 4,505</u>	<u>\$ 6,158</u>	<u>\$ (4,485)</u>	<u>\$ 6,178</u>

Description	Fund	Maturity Date	Original Amount	Interest Rate	Balance
State Board of Finance	Water	03/01/2037	\$ 71,973	0%	\$ 64,776
NMFA Water	Water	06/01/2032	112,834	0.25%	73,981
Series 1981	Sewer	12/01/2021	140,000	5%	24,000
NM Environment Department	Sewer	06/01/2033	49,891	0%	34,924
					<u>\$ 197,681</u>

The compensated absences ultimately will be liquidated by the Joint Utility Fund as they have been in the past.

The annual requirements to amortize the loans as of June 30, 2019, including interest payments are as follows:

	Principal	Interest	Total
2020	\$ 19,699	\$ 1,000	\$ 20,699
2021	19,713	600	20,313
2022	19,727	200	19,927
2023	11,741	0	11,741
2024	11,755	0	11,755
2025-2029	58,991	0	58,991
2030-2034	45,259	0	45,259
2035-2037	10,796	0	10,796
	<u>\$ 197,681</u>	<u>\$ 1,800</u>	<u>\$ 199,481</u>

G. Segment Information for the Joint Utility Fund

	Water	Sewer	Solid Waste	Total
Revenues				
Sales and Service	\$ 264,457	\$ 171,465	\$ 226,627	662,549
Other	18,763	38	10,794	29,595
Total Revenues	<u>283,220</u>	<u>171,503</u>	<u>237,421</u>	<u>692,144</u>
Expenses				
Operating Expenses	273,677	140,563	201,123	615,363
Depreciation	22,163	10,498	6,221	38,882
Total Expenses	<u>295,840</u>	<u>151,061</u>	<u>207,344</u>	<u>654,245</u>
Operating Income (Loss)	<u>(12,620)</u>	<u>20,442</u>	<u>30,077</u>	<u>37,899</u>
Nonoperating Revenue (Expenses)				
Environmental Gross Receipts Tax	0	12,012	0	12,012
State Grant	4,066	0	0	4,066
Interest Expense	0	(1,675)	0	(1,675)
Total Nonoperating Revenue (Expense)	<u>4,066</u>	<u>10,337</u>	<u>0</u>	<u>14,403</u>
Change in Net Position	<u>\$ (8,554)</u>	<u>\$ 30,779</u>	<u>\$ 30,077</u>	<u>\$ 52,302</u>

H. Retirement Plan

General Information about the Pension Plan

Public Employees Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits Provided – Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

Tier II-The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions – The following tables illustrate the various coverage options under the PERA plan and the contribution rates effective during the year.

PERA Contribution Rates and Pension Factors in effect during Fiscal Year 2018						
	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		Tier 1	Tier 2	
State Plan 3						
	7.42%	8.92%	16.99%	3.00%	2.50%	90%
Municipal Plan 1 (plan open to new employers)						
	7.00%	8.50%	7.40%	2.00%	2.00%	90%
Municipal Plan 2 (plan open to new employers)						
	9.15%	10.65%	9.55%	2.50%	2.00%	90%
Municipal Plan 3 (plan closed to new employers 6/00)						
	13.15%	14.65%	9.55%	3.00%	2.50%	90%
Municipal Plan 4 (plan closed to new employers 6/95)						
	15.65%	17.15%	12.05%	3.00%	2.50%	90%
Municipal Police Plan 1						
	7.00%	8.50%	10.40%	2.00%	2.00%	90%
Municipal Police Plan 2						
	7.00%	8.50%	15.40%	2.50%	2.00%	90%
Municipal Police Plan 3						
	7.00%	8.50%	18.90%	2.50%	2.00%	90%
Municipal Police Plan 4						
	12.35%	13.85%	18.90%	3.00%	2.50%	90%
Municipal Police Plan 5						
	16.30%	17.80%	18.90%	3.50%	3.00%	90%
Municipal Fire Plan 1						
	8.00%	9.50%	11.40%	2.00%	2.00%	90%
Municipal Fire Plan 2						
	8.00%	9.50%	17.90%	2.50%	2.00%	90%

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Municipal Fire Plan 3						
	8.00%	9.50%	21.65%	2.50%	2.00%	90%
Municipal Fire Plan 4						
	12.80%	14.30%	21.65%	3.00%	2.50%	90%
Municipal Fire Plan 5						
	16.20%	17.70%	21.65%	3.50%	3.00%	90%
Municipal Detention Officer Plan 1						
	16.65%	18.15%	17.05%	3.00%	3.00%	90%
State Police and Adult Correctional Officer Plan 1						
	7.60%	9.10%	25.50%	3.00%	3.00%	90%
State Plan 3 Peace Officer						
	7.42%	8.20%	16.99%	3.00%	3.00%	90%
Juvenile Correctional Officer Plan 2						
	4.78%	6.28%	26.12%	3.00%	3.00%	90%

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

For PERA Fund Division Municipal General, at June 30, 2019, the Village reported a liability of \$656,881 for its proportionate share of the net pension liability. At June 30, 2018, the Village's proportion was 0.0412 percent, which decreased by 0.0016 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Village recognized PERA Fund Division Municipal General Pension expense of \$80,787 and 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	\$ 18,984	\$ 17,246
Net difference between projected and actual earnings on pension plan investments	48,718	0
Changes of assumptions	59,556	3,777
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	4,781	35,824
Village's contributions subsequent to the measurement date	38,686	0
Total	<u>\$ 170,725</u>	<u>\$ 56,847</u>

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\$38,686 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2019	\$ 56,919
2020	14,371
2021	1,507
2022	2,395
Total	<u>\$ 75,192</u>

For PERA Fund Division Municipal Police, at June 30, 2019, the Village reported a liability of \$317,954 for its proportionate share of the net pension liability. At June 30, 2018, the Village's proportion was 0.0466%, which decreased by 0.0061% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Village recognized PERA Fund Division Municipal Police Pension expense of \$54,677 and 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	\$ 15,565	\$ 31,517
Net difference between projected and actual earnings on pension plan investments	21,880	0
Changes of assumptions	36,279	1,944
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	12,679	26,174
Village's contributions subsequent to the measurement date	19,454	0
Total	<u>\$ 105,857</u>	<u>\$ 59,635</u>

\$19,454 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2019	\$ 26,378
2020	445
2021	(1,114)
2022	1,059
Total	<u>\$ 26,768</u>

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate	20.00%	6.48%
Total	100.00%	

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

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

Sensitivity of the Village's proportionate share of the net pension liability to changes in the discount rate. The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Village's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
<u>PERA Fund General Division</u>			
The Village's proportionate share of the net pension liability	\$ <u>1,012,205</u>	\$ <u>656,881</u>	\$ <u>363,146</u>
<u>PERA Fund Police Division</u>			
The Village's proportionate share of the net pension liability	\$ <u>488,882</u>	\$ <u>317,954</u>	\$ <u>178,606</u>

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

I. Other Post-Employment Benefits (OPEB)
Retiree Health Care Plan

The New Mexico Retiree Health Care Village (the Village) 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 Retiree Health Care Fund (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.

Summary of Significant Accounting Policies. 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 Village (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.

Plan Description. 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 of the Village also participate in the Fund.

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, 2018, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>93,349</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 \$10,675 for the year ended June 30, 2019.

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	2.50% for ERB members; 2.25% for PERA members.
Projected payroll increases	3.25% to 12.50%, based on years of service, including inflation.
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 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 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) PERA members: RP-2000 Combined Healthy Mortality.

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>Long-Term Rate of</u>
U.S. core fixed income	2.1%
U.S. equity - large cap	7.1%
Non U.S. - emerging markets	10.2%
Non U.S. - developed	7.8%
Private equity	11.8%
Credit and structured	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity - small/mid cap	7.1%

Discount Rate

The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. 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, 2029. 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, 4.08% is the blended discount rate.

Sensitivity of the Net OPEB Liability

The following presents the net OPEB liability, calculated using the discount rate of 4.08%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
The Villages' proportionate share of the net OPEB liability	\$ 557,302	\$ 460,491	\$ 384,182

The following presents the Net OPEB Liability of the Village, as well as what the Fund’s Net OPEB Liability would be if it were calculated using a health cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the health cost trend rates used:

	1% Decrease	Current Trend Rates	1% Increase
The Villages' proportionate share of the net OPEB liability	\$ 389,276	\$ 460,491	\$ 516,325

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

At June 30, 2019, the Village reported a liability of \$460,491 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The Village’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the Village’s proportion was 0.01059%.

For the year ended June 30, 2019, the Village recognized OPEB expense of \$(13,255). At June 30, 2019 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
Differences between expected and actual experience	\$ 0	27,264
Net difference between projected and actual earnings on OPEB investments	0	5,747
Changes in assumptions	0	85,972
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	0	59,677
Village's contributions subsequent to the measurement date	10,675	0
	<u>\$ 10,675</u>	<u>178,660</u>

Deferred outflows of resources totaling \$30,811 represent 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year ended June</u>	
2019	\$ (42,874)
2020	(42,874)
2021	(42,874)
2022	(35,989)
2023	(14,049)
Total	<u>\$ (178,660)</u>

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, 2018.

J. 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, 2019, 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.

K. Construction and other Commitments

The Village is various road and utility projects.

L. Tax Abatement Disclosures

The Village has not been affected by a tax abatement.

M. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

N. Subsequent Events

Subsequent events were evaluated through November 6, 2019, which is the date the financial statements were available to be issued.

O. Joint Powers 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. 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.

P. Restatements

Net Position for the Governmental Activities was restated \$151,222 for the fund balance restatements discussed below and moving debt as described in the business-type fund restatement described below.

Net Position for the Business-Type activities was restated \$(145,311) as follows:

The Agency fund was combined with Joint Utilities because it was restricted cash for the retirement of the sewer bonds.

The Ambulance Fund was combined with the EMS Fund because a large amount of the revenue is a subsidy from Taos County. The Ambulance Fund is more accurately reflected as a special revenue fund rather than a business-type activity fund.

The loan from NM Environment Department loan was moved from general long-term debt account group to the Joint Utility Fund. The purpose of the loan was for improvements to the sewer system and the debt payments are being paid from the sewer fund.

The following fund balances were restated combining various funds to align with the DFA chart of accounts and funds.

<u>Fund</u>	<u>Amount</u>
General	\$ 20,472
EMS and Ambulance	121,195
Fire	348
Environmental Gross Receipts Tax	(27,106)
Recreation	(7,780)
Other Special Revenue	10,989
Capital Projects	(16,053)
	<u>\$ 102,065</u>

The EMS and Ambulance funds were combined.

The Fire Fund was restated to include cash balances held at NMFA for retirement of debt.

The Environmental Gross Receipts Tax Fund was combined with Joint Utilities because the purpose of the tax was to retire the sewer bonds.

The Recreation Fund was combined with the General Fund.

The Other Special Revenue Fund was split between the Oversight Fund and the General Fund.

The balance in the Capital Projects Fund was moved to Streets for a DOT project.

Required Supplemental Information

Village of Questa

Schedules of Required Supplementary Information and Notes for Pension Plan-Municipal General

Schedule of the Village's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2015	2016	2017	2018	2019
		2014	2015	2016	2017	2018
Village's proportion of the net pension liability.		0.0392%	0.0473%	0.0459%	0.0428%	0.0412%
Village's proportionate share of the net pension liability.	\$	305,802 \$	482,264 \$	733,328 \$	588,109 \$	656,881
Village's covered-employee payroll.	\$	391,818 \$	395,717 \$	376,236 \$	333,766 \$	405,092
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll.		78.05%	121.87%	194.91%	176.20%	162.16%
Plan fiduciary net position as a percentage of the total pension liability.		81.29%	76.99%	69.18%	73.74%	71.13%

*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village is not available prior to fiscal year 2015, the year the statement's requirements became effective.

Schedule of Village's

Last 10 Fiscal Years*

	June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution.	\$ 37,419	\$ 37,791	\$ 35,931	\$ 31,875	\$ 38,686
Contributions in relation to the contractually required contribution.	37,419	37,791	35,931	31,875	38,686
Contribution deficiency (excess).	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Village's covered-employee payroll.	\$ 391,818	\$ 395,717	\$ 376,236	\$ 333,766	\$ 405,092
Contributions as a percentage of covered-employee payroll.	9.55%	9.55%	9.55%	9.55%	9.55%

*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Village is not available prior to fiscal year 2015, the year the statement's requirements became effective.

Notes to Required Supplementary Information

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

Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2017 report is available at <http://www.nmpera.org/>

The notes to the financial statements are an integral part of this statement.

Village of Questa

Schedules of Required Supplementary Information and Notes for Pension Plan-Municipal Police

Schedule of the Village's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

	Fiscal Year	2015	2016	2017	2018	2019
	Measurement Date	2014	2015	2016	2017	2018
Village's proportion of the net pension liability.		0.0281%	0.0504%	0.0500%	0.0527%	0.0466%
Village's proportionate share of the net pension liability.	\$	91,603 \$	242,351 \$	368,915 \$	292,783 \$	317,654
Village's covered-employee payroll.		98,795	99,505	108,669	95,316	102,930
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll.		92.72%	243.56%	339.49%	307.17%	308.61%
Plan fiduciary net position as a percentage of the total pension liability.		81.29%	76.99%	69.18%	73.74%	71.13%

*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village is not available prior to fiscal year 2015, the year the statement's requirements became effective.

Schedule of Village's

Last 10 Fiscal Years*

	June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution.	\$ 18,672	\$ 18,806	\$ 20,539	\$ 18,015	\$ 19,454
Contributions in relation to the contractually required contribution.	18,672	18,806	20,539	18,015	19,454
Contribution deficiency (excess).	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Village's covered-employee payroll.	\$ 98,795	\$ 99,505	\$ 108,669	\$ 95,316	\$ 102,930
Contributions as a percentage of covered-employee payroll.	18.90%	18.90%	18.90%	18.90%	18.90%

*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Village is not available prior to fiscal year 2015, the year the statement's requirements became effective.

Notes to Required Supplementary Information

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

Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2017 report is available at <http://www.nmpera.org/>

The notes to the financial statements are an integral part of this statement.

State of New Mexico

Village of Questa

Schedules of Required Supplementary Information and Notes for Other Post Employment Benefits

Schedule of the Village's Proportionate Share of the Net Other Post Employment Benefits Liability

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2018 2017	2019 2018
Village's proportion of the net pension liability		0.01189%	0.01059%
Village's proportionate share of the net pension liability	\$	538,816	\$ 460,491
Village's covered-employee payroll	\$	429,083	\$ 508,022
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll		125.57%	90.64%
Plan fiduciary net position as a percentage of the total pension liability		11.34%	13.14%

*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village is not available prior to fiscal year 2015, the year the statement's requirements became effective.

Schedule of Village's Contributions

Last 10 Fiscal Years*

	June 30,	
	2017	2018
Contractually required contribution	\$ 9,058	\$ 10,675
Contributions in relation to the contractually required contribution	9,058	10,675
Contribution deficiency (excess)	\$ 0	\$ 0
Village's covered-employee payroll	\$ 429,083	\$ 508,022
Contributions as a percentage of covered-employee payroll	2.11%	2.10%

*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Village is not available prior to fiscal year 2015, the year the statement's requirements became effective.

Notes to Required Supplementary Information

Changes of benefit terms and assumptions. There were no changes in benefit terms from the previous valuation. A description of these benefits may be found at www.nmrhca.org and are included in the notes to the financial statements.

The notes to the financial statements are an integral part of this statement.

**Supplemental Information Related to
Nonmajor Funds**

Fire - To account for operation and maintenance of the Department. Financing is provided by the motor vehicle registration fee of one dollar. Funding is provided under State Statute 24-10A-1 NMSA, 1978 Compilation. Authority is NMSA 24-10A-1.

Law Enforcement - To account for funds received from the State of New Mexico for law enforcement purposes. The fund was created by the authority of state grant provisions. Authority is NMSA 29-13-3

Corrections - 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.

Motor Vehicle - To account for fees collected from customers for the service of licenses and fees for motor vehicles. Authority is NMSA 66-1-4.

Environmental Gross Receipts Tax - 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.

Recreation - To account for the operation and maintenance of the Village's recreation programs. The fund was created by definition.

Other Special Revenue - To account for several very small grants. The fund was created by definition.

Capital Projects - To account for receipt of grant proceeds to help fund neighborhood improvement projects to provide adequate services to the community.

State of New Mexico
Village of Questa
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	Special Revenue		
	Fire	Law Enforcement	Corrections
Assets			
Cash and Cash Equivalents	\$ 24,583	\$ 1	\$ 11,780
Restricted Cash	604	0	0
Total Assets	<u>\$ 25,187</u>	<u>\$ 1</u>	<u>\$ 11,780</u>
Liabilities			
Accounts Payable	\$ 544	\$ 0	\$ 0
Accrued Salaries and Benefits	0	0	0
Total Liabilities	<u>544</u>	<u>0</u>	<u>0</u>
Fund Balance			
Restricted for Special Revenue	24,643	1	11,780
Total Fund Balance	<u>24,643</u>	<u>1</u>	<u>11,780</u>
Total Liabilities and Fund Balance	<u>\$ 25,187</u>	<u>\$ 1</u>	<u>\$ 11,780</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	Special Revenue		
	Motor Vehicle	Environmental Gross Receipts Tax	Recreation
Assets			
Cash and Cash Equivalents	\$ 386	\$ 0	\$ 0
Restricted Cash	0	0	0
Total Assets	<u>\$ 386</u>	<u>\$ 0</u>	<u>\$ 0</u>
Liabilities			
Accounts Payable	\$ 159	\$ 0	\$ 0
Accrued Salaries and Benefits	1,182	0	0
Total Liabilities	<u>1,341</u>	<u>0</u>	<u>0</u>
Fund Balance			
Restricted for Special Revenue	(955)	0	0
Total Fund Balance	<u>(955)</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 386</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2019

	Other Special Revenue	Capital Projects	Total
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 36,750
Restricted Cash	0	0	604
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 37,354</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 703
Accrued Salaries and Benefits	0	0	1,182
Total Liabilities	<u>0</u>	<u>0</u>	<u>1,885</u>
Fund Balance			
Restricted for Special Revenue	<u>0</u>	<u>0</u>	<u>35,469</u>
Total Fund Balance	<u>0</u>	<u>0</u>	<u>35,469</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 37,354</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Special Revenue		
	Fire	Law Enforcement	Corrections
Revenues			
State Grants	\$ 159,692	\$ 21,200	\$ 0
Fines and Forfeits	0	0	4,160
Charges for Services	0	0	0
Miscellaneous	603	0	0
Total Revenues	<u>160,295</u>	<u>21,200</u>	<u>4,160</u>
Expenditures			
Current			
Public Works	0	0	0
Public Safety	78,984	17,589	400
Capital Outlay	56,921	4,000	0
Debt Service			
Principal	31,846	0	0
Interest	5,176	0	0
Total Expenditures	<u>172,927</u>	<u>21,589</u>	<u>400</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(12,632)</u>	<u>(389)</u>	<u>3,760</u>
Other Financing Sources (Uses)			
Transfers	0	0	(17,000)
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>(17,000)</u>
Net Change in Fund Balance	<u>(12,632)</u>	<u>(389)</u>	<u>(13,240)</u>
Fund Balances at Beginning of Year	36,927	390	25,020
Restatement	348	0	0
Restated Beginning Fund Balances	<u>37,275</u>	<u>390</u>	<u>25,020</u>
Fund Balance End of Year	<u>\$ 24,643</u>	<u>\$ 1</u>	<u>\$ 11,780</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Special Revenue		
	Motor Vehicle	Environmental Gross Receipts Tax	Recreation
Revenues			
State Grants	\$ 0	\$ 0	\$ 0
Fines and Forfeits	0	0	0
Charges for Services	35,640	0	0
Miscellaneous	0	0	0
Total Revenues	<u>35,640</u>	<u>0</u>	<u>0</u>
Expenditures			
Current			
Public Works	40,122	0	0
Public Safety	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>40,122</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,482)</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses)			
Transfers	3,527	0	0
Total Other Sources (Uses)	<u>3,527</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>(955)</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	0	27,106	7,780
Restatement	0	(27,106)	(7,780)
Restated Beginning Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ (955)</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Village of Questa
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2019

	Other Special Revenue	Capital Projects	Total
Revenues			
State Grants	\$ 0	\$ 0	\$ 180,892
Fines and Forfeits	0	0	4,160
Charges for Services	0	0	35,640
Miscellaneous	0	0	603
Total Revenues	<u>0</u>	<u>0</u>	<u>221,295</u>
Expenditures			
Current			
Public Works	0	0	40,122
Public Safety	0	0	96,973
Capital Outlay	0	0	60,921
Debt Service			
Principal	0	0	31,846
Interest	0	0	5,176
Total Expenditures	<u>0</u>	<u>0</u>	<u>235,038</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>(13,743)</u>
Other Financing Sources (Uses)			
Transfers	0	0	(13,473)
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>(13,473)</u>
Net Change in Fund Balance	<u>0</u>	<u>0</u>	<u>(27,216)</u>
Fund Balances at Beginning of Year	(10,989)	16,053	102,287
Restatement	10,989	(16,053)	(39,602)
Restated Beginning Fund Balances	<u>0</u>	<u>0</u>	<u>62,685</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 35,469</u>

The notes to the financial statements are an integral part of this statement.

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

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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*

Independent Auditor's Report

Mr. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of the Village of Questa

Mr. Colón and Members of the Board

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, the budgetary comparisons of the general fund and major special revenue funds, of the Village of Questa (Village) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds of the Village, presented as supplemental information, and have issued our report thereon dated November 6, 2019.

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 on 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 Village'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 are 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. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses, 2019-001 and 2019-002. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2019-003

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 it's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying Schedule of Findings and Responses; 2019-004 and 2019-005.

The Village's Responses to Findings

The Village's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. The Village's responses was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

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 Village'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. This report is intended solely for the information and use of the Village, the New Mexico State Auditor's Office and Department of Finance and Administration, Local Government Division and the New Mexico Legislature and is not intended to be and should not be used by anyone other than those specified parties.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
November 6, 2019

Prior Year Audit Findings

	<u>Status</u>
2016-001 Payments made under existing contracts	Resolved

Current Year Audit Findings

Summary of Audit Results

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	2
• Significant deficiencies identified that are not considered to be material weaknesses?	1
Noncompliance material to financial statements noted?	N/A

2019-001 Software and Bank Accounts - Internal Controls - Material Weakness

Condition

The software, Caselle, used by the Village is designed to correctly account for only one bank account. The Village has eighteen bank accounts including savings and certificates of deposit.

Criteria

Caselle Government Accounting Software <https://www.caselle.com>

Cause

Struggles with accounting for Village's finances in the past caused the management to open a bank account for each fund resulting in over 25 bank accounts.

Effect

The software currently used with the multiple bank accounts makes reconciling bank accounts to the general ledger unworkable and near impossible.

Recommendation

Management should consider changing software or reducing the number of bank accounts to a manageable few. Those accounts with very few transactions in a year, like the certificate of deposit pledged to the sewer loan, could be kept separately.

Response

Since transitioning into an integrated Caselle software and fund balances have been kept track of accurately, it is now possible for us to comfortably reduce the number of bank accounts.

Responsible Party

Finance Director.

Timeline

February 2020 for Council approval to consolidate bank accounts (after audit release); transition by 6/30/2020.

2019-002 Payroll - Internal Controls and Compliance - Material Weakness

Condition

Of 11 employees tested the following was found:

(1) I-9's - One I-9 was not completed within 3 days of being hired, one I-9 had a correction in Section 1 with no initials, two I-9s had Section 1 completed after Section 2, and five I-9s' Section 2 were incomplete. The error percentage is greater than 50% resulting the maximum penalty of \$2,292 for each error for an estimated penalty of \$78,936.

(2) Not all timesheets show true and accurate time worked.

(3) Overtime & Pay -

The rate of pay was not calculated correctly when an employee had on-call pay and overtime in the same work week. For the one pay period tested one employee was under paid \$122.40 and another was underpaid \$20.88.

One employee's Personnel Action Notice showed a salary of \$2,100.02 as of the date of the notice however the form did not indicate whether this change was for the pay period, bi-weekly, or monthly.

One employee tested is paid a salary and considered exempt. Management has not determined if the employee is really exempt using the FLSA white collar exemption test. If management determines the employee is non-exempt than that employee should be clocking in and out and being paid overtime or comp time in lieu of overtime.

(4) New Hires - New hires are not being reported to the New Mexico New Hire reporting system. The penalty for failing to report is estimated to be \$1,500.

Criteria

(1) U.S. Citizenship and Immigration Services I-9 instructions and M-274 Handbook for employers. Form I-9 is used for verifying the identity and employment authorization of individuals hired for employment in the United States. All U.S. employers must ensure proper completion of Form I-9 for each individual they hire for employment in the United States. Substantive violations, for Form I-9, are \$2,292 per violation. NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP.

(2) The FLSA and NM §50-4-9 requires that employers keep accurate records of hours worked and wages paid to employees.

(3) When employers choose to compensate employees for on-call time (whether the employee was working or not), the on-call pay has to be included in the regular rate for the purposes of calculating overtime. <https://www.bizjournals.com/how-to/human-resources/2016/12/on-call-time-may-complicate-overtime-calculations.html>

(4) NM §50-13-1 to 50-13-4 and Federal law 42 USC §653.a.(b)(1)(A), require all public, private, non-profit, and government employers to report all newly hired employees within 20 days of hire or rehire to the New Mexico New Hires Directory. Failure to report new hires results in a \$50 penalty.

Cause

Staff has not attended updated training in human resources or payroll.

2019-002 Payroll - Internal Controls and Compliance - Material Weakness-Continued

Effect

Employees are underpaid and the Village will be required to pay back wages and penalties because of the errors noted above. If the Department of Labor (DOL) finds that the District has willfully violated the FLSA, the DOL may sue for back wages and double damages. The DOL can also prosecute violations criminally with fines of up to \$10,000. Civil money penalties of up to \$1,100 per violation are also possible for willful and repeated violations.

Recommendation

All I-9s should be reviewed and corrected using procedures described in the M-274 Handbook. A true and accurate timekeeping system should be implemented immediately. Overtime pay spreadsheet provided should be utilized. New hires must be reported within 20 days of the hire date.

Response

Staff will attend regular training on human resources and payroll. Village attorney will assist in updating policies to reflect current statutes.

Responsible Parties

Interim Administrator and Finance Director.

Timeline

I-9 Forms will be reviewed and corrected by 3/31/2020. A better timekeeping system will be implemented by 3/31/2020. Overtime pay will be calculated accurately beginning this pay period ending 12/14/19. New hires will be reported by 12/31/19. Human resources and payroll training by accomplished by 6/30/2020.

2019-003 PERA and RHCA - Internal Controls and Compliance - Significant Deficiency

Condition

Of 11 employees tested the following was noted:

PERA

Two employees were paid a stipends, divided out for each pay period. This amount was not included in reportable wages to PERA, causing both the employees and employer to under pay PERA. For FY 19 employees owe \$642.31 and the employer owes \$575.91 for a total due to PERA for the tested employees \$1,218.22.

Two employees were not paying into PERA that qualified for the benefit. For fiscal year 2019 the employees owe \$2,466.35 and the employer owes \$2,568.15 for a total due to PERA for the tested employees of \$5,034.50.

RHCA

Two employees were paid a stipends that were divided among for each pay period. This amount was not included in reportable wages to RHCA, causing both the employees and employer to under pay RHCA. For fiscal year 2019 the employees owe \$60.31 and the employer owes \$120.62 for a total due to RHCA for the tested employees of \$120.62.

Two employees were not paying into RHCA that qualified for the benefit. For fiscal year 2019 tested employees owe \$269.32 and the employer owes \$538.64 for a total due to RHCA for the tested employees of \$807.96.

Criteria

The statutes that govern PERA are NMSA 1978 Chapter 10, Articles 11 - 14. Also, the Office of the State Auditor has added NMRHCA to their 2010 State Auditor Rule under State Compliance, Section 2.2.2.10 (G) (19). The rule states: "Retiree Health Care Authority Act (Section 10-7C-1 to 10-7C-19 NMSA 1978). Auditors should test to ensure 100% of payroll is reported to NMRHCA. RHCA employer and employee contributions are set forth in Section 10-7C-15 NMSA 1978.

Cause

Staff was not aware that stipends should fall into PERA/RHCA wages. Staff was not aware there were employees that needed to be re-categorized as PERA/RHCA eligible.

Effect

Eligible employees are not receiving benefits offered by the Village and the future retirement received by employees will be less than it should be because on the above errors.

Recommendation

All employees' compensation and hours work should be reviewed to determine if the correct wages are reported and benefits paid to both PERA and RHCA.

Response

Stipends will be included in PERA/RHCA wages this pay period ending 12/14/2019, and other adjustments will be filed for 2019 by 3/31/2020. All employees now not under PERA/RHCA will be reviewed for accuracy and corrected by 3/31/2020..

Responsible Parties

Interim Administrator and Finance Director.

Timeline

Stipends will be included in PERA/RHCA wages this pay period ending 12/14/19, reports for the calendar year ending 12/31/19 will be amended and additional benefits will be paid by 3/31/2020. All employees now not covered under PERA/RHCA will be reviewed for accuracy and corrected by 3/31/2020.

2019-004 Per Diem-Compliance and Other Matter

Condition

Employees and officials are paid the entire per diem amount even when the conference the employees and officials are attending provides some meals.

Criteria

Per Diem and Mileage Act, Sections 10-8-1 to 10-8-8 NMSA 1978, and Regulations Governing the Per Diem and Mileage Act, Section 2.42.2 NMAC.

Cause

Staff was not aware that if a conference provided some meals employees must be reimbursed actual expenses instead of per diem for meals.

Effect

The money from the overpayment of per diem could be used for other needed expenditures.

Recommendation

The Per Diem and Mileage Act should be followed.

Response

Travel policy will be updated reflecting that if a conference provides some meals employees must use actuals expenses instead of per diem. Employees will be notified of all changes to the policy.

Responsible Party

Finance director.

Timeline

January 31, 2020

2019-005 Late IPA Recommendation and Audit Contract - Compliance and Other Matter

Condition

The IPA recommendation and audit contract was not received by the Office of the State Auditor timely. The signed contract was submitted August 2, 2019.

Criteria

Paragraph (6) or Subsection G of 2.2.2.8 NMAC requires the contract be received by the Office of the State Auditor by May 15, 2019.

Cause

Staff did not get three quotes or do an RFP before the deadline.

Effect

Paragraph (6) or Subsection G of 2.2.2.8 NMAC was violated.

Recommendation

Management should contract with an approved auditor timely.

Response

Chief Procurement Officer and/or Finance Director will attend the Audit Rule training regularly (usually in April) and meet the IPA Recommendation and Audit Contract deadline of May 15, 2020.

Responsible Party

Finance Director and Certified Procurement Officer.

Timeline

May 15, 2020

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held on November 6, 2019. In attendance were Mark L. Gallegos-Mayor, Renee Martinez-Village Clerk/Interim Administrator, Karen Quintana Shannon,-Finance Director, Starla Sharp-Auditor and De'Aun Willoughby, CPA.