

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO

Annual Financial Report  
For the Year Ended June 30, 2018

## **INTRODUCTORY SECTION**

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VILLAGE OF SAN YSIDRO  
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June 30, 2018

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STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Official Roster  
June 30, 2018

**VILLAGE TRUSTEES**

**ELECTED OFFICIALS**

Steve M. Lucero	Mayor
John J. Urban	Mayor Pro-Tem
Julian A. Trujillo	Trustee
Louella J. McDaniel	Trustee
Bernice R. Trujillo	Municipal Judge
Julie Ann Quintana	Trustee

**ADMINISTRATIVE OFFICIALS**

Christina R. Lucero	Village Clerk/Treasurer
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**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Board of Trustees of the State of New Mexico Village of San Ysidro  
Mr. Steve M. Lucero, Mayor  
Village of San Ysidro, New Mexico  
and Honorable State Auditor, Mr. Wayne Johnson

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the State of New Mexico Village of San Ysidro (Village) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the financial statements of the Village's fiduciary funds as of and for the year ended June 30, 2018, 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 design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **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, the aggregate remaining fund information, and the respective budgetary comparisons for the general fund and major special revenue funds of the Village, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary funds of the Village as of June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 and the Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 46-47, and the notes to the required supplementary information on page 48, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

#### *Supplemental Information (SI)*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and the other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, and the schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial



statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, and the other schedules required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplemental information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village's internal control over financial reporting and compliance.

  
Burt & Company CPAs, LLC

December 14, 2018

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Management's Discussion and Analysis  
(Unaudited)  
June 30, 2018

Our discussion and analysis of the Village of San Ysidro's (Village) financial performance provides an overview of the Village's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Village's financial statements, which begin on page 10.

**FINANCIAL HIGHLIGHTS**

The Village's total net assets decreased \$34,362, for 1% decrease, as a result 2018 operations, plus a decrease of \$24,192 due to a prior period adjustment related to recognizing revenue in 2017 that was not earned. Net assets of governmental activities increased by \$26,788, less than 1%, mainly due to a decrease in pension expense. Net assets of our business-type activities decreased by \$61,150, or 4.5%, due to an increase in pension expense.

During the year, the Village had revenues generated in tax and other revenues, for governmental programs (before special items and transfers) that were \$93,629 more than the expense (before depreciation) in comparison to last year, when revenue exceeded expense by \$113,470 (as restated).

Total cost of all of the Village's governmental programs decreased by \$11,496, which is a 4.5% decrease.

The general fund reported a net decrease in net asset in 2018 of \$26,055.

In the Village's business-type activities, operating revenues decreased to \$63,048 in 2018 from \$69,039 in 2017 and expenses increased to \$124,385 in 2018 from \$112,985 in 2017.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements for governmental activities tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide statements by providing information about the Village's most significant funds. The remaining statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

**REPORTING THE VILLAGE OF SAN YSIDRO AS A WHOLE**

The statement of net position and the statement of activities report information about the Village as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Based on the current year activities, the Village has been able to maintain expenses.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Management's Discussion and Analysis (continued)  
(Unaudited)  
June 30, 2018

These two statements report the Village's net position and the changes in the net position. Over time, increases or decreases in the Village's net position are an indicator of whether its financial health is improving or deteriorating. Also considered are other nonfinancial factors such as changes in the Village's property tax base and the condition of the Village's roads, to properly assess the overall health of the Village.

In the Statement of Net Position and the Statement of Activities, there are two kinds of activities:

Government activities - Most of the Village's basic services are reported here, including the police, park and recreation, public works, and general administration. Gross receipts tax, property taxes, franchise fees, and state and federal grants finance most of these activities.

Business-type activities - The Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's Water Department is reported here.

**REPORTING THE VILLAGE'S MOST SIGNIFICANT FUNDS**

Our analysis of the Village's major funds begins on page 10 provides detailed information about the most significant funds - not the Village as a whole. Some funds are required to be established by State law and by bond covenants. However, the Village Trustees establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. The Village's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds - Most of the Village's basic services are reported in governmental funds. Funds are reported on the modified accrual accounting basis. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides.

Proprietary funds - The Village charges customers for the services provided, whether to outside customers or to other units of the Village, these services are generally reported in proprietary funds. Proprietary funds are reported on the full accrual basis of accounting.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Management's Discussion and Analysis (continued)  
(Unaudited)  
June 30, 2018

**FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE**

Table 1 Village of San Ysidro Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017		2018	2017	2018	2017
	2018	(Restated)				
Current and other assets	\$ 505,526	599,968	71,715	69,774	577,241	669,742
Capital assets	<u>1,242,995</u>	<u>1,220,050</u>	<u>1,316,755</u>	<u>1,374,640</u>	<u>2,559,750</u>	<u>2,594,690</u>
Total assets	<u>1,748,521</u>	<u>1,820,018</u>	<u>1,388,470</u>	<u>1,444,414</u>	<u>3,136,991</u>	<u>3,264,432</u>
Deferred outflows	<u>37,094</u>	<u>57,876</u>	<u>4,609</u>	<u>4,609</u>	<u>41,703</u>	<u>62,485</u>
Long-term debt outstanding	24,196	31,343	85,157	90,403	109,353	121,746
Other liabilities	<u>160,189</u>	<u>286,954</u>	<u>25,444</u>	<u>11,983</u>	<u>185,633</u>	<u>298,937</u>
Total liabilities	<u>184,385</u>	<u>318,297</u>	<u>110,601</u>	<u>102,386</u>	<u>294,986</u>	<u>420,683</u>
Deferred inflows	<u>18,217</u>	<u>3,372</u>	<u>1,257</u>	-	<u>19,474</u>	<u>3,372</u>
Net position						
Invested in capital assets, net of related debt	1,211,652	1,179,747	1,226,352	1,269,000	2,438,004	2,448,747
Restricted	22,661	144,640	3,562	3,635	26,223	148,275
Unrestricted	<u>348,700</u>	<u>231,838</u>	<u>51,307</u>	<u>69,736</u>	<u>400,007</u>	<u>301,574</u>
Total net position	\$ <u>1,583,013</u>	<u>1,556,225</u>	<u>1,281,221</u>	<u>1,342,371</u>	<u>2,864,234</u>	<u>2,898,596</u>

The net position of the business-type activities decreased by 4.5% (\$1,281,221 compared to \$1,342,371 in 2017); this lower amount was due to decrease in water revenue and an increase in pension expense.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Management's Discussion and Analysis (continued)  
(Unaudited)  
June 30, 2018

Table 2 Village of San Ysidro Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017		2018	2017	2018	2017
	2018	(Restated)				
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 2,831	3,862	63,048	69,039	65,879	72,901
State grants	111,248	196,118	-	-	111,248	196,118
General revenues						
Taxes levied for general	222,335	175,882	-	-	222,335	175,882
Interest income	2,633	1,487	187	188	2,820	1,675
Miscellaneous	3,514	8,684	-	-	3,514	8,684
Total revenue	342,561	386,033	63,235	69,227	405,796	455,260
<b>Expenses</b>						
General government	133,083	157,653	-	-	133,083	157,653
Public Safety	96,991	101,572	-	-	96,991	101,572
Culture and recreation	3,339	3,650	-	-	3,339	3,650
Highway and streets	15,095	9,599	-	-	15,095	9,599
Depreciation	66,841	54,706	57,885	58,053	124,726	112,759
Interest on long-term debt	424	89	2,265	2,297	2,689	2,386
Water Department	-	-	64,235	52,635	64,235	52,635
Total Expenses	315,773	327,269	124,385	112,985	440,158	440,254
Excess (deficiency) before special items and transfers	26,788	58,764	(61,150)	(43,758)	(34,362)	15,006
Transfers	-	(5,695)	-	5,695	-	-
Increase (decrease) in net position	\$ 26,788	53,069	(61,150)	(38,063)	(34,362)	15,006

During the year ended June 30, 2018, there were significant events that changed the balance of net position. An explanation of these events is as follows:

Tax for governmental programs increased by \$46,453.

Business-type operating revenue decreased by \$5,992.

State operating and capital grants - The Village did not receive any capital grants in 2018.

Our analysis below separately considers the operations of governmental and business-type activities.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Management's Discussion and Analysis (continued)  
(Unaudited)  
June 30, 2018

**GOVERNMENTAL-TYPE ACTIVITIES**

The Village had an increase of \$26,788 in the Village's General Fund.

Governmental Activities revenues (see Table 2) for the Village decreased \$43,472, and total expenses decreased \$11,496. The cost of all governmental activities this year was \$315,773 compared to \$327,269 last year.

**BUSINESS-TYPE ACTIVITIES**

The Village charges fees to customers to help cover the cost of maintaining the Water Proprietary Fund. The Village did not increase the base rate per month during 2018.

Operating revenues of the business-type activities (see Table 2) decreased by \$5,991 (\$63,048 in 2018 compared to \$69,039 in 2017) and operating expenses increased by \$11,600 (\$64,235 in 2018 compared to \$52,635 in 2017). The water department paid \$5,239 to the Village for reimbursed expense.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Village Council revised the Village's budget one time to prevent budget overruns.

**CAPITAL ASSET AND DEBT ADMINISTRATION CAPITAL ASSETS**

At the end of 2018, the Village had \$2,559,750 invested in a broad range of capital assets, including police equipment, buildings, park facilities, roads, and water system (see Table 3 below). This amount represents a net decrease (including additions and deductions) of \$34,940 over last year.

Table 3 Village of San Ysidro Change in Capital Assets

	Balance June 30, 2017	Increases/ (Decreases)	Balance June 30, 2018
Non-Depreciable Assets:			
Land	\$ 262,478	-	262,478
Other Capital Assets:			
Infrastructure	\$ 553,491	48,388	601,879
Water utility plant/improvement	2,219,702	39,139	2,258,841
Buildings/improvements	438,740	(42,139)	396,601
Furniture and other equipment	388,253	(146,093)	242,160
Land/park improvements	402,188	-	402,188
Vehicles	179,043	41,398	220,441
Less: Accumulated depreciation	(1,849,205)	24,367	(1,824,838)
Total other capital asset	\$ 2,332,212	(34,940)	2,297,272

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Management's Discussion and Analysis (continued)  
(Unaudited)  
June 30, 2018

The Village spent \$48,388 for walkway construction and engineering costs and \$41,398 in a new police vehicle and police vehicle customization costs. The Village adjusted capital assets and accumulated depreciation \$149,093 for fully depreciated capital assets that have a cost that is less than the capitalization policy of \$5,000.

**DEBT**

At year end, the Village had \$121,746 in outstanding debt versus \$135,943 last year - a decrease of less than 1 percent - as shown in Table 4.

Table 4 Village Outstanding Debt at June 30, 2018

	Governmental Activities	Business-type Activities	Total Primary Government
NMFA- Vehicle LEFP	\$ 31,343	-	31,343
USDA Revenue Bond	-	42,300	42,300
NMFA - Phase I	-	15,784	15,784
NMFA - Phase II	-	32,319	32,319
Totals	<u>\$ 31,343</u>	<u>90,403</u>	<u>121,746</u>

Other obligations include accrued compensated absences. More detailed information about the Village's long-term liabilities is presented in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Village's elected and appointed officials reviewed many factors in the preparation of the 2018/2019 fiscal year budget. Factors considered included projecting an increase in revenues; this is based on increase in tourism and minimizing expenditures. Municipal revenues distributed by the State of New Mexico make up a majority of the 2018/2019 budgeted general fund revenues.

To deal with the swing in the economy, The Village has put aside non-budgeted reserve resources. The Village has also attempted to keep expenditures to a minimum.

**CONTACTING THE VILLAGE OF SAN YSIDRO FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village Clerk/Treasurer at the Village Municipal Office in the Village of San Ysidro, P.O. Box 190, San Ysidro, NM.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Statement of Net Position  
June 30, 2018

	Governmental	Business-	
	Activities	Type	Total
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 470,023	67,137	537,160
Receivable, net	8,679	4,578	13,257
Taxes receivable	26,824	-	26,824
Land	257,478	5,000	262,478
Capital assets, net of accumulated depreciation	<u>985,517</u>	<u>1,311,755</u>	<u>2,297,272</u>
Total assets	<u>1,748,521</u>	<u>1,388,470</u>	<u>3,136,991</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pension	<u>37,094</u>	<u>4,609</u>	<u>41,703</u>
<b>LIABILITIES</b>			
Accounts payable	4,831	942	5,773
Current liabilities payable from restricted assets	-	1,500	1,500
Compensated absences, due in one year	7,502	568	8,070
Compensated absences, due in more than one year	3,180	-	3,180
Long-term liabilities, due within one year	10,327	3,746	14,073
Long-term liabilities, due in more than one year	21,016	85,157	106,173
Net pension liability	<u>137,529</u>	<u>18,688</u>	<u>156,217</u>
Total liabilities	<u>184,385</u>	<u>110,601</u>	<u>294,986</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	<u>18,217</u>	<u>1,257</u>	<u>19,474</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,211,652	1,226,352	2,438,004
Restricted for:			
Debt services	-	3,562	3,562
Capital projects	16,127	-	16,127
Special revenues	6,534	-	6,534
Nonspendable	-	-	-
Unrestricted	<u>348,700</u>	<u>51,307</u>	<u>400,007</u>
Total net position	<u>\$ 1,583,013</u>	<u>1,281,221</u>	<u>2,864,234</u>

The accompanying notes are an integral part of these financial statements.



STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Statement of Activities  
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue & Changes in Net Position		
	Expense	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total
					Government Activities	Business-Type Activities	
<b>Primary government:</b>							
Governmental activities							
General government	\$ 133,083	602	90,000	-	(42,481)	-	(42,481)
Public safety	96,991	2,009	21,248	-	(73,734)	-	(73,734)
Culture and recreation	3,339	220	-	-	(3,119)	-	(3,119)
Highway and streets	15,095	-	-	-	(15,095)	-	(15,095)
Interest expense	424	-	-	-	(424)	-	(424)
Depreciation	66,841	-	-	-	(66,841)	-	(66,841)
Total governmental activities	<u>315,773</u>	<u>2,831</u>	<u>111,248</u>	<u>-</u>	<u>(201,694)</u>	<u>-</u>	<u>(201,694)</u>
<b>Business-type activities:</b>							
Water Department	122,120	63,048	-	-	-	(59,072)	(59,072)
Interest expense	2,265	-	-	-	-	(2,265)	(2,265)
Total business-type activities	<u>124,385</u>	<u>63,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,337)</u>	<u>(61,337)</u>
Total primary government	\$ <u>440,158</u>	<u>65,879</u>	<u>111,248</u>	<u>-</u>	<u>(201,694)</u>	<u>(61,337)</u>	<u>(263,031)</u>
<b>General revenues:</b>							
Taxes:							
Gross receipts				\$	179,687	-	179,687
Property					15,691	-	15,691
Gasoline					21,419	-	21,419
Franchise					4,701	-	4,701
MVD/auto					837	-	837
Unrestricted investment earnings					2,633	187	2,820
Miscellaneous					3,514	-	3,514
Transfer - internal activities					-	-	-
Total general revenues/transfers					<u>228,482</u>	<u>187</u>	<u>228,669</u>
Change in net position					26,788	(61,150)	(34,362)
Net position, beginning of year					1,580,417	1,342,371	2,922,788
Restatement for reversion					(24,192)	-	(24,192)
Net position, beginning - restated					<u>1,556,225</u>	<u>1,342,371</u>	<u>2,898,596</u>
Net position, end of year				\$	<u>1,583,013</u>	<u>1,281,221</u>	<u>2,864,234</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Balance Sheet – Governmental Funds  
June 30, 2018

	<b>General</b>	<b>Capital</b>		<b>Non-Major</b>	
	<b>Fund</b>	<b>Projects</b>	<b>Corrections</b>	<b>Governmental</b>	<b>Total</b>
				<b>Funds</b>	
<b>ASSETS</b>					
Cash and investments	\$ 347,908	16,127	99,355	6,633	470,023
Receivables, net	8,679	-	-	-	8,679
Taxes receivables	26,824	-	-	-	26,824
Total assets	<u>\$ 383,411</u>	<u>16,127</u>	<u>99,355</u>	<u>6,633</u>	<u>505,526</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 4,732	-	-	99	4,831
Accrued compensation and benefits	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>4,732</u>	<u>-</u>	<u>-</u>	<u>99</u>	<u>4,831</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted for:					
Capital projects	-	16,127	-	-	16,127
Special revenues	-	-	99,355	6,534	105,889
Unassigned	378,679	-	-	-	378,679
Total fund balances	<u>378,679</u>	<u>16,127</u>	<u>99,355</u>	<u>6,534</u>	<u>500,695</u>
Total liabilities and fund balances \$	<u>383,411</u>	<u>16,127</u>	<u>99,355</u>	<u>6,633</u>	<u>505,526</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Position  
June 30, 2018

Amounts reported for governmental activities in the statements of net position are different because:

<b>Total fund balances - Governmental funds</b>	\$	500,695
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Capital assets		2,037,379
Accumulated depreciation		(794,384)
Deferred outflow of resources are not financial resources and therefore are not reported in the funds and include:		
Deferred outflows of resources due to pension plan		37,094
Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported in the government funds.		
NMFA loan		(31,343)
Accrued compensated absences		(10,682)
Net pension liability		(137,529)
Deferred inflow of resources are not financial resources and therefore are not reported in the funds and include:		
Deferred inflows of resources due to pension plan		<u>(18,217)</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>1,583,013</u></b>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2018

	<b>General</b>	<b>Capital</b>		<b>Non-Major</b>	
	<b>Fund</b>	<b>Projects</b>	<b>Corrections</b>	<b>Funds</b>	<b>Total</b>
<b>Revenues:</b>					
Taxes	\$ 222,335	-	-	-	222,335
Charges for services	2,371	-	240	220	2,831
Grants - State	90,000	-	-	21,248	111,248
License, permits, fines and fees	-	-	-	-	-
Interest	2,633	-	-	-	2,633
Other	3,514	-	-	-	3,514
<b>Total revenues</b>	<u>320,853</u>	<u>-</u>	<u>240</u>	<u>21,468</u>	<u>342,561</u>
<b>Expenditures:</b>					
Current:					
General government	149,098	-	-	-	149,098
Public safety	85,645	-	-	10,580	96,225
Culture and recreation	-	-	-	3,339	3,339
Highways and streets	15,095	-	-	-	15,095
Capital outlay	40,873	47,630	-	1,283	89,786
Debt service	-	-	-	9,384	9,384
<b>Total expenditures</b>	<u>290,711</u>	<u>47,630</u>	<u>-</u>	<u>24,586</u>	<u>362,927</u>
Excess (Deficiency) of revenues over (under) expenditures before other financing sources	30,142	(47,630)	240	(3,118)	(20,366)
Other financing sources (uses)					
Operating transfers in	(5,239)	67,297	-	3,500	65,558
Operating transfers out	(65,558)	-	-	-	(65,558)
<b>Total other financing sources (uses)</b>	<u>(70,797)</u>	<u>67,297</u>	<u>-</u>	<u>3,500</u>	<u>-</u>
<b>Net change in fund balance</b>	(40,655)	19,667	240	382	(20,366)
Fund balance, beginning of year	419,334	20,652	99,115	6,152	545,253
Restatement for reversion	-	(24,192)	-	-	(24,192)
Fund balance, beginning - restated	419,334	(3,540)	99,115	6,152	521,061
<b>Fund balance, end of year</b>	<u>\$ 378,679</u>	<u>16,127</u>	<u>99,355</u>	<u>6,534</u>	<u>500,695</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances - Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2018

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

Total net change in fund balances - governmental funds	\$	(20,366)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense:</p>		
Capital expenditures recorded as capital outlay or other expenses		89,786
<p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as an expenditure in governmental funds.</p>		
		(66,841)
<p>Change in accrued compensated absences are expensed under the accrual method, and not the modified accrual method.</p>		
		(3,611)
<p>The issuance of long-term debt (e.g. bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Principal payment on long-term debt		8,960
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
<p>Change in net pension liability and the related deferred inflows and deferred inflows of resources related to pensions.</p>		
		18,860
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>26,788</b>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual (Non- GAAP Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 178,791	178,791	227,699	48,908
Licenses and permits	575	575	602	27
Fines and forfeitures	2,059	2,059	1,667	(392)
Grants	90,000	90,000	90,000	-
Interest on investments	(654)	(654)	2,633	3,287
Other	<u>9,857</u>	<u>9,857</u>	<u>3,514</u>	<u>(6,343)</u>
<b>Total revenues</b>	<u>280,628</u>	<u>280,628</u>	<u>326,115</u>	<u>45,487</u>
Expenditures				
Executive - Legislative	18,971	18,971	10,399	8,572
Judicial	5,643	5,643	6,682	(1,039)
Elections	900	900	738	162
Finance & administration	112,441	112,441	104,443	7,998
Public safety	92,946	92,946	87,331	5,615
Highways and streets	16,300	19,700	18,896	804
Other - Miscellaneous	<u>33,427</u>	<u>33,427</u>	<u>26,999</u>	<u>6,428</u>
<b>Total expenditures</b>	<u>280,628</u>	<u>284,028</u>	<u>255,488</u>	<u>28,540</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(3,400)</u>	<u>70,627</u>	<u>(74,027)</u>
Other financing sources (uses):				
Operating transfers in	-	-	(5,239)	5,239
Operating transfers (out)	<u>(90,718)</u>	<u>(90,718)</u>	<u>(65,558)</u>	<u>(25,160)</u>
<b>Total other financing sources (uses)</b>	<u>(90,718)</u>	<u>(90,718)</u>	<u>(70,797)</u>	<u>(19,921)</u>
Net change in fund balance	(90,718)	(94,118)	(170)	(93,948)
Prior year cash appropriated	<u>206,381</u>	<u>206,381</u>		
	<u>\$ 115,663</u>	<u>112,263</u>		
Non-GAAP change in fund balance			\$ (170)	
Change from:				
Courts and other receivable			102	
Taxes receivable			(5,364)	
Accounts payable			1,774	
Accrued compensation and benefits			<u>3,876</u>	
GAAP change in fund balance			<u>\$ 218</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Special Revenue Fund  
Corrections Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual (Non- GAAP Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ -	-	-	-
Correction fees	220	220	240	20
Other	808	808	-	(808)
<b>Total revenues</b>	<u>1,028</u>	<u>1,028</u>	<u>240</u>	<u>(788)</u>
Expenditures				
Operating	16,635	16,635	-	16,635
<b>Total expenditures</b>	<u>16,635</u>	<u>16,635</u>	<u>-</u>	<u>16,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,607)</u>	<u>(15,607)</u>	<u>240</u>	<u>(15,847)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(15,607)	(15,607)	240	(15,847)
Prior year cash appropriated	783	783		
	<u>\$ (14,824)</u>	<u>(14,824)</u>		
Non-GAAP change in fund balance			\$ 240	
Change from:				
Taxes receivable			-	
Accounts payable			-	
Accrued compensation and benefits			<u>-</u>	
GAAP change in fund balance			<u>\$ 240</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Statement of Net Position – Proprietary Funds  
June 30, 2018

<b>ASSETS</b>	Water	Water System Improvement	Total
Current assets			
Cash and investments	\$ 35,896	31,241	67,137
Accounts receivable, net	<u>4,578</u>	-	<u>4,578</u>
Total current assets	40,474	31,241	71,715
Capital assets			
Land	5,000	-	5,000
Capital assets, net of accumulated depreciation	<u>408,629</u>	<u>903,126</u>	<u>1,311,755</u>
Total assets	<u>454,103</u>	<u>934,367</u>	<u>1,388,470</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	<u>4,609</u>	-	<u>4,609</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	942	-	942
Accrued compensation and benefits	-	-	-
Current liabilities payable from restricted assets	1,500	-	1,500
Compensated absences - current	568	-	568
Loans payable - current	-	<u>3,746</u>	<u>3,746</u>
Total current liabilities	<u>3,010</u>	<u>3,746</u>	<u>6,756</u>
Noncurrent liabilities			
Compensated absences - noncurrent	-	-	-
Loans payable	40,800	44,357	85,157
Net pension liability	<u>18,688</u>	-	<u>18,688</u>
Total noncurrent liabilities	<u>59,488</u>	<u>44,357</u>	<u>103,845</u>
Total liabilities	<u>62,498</u>	<u>48,103</u>	<u>110,601</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	<u>1,257</u>	-	<u>1,257</u>
<b>NET POSITION</b>			
Net investments in capital assets	371,329	855,023	1,226,352
Restricted for debt service	3,562	-	3,562
Unrestricted	<u>20,066</u>	<u>31,241</u>	<u>51,307</u>
Total net position	<u>\$ 394,957</u>	<u>886,264</u>	<u>1,281,221</u>

The accompanying notes are an integral part of these financial statements.



STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Statement of Revenues, Expenses, and Changes in Net Position –  
Proprietary Funds  
For Year Ended June 30, 2018

	Water	Water System Improvement	Total
Operating revenues			
Charges for services	\$ 63,048	-	63,048
Operating expenses			
Depreciation	64,005	230	64,235
Depreciation	29,681	28,204	57,885
<b>Total operating expenses</b>	<u>93,686</u>	<u>28,434</u>	<u>122,120</u>
Operating (loss) income	<u>(30,638)</u>	<u>(28,434)</u>	<u>(59,072)</u>
Nonoperating revenue (expenses)			
Miscellaneous	-	-	-
Interest income	-	187	187
Interest expense	(2,135)	(130)	(2,265)
Transfers in	-	3,867	3,867
Transfers out	<u>(3,867)</u>	<u>-</u>	<u>(3,867)</u>
<b>Total nonoperating revenues (expenses)</b>	<u>(6,002)</u>	<u>3,924</u>	<u>(2,078)</u>
<b>Change in net position</b>	(36,640)	(24,510)	(61,150)
Net position, beginning of year	<u>431,597</u>	<u>910,774</u>	<u>1,342,371</u>
<b>Net position, end of year</b>	<u>\$ 394,957</u>	<u>886,264</u>	<u>1,281,221</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Statement of Cash Flows – Proprietary Funds  
For Year Ended June 30, 2018

	Water	Water System Improvement	Total
Cash flows from operating activities			
Cash received from customers and users	\$ 68,761	-	68,761
Cash received from miscellaneous	-	-	-
Cash payments to employees	(5,557)	-	(5,557)
Cash payments to vendors	(47,670)	(230)	(47,900)
Net cash provided (used) by operating activities	15,534	(230)	15,304
Cash flows from capital and related financing activities			
Operating transfer in	-	3,867	3,867
Operating transfer out	(3,867)	-	(3,867)
Principal payment on revenue bonds	(1,500)	(3,737)	(5,237)
Interest payment on revenue bonds	(2,135)	(130)	(2,265)
Net cash used by capital and related financial activities	(7,502)	-	(7,502)
Cash flows from investing activities:			
Interest income	-	187	187
Net cash provided (used) by investing activities	-	187	187
Net change in cash and cash equivalents	8,032	(43)	7,989
Cash, beginning of year	27,864	31,284	59,148
Cash, end of year	\$ 35,896	31,241	67,137
Operating (loss) income	\$ (30,638)	(28,434)	(59,072)
Adjustments to reconcile operating income to net cash flows:			
Depreciation expense	29,681	28,204	57,885
Change in assets and liabilities:			
Accounts receivable	5,713	-	5,713
Prepaid expenses	335	-	335
Deferred outflows of resources	(4,266)	-	(4,266)
Accounts payable	(4,765)	-	(4,765)
Accrued expenses	(471)	-	(471)
Net pension liability	18,688	-	18,688
Deferred inflows of resources	1,257	-	1,257
Net cash provided (used) by operating activities	\$ 15,534	(230)	15,304

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Statement of Fiduciary Net Position  
Agency Funds  
June 30, 2018

**ASSETS**

Cash	\$ <u>          -</u>
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**LIABILITIES**

Due to others	\$ <u>          -</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies

*Nature of Entity.* The Village of San Ysidro (Village) was incorporated as a municipality under the laws of the State of New Mexico. The Village operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire) highway and streets, water services, culture and recreation, public improvements, planning and zoning, and general administrative services. The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities.

A. Financial Reporting Entity

As required by accounting principles generally accepted in the United States (GAAP), financial statements are presented for the Village and its component units. A legally separate organization that does not qualify as a primary government is a potential component unit. The normal criterion for deciding whether a potential component unit is, in fact, a component unit is financial accountability. Financial accountability is determined by analyzing fiscal dependency, board appointments, financial benefit or burden relationships, or the ability of the primary government to impose its will on the potential component unit. Based on these criteria, the Village has no component units.

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. All remaining governmental funds and proprietary funds are aggregated and reported as non-major funds.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement no. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have not been eliminated.

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 proprietary fund's principle ongoing operations.

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

Governmental financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Other revenues susceptible to accrual are investment income and charges for services. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

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

The Village reports the following major governmental funds:

*General Fund.* The general fund is the Village’s primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided primarily through gross receipts, property, and other miscellaneous taxes.

*Capital Projects Fund.* Accounts for resources used for construction of walkways; funding sources are the State of New Mexico appropriations, community development block grants (CDBG) funds and local sources.

*Correction Fund* – Accounts for the provision of local correction fees collected with local fines. (NMSA 35-14-11)

Proprietary funds are accounted for on the flow of economic resources measurement focus (all assets and all liabilities associated with the operation of these funds are included on the balance sheet) and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Village applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations.

Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Operating revenues, such as charges for services, in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues, such as subsidies/grants and investment earnings, 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.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The Village reports the following major proprietary funds:

*Water.* To account for the provisions of water services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund. Financing is provided through charges to customers for service.

*Water System Improvements.* To account for the provision of water system improvement services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund including, but not limited to administration, operations, maintenance billing, and collection.

*Agency Funds* - account for miscellaneous assets held by the Village for other funds, governmental units, and individuals. The Village's agency funds are used to account for the collection and payment of citation fees due to other governmental agencies. Agency funds are custodial in nature and do not involve measurement of results of operations.

D. Cash and Investments

Cash and investments include amounts in demand deposits and certificates of deposit with a maturity date within three months of the date acquired by the Village. Investments are certificates of deposit with maturity dates of more than three months and investment in local government investment pool.

Certificates of deposit are stated at cost and investments are stated at fair value. For the proprietary funds statement of cash flows, cash and cash equivalents include unrestricted amounts in demand deposits and certificates of deposits with a maturity within three months of the acquisition date.

State statutes authorize the Village to invest funds in a variety of investments, including certificates of deposit and other similar obligations, state investment pools, money market accounts, and United States government obligations.

E. Capital Assets

Assets are capitalized at historical cost or estimated historical cost if purchased or constructed. Capital assets and improvements are defined by the Audit Act, 12-6-10, NMSA 1978, as assets that cost more than \$5,000 and have an estimated useful life in excess of one year. Contributions or gifts of capital assets are recorded at fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

E. Capital Assets (continued)

Buildings and improvements	10-50 years
Water system improvements	40 years
Infrastructure	10-50 years
Machinery, furniture, and equipment	5-33 years
Vehicles	5 years
Land improvements	15-40 years

GASB No. 34 requires the Village to report and depreciate infrastructure assets. Prior to June 30, 2007, the Village did not have any infrastructure. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Village. Neither their historical cost nor related depreciation has historically been reported in the financial statements. In accordance with the Statement No. 34, the Village has included the value of all infrastructure (using the depreciation method) into its basic financial statements.

F. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

G. Pensions

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



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1. Summary of Significant Accounting Policies (continued)

H. Accrued Employee Benefits

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave for proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

I. Fund Balances

*Non-spendable* – The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the Village should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the Village removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Village did not have committed fund balances for the year ended June 30, 2018.

*Assigned* – Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are constrained by the Village’s intent to be used for specific purposes, but are neither restricted nor committed. Intent, and removal of, is expressed by the Village or the finance committee. The Village did not have assigned fund balances for the year ended June 30, 2018.

*Unassigned* – The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds, other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

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1. Summary of Significant Accounting Policies (continued)

I. Fund Balances (continued)

The Village Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Village Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and nonrestricted fund balance is available, the Village considers restricted funds to have been spent first.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Village considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Village Council have provided otherwise in its commitment or assignment actions.

J. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as a reduction or expenditure in the fund that is reimbursed. All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring and nonroutine permanent transfers or equity are reported as residual equity transfers. Interfund receivables and payables at June 30, 2018, have been eliminated from the government-wide financial statements.

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1. Summary of Significant Accounting Policies (continued)

L. Cash Flows

For purposes of the statement of cash flows, the various proprietary funds consider checking accounts, money market accounts, certificates of deposit, and highly liquid assets with a maturity of three months or less when purchased to be cash equivalents.

M. Budgetary Information

Actual amounts on the budgetary basis are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general, special revenue, capital projects, and proprietary funds. The Village follows the following procedures for establishing the budgetary data reflected in the financial statements:

- 1) Prior to June 1, the Village Clerk-Treasurer submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Village offices to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
- 2) The Village Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Village Council and New Mexico State Department of Finance, Division of Local Governments.
- 3) Formal budgetary integration is employed as a management control device during the year for the general fund, capital projects fund, special revenue funds, and proprietary funds.
- 4) The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is the fund total. Appropriations lapse at year-end.
- 5) The Village does not budget for depreciation.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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2. Cash and Investments

The Village’s cash balances consist of demand deposits and interest bearing savings accounts. The majority of the Village’s cash and investments are pooled. All interest income is accounted for in the related funds. The Village’s investments consist of certificates of deposits with maturity dates more than three months from the date of acquisition and local government investment pool.

The following is a summary of the Village’s cash and investment balances by fund type as of June 30, 2018:

Cash and Investments	Amount
Cash and cash equivalents	
Cash	\$ 270,563
Debt service reserves	<u>3,827</u>
Subtotal cash and cash equivalents	274,390
Investments	
Certificates of deposits	47,394
Local government investment pool	<u>215,376</u>
Subtotal investments	262,770
Total cash and investments	\$ <u><u>537,160</u></u>
Fund Type	Amount
Cash and equivalents	
Governmental funds	\$ 238,474
Business-type activities	<u>35,916</u>
Subtotal cash and cash equivalents	274,390
Investments	
Governmental activities funds	231,549
Business-type activities	<u>31,221</u>
Subtotal investments	262,770
Total cash and investments	\$ <u><u>537,160</u></u>

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit be collateralized by the depository thrift or banking institution. At present, state statutes require that a minimum of 50% of uninsured balances on deposit with any one institution must be collateralized, with higher requirements up to 100% for financially troubled institutions.

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2. Cash and Investments (continued)

*Custodial Credit Risk.* Custodial credit risk is, in the event of the failure of a depository financial institution, the Village will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Village does not have a deposit policy for custodial credit risk other than following state statutes. At June 30, 2018, the Village's bank and investment balances of \$331,665 was exposed to custodial credit risk as follows:

Insured through federal depository insurance	\$ 297,419
Uninsured, collateralized with securities held by pledging financial institution's trust department or agent but not in the Village's name	34,246
Uninsured and uncollateralized	-
Total deposits	\$ 331,665

See Supplementary Schedule of Cash and Deposits to Pledged Collateral.

3. Investments

The Village invests in the New Mexico State Treasurer's Local Government Investment Pool (LGIP), which include the following at June 30, 2018:

New Mexico LGIP AAAM Rated \$215,376 [50] day WAM(R); [100] day WAM (F)

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The LGIP does not have unit shares; per Section 6-10-10, 1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts of the fund were invested. Any unrealized gain or loss on the portfolio is distributed through the investment yield on distributed dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2018. Participation in the Local Government Investment Pool is voluntary.

*Custodial Credit Risk.* Investments in LGIP is not subject to custodial credit risk.

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3. Investments (continued)

GASB Statement No. 72 requires investments to be presented at fair value. This statement provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quote prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

Basis of Fair Value Measurement

**Level 1.** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Village has the ability to access.

**Level 2.** Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.

**Level 3.** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The investments at June 30, 2018 require fair value disclosure. The following table sets forth by level, within fair value hierarchy, the Village's assets at fair value as of June 30, 2018:

		Level 1	Level 2	Level 3	Total
Investment in LGIP	\$	215,376	-	-	215,376

4. Accounts Receivable

*Governmental Activities*

The account receivables of the governmental fund types consist primarily of taxes collected by the collecting agency in the current year, but not remitted to the Village until after year end and judicial court fines and fees assessed in the current year but not collected. Uncollectible court fines and reimbursements at June 30, 2018 totaled \$266,750.

Type		General Fund	Special Revenue	Total Receivables
Gross receipts taxes	\$	26,587	-	26,587
Court fines and reimbursements, net		6,133	-	6,133
Miscellaneous		2,546	-	2,546
Property taxes		237	-	237
Total	\$	35,503	-	35,503

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4. Accounts Receivable (continued)

*Business-Type Activities*

Accounts receivable representing billings for water services at June 30, 2018:

		Water Fund
Accounts receivable	\$	10,692
Less: Allowance for uncollectible		(6,114)
Net receivables	\$	4,578

The Village maintains an allowance for uncollectible receivable balance in the Water Fund that consists of balances that are not expected to be collected within 60 days and are deemed uncollectible, and/or have a lien placed on the account. It is management's policy to cut-off water and waste water services for non-payment and a lien is placed on the properties. These balances became legally uncollectible when "any debt that is not enforceable in a judicial proceeding because the applicable statute of limitations has run out" NMAC 12.2.12.7(I). The Village may remove legally uncollectible debt that is four years old, and that is contractually six years old as permitted by NMSA 1978 3-37-7

Those amounts unbilled for water services have not been estimated or recorded as the amount is insignificant.

5. Changes in Capital Assets

Capital asset activity for the year was as follows:

	June 30, 2017	Increases	Decreases	June 30, 2018
<b>Governmental Activities</b>				
Capital assets, not depreciated:				
Land	\$ 257,478	-	-	257,478
Capital assets, depreciated:				
Infrastructure	\$ 553,491	48,388	-	601,879
Land/park improvements	402,188	-	-	402,188
Building/improvements	399,601	-	(3,000)	396,601
Furniture and equipment	285,667	-	(78,697)	206,970
Vehicles	130,865	41,398	-	172,263
<b>Total capital assets depreciated</b>	1,771,812	89,786	(81,697)	1,779,901
Less accumulated depreciation for:				
Infrastructure	84,050	15,190	-	99,240
Land/park improvements	208,798	21,243	-	230,041
Building/improvements	134,054	9,900	(3,000)	140,954
Furniture and equipment	285,667	-	(78,697)	206,970
Vehicles	96,671	20,508	-	117,179
<b>Total accumulated depreciation</b>	809,240	66,841	(81,697)	794,384
<b>Total capital assets depreciated, net</b>	\$ 962,572	22,945	-	985,517

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5. Changes in Capital Assets (continued)

Depreciation expense was charged to functional expense categories of the government based on assets assigned:

General government	\$	18,488
Public Safety		20,508
Highways and streets		15,190
Culture and recreation		<u>12,655</u>
<b>Total depreciation expense</b>	<b>\$</b>	<b><u>66,841</u></b>

	June 30, 2017	Increases	Decreases	June 30, 2018
<b>Business-type Activities</b>				
Capital assets, not depreciated:				
Land	\$ 5,000	-	-	5,000
Capital assets, depreciated:				
Water system improvements	\$ 1,128,159	-	-	1,128,159
Water utility plant and improvements	1,130,682	-	-	1,130,682
Vehicles	48,177	-	-	48,177
Utility meters and equipment	40,160	-	(4,969)	35,191
<b>Total capital assets depreciated</b>	2,347,178	-	(4,969)	2,342,209
Less accumulated depreciation for:				
Water system improvements	196,829	28,204	-	225,033
Water	780,709	29,681	(4,969)	805,421
<b>Total accumulated depreciation</b>	977,538	57,885	(4,969)	1,030,454
<b>Total capital assets depreciated, net</b>	\$ 1,369,640	(57,885)	-	1,311,755

Depreciation expense for the business-type funds is \$57,885 at June 30, 2018.

6. Long-Term Debt

During the year ended June 30, 2018, the following changes to governmental activities debt occurred:

	June 30, 2017	Additions	Reductions	June 30, 2018	Due Within One Year
<b>Governmental activities</b>					
Compensated absences	\$ 7,071	3,611	-	10,682	7,502
NMFA - LEPF	<u>40,303</u>	<u>-</u>	<u>(8,960)</u>	<u>31,343</u>	<u>10,327</u>
<b>Total</b>	<b>\$ 47,374</b>	<b>3,611</b>	<b>(8,960)</b>	<b>42,025</b>	<b>17,829</b>

*Accrued compensated absences.* Each full time employee shall accrue leave based on length of service, in accordance with the following rate table. Each full time non-introductory employee shall accrue at a rate of table below. Each part non-introductory part time working 32 hours but



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6. Long-Term Debt (continued)

less than 40 hours a week shall accrue at a rate of seventy five percent (75%) of the same table below. Each non-introductory part time employee, who is scheduled up to 31 hours each week on a continuing basis, shall accrue one half (50%) of the same table.

Village employees accrue vacation leave as follows:

<u>Period of Village Service</u>	<u>Yearly Accumulation</u>
1 month to 1 year	88 hours
1 year to 5 years	96 hours
5 years to 10 years	104 hours
10 years to 15 years	112 hours
15 years to 10 years	120 hours
20 years and over	160 hours

Vacation leave balance shall not exceed 240 hours.

NMFA - Vehicle - LEPP

A loan from New Mexico Finance Authority (NMFA) in the amount of \$40,303 was obtained in June of 2017 and held in an agency fund to purchase a new police vehicle. Annual payments including interest will be intercepted July 1<sup>st</sup> of each year from the Law Enforcement Protection Fund (LEPF) grant.

The future requirements for notes payables are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 10,327	199	10,526
2020	10,442	141	10,583
2021	10,574	76	10,650
Total	\$ <u>31,343</u>	<u>416</u>	<u>31,759</u>

During the year ended June 30, 2018, the following changes, Business-type debt activities occurred:

	<u>June 30,</u>			<u>June 30,</u>	<u>Due Within</u>
	2017	<u>Additions</u>	<u>Reductions</u>	2018	<u>One Year</u>
<b>Business-type activities</b>					
Bonds	\$ 43,800	-	(1,500)	42,300	1,500
NMFA - Phase I	17,078	-	(1,294)	15,784	1,297
NMFA - Phase II	34,762	-	(2,443)	32,319	2,449
Compensated absences	568	-	-	568	568
<b>Total</b>	\$ <u>96,208</u>	<u>-</u>	<u>(5,237)</u>	<u>90,971</u>	<u>5,814</u>

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6. Long-Term Debt (continued)

NMFA Loan Phase I

The Village obtained a loan from NMFA in the amount of \$26,047 to finance their portion of Phase I infiltration system. Annual payments including NMFA administrative fees are payable June 1<sup>st</sup> of each year, maturity June of 2030.

NMFA Loan Phase II

The Village obtained a loan from NMFA in the amount of \$49,294 to finance their portion of Phase II infiltration system. Annual payments including interest at .25% per annum are payable June 1<sup>st</sup> of each year, maturity June of 2031.

The future requirements for notes payable are as follows:

Year ending June 30,	Principal	Interest	Total
2019	\$ 3,746	120	3,866
2020	3,756	111	3,867
2021	3,765	102	3,867
2022	3,775	92	3,867
2023	3,784	82	3,866
2024-2028	19,154	271	19,425
2029-2033	10,123	47	10,170
	<u>\$ 48,103</u>	<u>825</u>	<u>48,928</u>

1996 Water Revenue Bonds Payable

The Village issued \$63,000 of a 4.875% revenue bond in 1997 to finance the Village's new water infiltration system. Annual payments including interest are payable June 17<sup>th</sup> of each year, maturity in June of 2036.

The future requirements for notes payable are as follows:

Year ending June 30,	Principal	Interest	Total
2019	\$ 1,500	2,062	3,562
2020	1,600	1,989	3,589
2021	1,700	1,911	3,611
2022	1,800	1,828	3,628
2023	1,900	1,740	3,640
2024-2028	11,000	7,215	18,215
2029-2033	13,700	3,285	16,985
2034-2036	9,100	858	9,958
Total	<u>\$ 42,300</u>	<u>20,888</u>	<u>63,188</u>

The revenue bond and NMFA loans are included in the proprietary fund balance sheet.

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7. Property Taxes

Sandoval County is responsible for assessing, collecting, and distributing property taxes for the Village. Property taxes are assessed on January 1<sup>st</sup> of each year based on the assessed value, except livestock, on the prior January 1<sup>st</sup> and are payable in two equal installments by November 10<sup>th</sup> of the year in which the tax bill is prepared and by April 10<sup>th</sup> of the following year. Property taxes are delinquent if not paid by December 10<sup>th</sup> and May 10<sup>th</sup>. Taxes on real property are liened on January 1<sup>st</sup> of the year for which the taxes are imposed.

8. Interfund Transfers

Interfund transfers for the year June 30, 2018 consisted of the following:

<b>Fund Financial Statements</b>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Government funds			
Major funds:			
General	\$ (5,239)	(65,558)	(70,797)
Capital projects	67,297	-	67,297
Non-major funds	3,500	-	3,500
Proprietary funds			
Water	-	(3,867)	(3,867)
Water system improvements	3,867	-	3,867
Total	<u>\$ 69,425</u>	<u>(69,425)</u>	<u>-</u>
 <b>Government-Wide Financial Statements</b>			
Governmental activities			
Major funds:			
General	\$ (5,239)	(65,558)	(70,797)
Capital projects	67,297	-	67,297
Non-major Funds	3,500	-	3,500
Total governmental activities	<u>\$ 65,558</u>	<u>(65,558)</u>	<u>-</u>
Business-type activities			
Water	\$ -	3,867	3,867
Water system improvements	(3,867)	-	(3,867)
Total Business-Type Activities	<u>\$ (3,867)</u>	<u>3,867</u>	<u>-</u>

The primary purpose of the transfers was to fund temporary operating shortfalls and fund reserve accounts.

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9. Public Employees Retirement Association (PERA) Pension Plan

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

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at [www.nmpera.org](http://www.nmpera.org) or [www.saonm.org](http://www.saonm.org) using the Audit Report Search function for agency 366, or in writing: PERA, P.O. Box 2123, Santa Fe, NM 87504-2123.

**Benefits provided.** For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2017, available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-FINAL.pdf>

**Contributions.** The contribution requirements of defined benefit plan members and the Village are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY17 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 40 through 44 of the PERA FY17 annual audit report at: [http://www.saonm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2017.pdf](http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2017.pdf). The PERA coverage options that apply to the Village are Municipal General Division and Municipal Police Division. Statutorily required contributions to the pension plan from the Village were \$12,869 and employer-paid member benefits were “picked up” by the employer were \$1,918 for the year ended June 30, 2018.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2018, the Village reported a liability of \$156,217 for its proportionate share of the net pension liability. The Village’s proportion of the net pension liability was based on a projection of the Village’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

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9. Public Employees Retirement Association (PERA) Pension Plan (continued)

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members, and legislative members) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11, NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members, municipal police members; municipal fire members; state general members; state police members, and legislative members. The Village's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2017. Only employer contributions for the pay period end dates that fell within the period of June 1, 2016, to June 30, 2017, were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

PERA Municipal General Division

For PERA Municipal General Division, at June 30, 2018, the Village reported a liability of \$93,438 for its proportionate share of the net pension liability. At June 30, 2017, the Village's proportion was 0.0068% which was no change from its proportion measured at June 30, 2016.

For the year ended June 30, 2018, the Village recognized PERA Municipal General Division recovery of pension expense of (\$2,043). At June 30, 2018, the Village reported PERA Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,671	4,785
Changes of assumptions	4,309	966
Changes in proportion and differences between contributions and proportionate share of contributions	-	534
Net difference between projected and actual earnings on pension plan investments	7,666	-
Contributions subsequent to the measurement date	7,399	-
Total	\$ 23,045	6,285

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2018

9. Public Employees Retirement Association (PERA) Pension Plan (continued)

PERA Municipal General Division (continued)

\$7,399 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	2,403
2020		7,966
2021		1,232
2022		(2,240)
2023		-
Thereafter		-
	\$	9,361

PERA Municipal Police Division

For PERA Municipal Police Division, at June 30, 2018, the Village reported a liability of \$62,779 for its proportionate share of the net pension liability. At June 30, 2017, the Village's proportion was 0.0113%, which was not changed from its proportion measured at June 30, 2016.

For the year ended June 30, 2018, the Village recognized PERA Municipal Police Division recovery of pension expense of (\$1,481). At June 30, 2018, the Village reported PERA Municipal Police Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,813	11,729
Changes of assumption	3,735	1,460
Changes in proportion and differences between contributions and proportionate share of contributions	927	-
Net difference between projected and actual earnings on pension plan investments	5,056	-
Contributions subsequent to the measurement date	5,470	-
Total	\$ 19,001	13,189

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2018

9. Public Employees Retirement Association (PERA) Pension Plan (continued)

PERA Municipal Police Division (continued)

\$5,470 reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement, will be recognized as a reduction of the net pensions 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:

Year ended June 30:		
2019	\$	433
2020		3,250
2021		(1,864)
2022		(1,477)
2023		-
Thereafter		-
	\$	342

**Actuarial assumptions.** The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

<b>Actuarial valuation date</b>	June 30, 2016
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level percentage of pay
<b>Amortization period</b>	Solved for based on statutory rates
<b>Asset valuation method</b>	4 year smoothed market value
<b>Actuarial assumptions:</b>	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% For 1st 9 years, then 3.25% annual rate
Projected salary increase	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 9 years, 2.75% all other years
Mortality assumption	RP -2000 Mortality Tables (combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projections to 2018 using Scale AA.
Experience study dates	July 1, 2008, to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2016 (economic)

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2018

9. Public Employees Retirement Association (PERA) Pension Plan (continued)

PERA Municipal Police Division (continued)

The PERA pension liability, net pension liability amounts, and sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset 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%	7.39%
Risk Reduction and Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets to include Real Estate Equity	20.00%	7.35%
Total	<u>100.00%</u>	

**Discount Rate.** A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. The projection of cash flows used to determine the single discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**Sensitivity of the Village’s proportionate share of the net pension liability to changes in the discount rate.** The following tables present the Village's proportionate share of the net pension liability in each PERA Fund Division that Village participates in, were calculated using the discount rate of 7.51%, as well as what the Village’s proportionate share of net pension liability would be if it were calculated using a discount rate one percentage point lower (6.51%) or one percentage point higher (8.51%) than the single discount rate.



STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2018

9. Public Employees Retirement Association (PERA) Pension Plan (continued)

	1% Decrease	Current Discount Rate	1% Increase
<u>PERA Fund Division - Municipal General</u>	(6.51%)	(7.51%)	(8.51%)
Net pension liability	\$ 146,448	93,438	49,353
<u>PERA Fund Division - Municipal Police</u>			
Net pension liability	\$ 100,115	62,779	32,139

***Pension plan fiduciary net position.*** Detailed information about the pension’s fiduciary net position is available in the separately issued FY17 PERA financial report. The report is available at <http://www.nmpera.org/publications.html>.

10. Post-Employment Benefits - State Retiree Health Care Plan

The Village has elected not to participate in the New Mexico Retiree Health Care Act.

11. Joint Powers Agreement

**Public Safety Communications/Emergency Dispatching Services – Joint Powers Agreement**

Participants:	County of Sandoval and Village of San Ysidro
Responsible party:	Joint
Description:	Sandoval County will provide the Village of San Ysidro, full public safety and emergency dispatching services.
Period:	July 1, 2017 to June 30, 2018
Project costs:	\$1,002,702
Annual Village contributions:	\$3,035
Audit responsibility:	County of Sandoval
Fiscal agent:	County of Sandoval

12. Prior Period Adjustment

The Village has recorded a prior period adjustment in the Capital Projects Fund as a result of inappropriately capitalizing assets of \$59,000, recognizing unearned revenue in the amount of \$24,192 and adjusting deferred revenue in the amount \$34,808. The total grant amount of \$59,000 was reverted back to the State of New Mexico in 2018. For the government-wide financials, the effect of the adjustment was on net position as follows:

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2018

12. Prior Period Adjustment (continued)

	Governmental Activities
Net position at 6/30/17, as previously reported	\$ 1,580,417
Adjustment to correct State-Grants revenue	(24,192)
Net position at 6/30/17, as restated	\$ 1,556,225

13. 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 and natural disasters for which the government carries commercial insurance. The Village participates in the State of New Mexico Self-Insurers Fund for workers' compensation claims and employers' liability insurance including general, auto, uninsured motorist, law enforcement, and public official's errors and omissions liabilities.

14. Related Parties

The Village has current outstanding receivable balances from employees and trustees of the Village for water usage of \$476 as of June 30, 2018.

15. Commitments

In April 2018, the Village entered into a 12-month maintenance agreement to service the HVAC system. Annual payments are \$1,217 and the contract automatically renews annually.

16. Contingent Liabilities

There is no provision for contingent liabilities in the Village's financial statements.

17. Recent and New Accounting Pronouncements

The following GASB pronouncements have been issued, but not yet effective at June 30, 2018:

- GASB Statement No. 84, *Fiduciary Activities*, has been issued and is effective for fiscal years ending on or after December 31, 2019, but is not yet effective at June 30, 2018.
- The Village has adopted GASB Statement No. 85, *OMNIBUS 2018*, during fiscal year 2018, with no significant impact to the Village's financial statements.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2018

17. Recent and New Accounting Pronouncements (continued)

- GASB Statement No. 87, *Leases*, has been issued and is effective for reporting periods beginning after December 15, 2018, but is not yet effective at June 30, 2018.

The Village will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The Village believes that the above-listed new GASB pronouncements will not have a significant financial impact to the Village or in issuing its financial statements.

18. GASB 77 Disclosures (Tax Abatements)

In accordance with 2.2.2.10(BB) NMAC, the Village is required to make certain disclosures surrounding GASB 77, as applicable. Management of the Village is not aware of any tax abatement agreements that existed and require disclosure as of June 30, 2018.

19. Subsequent Events

The Village has evaluated subsequent events through December 14, 2018, the date which the financial statements were available to be issued. The Village had no material subsequent events from June 30, 2018 to December 14, 2018.

**REQUIRED SUPPLEMENTAL INFORMATION**

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Required Supplementary Information  
For the Year Ended June 30, 2018

SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Municipal General Division  
Public Employee's Retirement Association (PERA) Pension Plan  
Last 10 Fiscal Years\*

	2018	2017	2016	2015
Village's portion of net position liability (asset)	0.6800%	0.6800%	0.0069%	0.0069%
Village's proportionate share of the net pension liability (asset)	\$ 93,438	108,641	70,351	53,827
Village's covered employee payroll	\$ 90,783	77,300	75,152	74,036
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	102.92%	140.54%	93.60%	72.70%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	56.58%	76.99%	81.29%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

SCHEDULE OF THE VILLAGE'S CONTRIBUTIONS  
Municipal General Division  
Public Employee's Retirement Association (PERA) Pension Plan  
Last 10 Fiscal Years\*

	2018	2017	2016	2015
Contractually required contribution	\$ 7,399	6,350	5,561	6,062
Contributions in relation to the contractually required contribution	7,399	6,350	5,561	6,056
Contribution deficiency (excess)	\$ -	-	-	6
Covered employee payroll	\$ 90,783	77,300	75,152	74,036
Contributions as a percentage of covered-employee payroll	8.15%	8.21%	7.40%	8.18%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

See independent auditors' report.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Required Supplementary Information  
For the Year Ended June 30, 2018

SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Municipal Police Division  
Public Employee's Retirement Association (PERA) Pension Plan  
Last 10 Fiscal Years\*

	2018	2017	2016	2015
Village's portion of net position liability (asset)	0.0113%	0.0113%	0.0112%	0.0107%
Village's proportionate share of the net pension liability (asset)	\$ 62,779	83,375	53,856	34,881
Village's covered employee payroll	\$ 45,968	42,494	41,014	40,040
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	136.57%	196.20%	131.30%	87.11%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

SCHEDULE OF THE VILLAGE'S CONTRIBUTIONS  
Municipal Police Division  
Public Employee's Retirement Association (PERA) Pension Plan  
Last 10 Fiscal Years\*

	2018	2017	2016	2015
Contractually required contribution	\$ 5,470	5,057	4,265	4,765
Contributions in relation to the contractually required contribution	<u>5,470</u>	<u>5,057</u>	<u>4,265</u>	<u>4,765</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employee payroll	\$ 45,968	42,494	41,014	40,040
Contributions as a percentage of covered-employee payroll	11.90%	11.90%	10.40%	11.90%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

See independent auditors' report.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Schedules of PERA Plan Information  
For the Year Ended June 30, 2018

***Changes in Benefit Terms*** - The PERA Fund COLA and retirement eligibility benefits changes in recent years are now described in Note 1 of the PERA's FY17 CFAR available at:  
<http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017.pdf>.

***Assumptions*** - The PERA of New Mexico Annual Actuarial Valuations as of June 30, 2017 report is available at:  
<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/PERA-Valuation-6-30-2017-FINAL.pdf>.

**SUPPLEMENTAL INFORMATION**



STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Non-Major Funds  
June 30, 2018

**SPECIAL REVENUE FUNDS**

*Law Enforcement Protection Fund (LEPF)* - To account for the proceeds of a state grant provided for the purchase and repair of equipment as well as specialized training of police personnel. (NMSA 29-13-7)

*Youth Rodeo Fund* - To account for the operation of equestrian and livestock educational activities in the Village. (Village Resolution)

*Recreation Fund* - To account for the operations of certain recreational activities in the Village. Financing is provided by gross receipts tax. (NMSA 7-12-1 and 15)

*Debt Service* – Used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Combining Balance Sheet - Nonmajor Funds  
June 30, 2018

	<u>LEPF</u>	<u>Rodeo</u>	<u>Recreation</u>	<u>Debt Service</u>	<u>Total Non- Major</u>
<b>ASSETS</b>					
Cash and investments	\$ 2	3,986	2,645	-	6,633
Receivables:	-	-	-	-	-
Grants	-	-	-	-	-
Taxes:	-	-	-	-	-
Gross receipts	-	-	-	-	-
Gasoline	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>2</u>	<u>3,986</u>	<u>2,645</u>	<u>-</u>	<u>6,633</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	-	99	-	99
Accrued compensation and benefits	-	-	-	-	-
Unearned revenue	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>99</u>	<u>-</u>	<u>99</u>
<b>FUND BALANCE</b>					
Restricted, special revenues	2	3,986	2,546	-	6,534
Assigned, special revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	2	3,986	2,546	-	6,534
Total liabilities and fund balance	\$ <u>2</u>	<u>3,986</u>	<u>2,645</u>	<u>-</u>	<u>6,633</u>

See independent auditors' report.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Non-Major Funds  
June 30, 2018

	LEPF	Rodeo	Recreation	Debt Service	Total Non- Major
Revenues:					
Taxes	\$ -	-	-	-	-
Charges for services	-	-	220	-	220
Grants - State	21,248	-	-	-	21,248
Licenses, permits, fees and fines	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	<u>21,248</u>	<u>-</u>	<u>220</u>	<u>-</u>	<u>21,468</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	10,580	-	-	-	10,580
Culture and recreation	-	-	3,339	-	3,339
Highways and streets	-	-	-	-	-
Capital outlay	1,283	-	-	-	1,283
Debt service	9,384	-	-	-	9,384
Total expenditures	<u>21,247</u>	<u>-</u>	<u>3,339</u>	<u>-</u>	<u>24,586</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	1	-	(3,119)	-	(3,118)
Other financing sources (uses)					
Operating transfers in	-	-	3,500	-	3,500
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
Net change in fund balance	1	-	381	-	382
Fund balance, beginning of year	<u>1</u>	<u>3,986</u>	<u>2,165</u>	<u>-</u>	<u>6,152</u>
Fund balance, end of year	<u>\$ 2</u>	<u>3,986</u>	<u>2,546</u>	<u>-</u>	<u>6,534</u>

See independent auditors' report.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)  
Water Proprietary Fund  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual (Non- GAAP Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 51,561	51,561	63,020	11,459
<b>Total revenues</b>	<u>51,561</u>	<u>51,561</u>	<u>63,020</u>	<u>11,459</u>
Expenditures				
Operating	54,173	54,173	53,534	639
<b>Total expenditures</b>	<u>54,173</u>	<u>54,173</u>	<u>53,534</u>	<u>639</u>
Operating income (loss)	<u>(2,612)</u>	<u>(2,612)</u>	<u>9,486</u>	<u>10,820</u>
Nonoperating revenue (expenses)				
Interest income	186	186	-	186
Principal on bond	(1,500)	(1,500)	(1,500)	-
Interest on bond	(2,135)	(2,135)	(2,135)	-
Other income	9,568	9,568	-	9,568
Transfers in	-	-	-	-
Transfers (out)	<u>(7,502)</u>	<u>(7,502)</u>	<u>(3,867)</u>	<u>(3,635)</u>
<b>Total nonoperating expense</b>	<u>(1,383)</u>	<u>(1,383)</u>	<u>(7,502)</u>	<u>6,119</u>
Net change in fund balance	(3,995)	(3,995)	1,984	16,939
Prior year cash appropriated	<u>24,037</u>	<u>24,037</u>		
	\$ <u><u>20,042</u></u>	<u><u>20,042</u></u>		
Non-GAAP change in fund balance			\$ 1,984	
Non-budgeted item - depreciation			(29,681)	
Change from:				
Accounts payable			4,765	
Accrued compensation and benefits			471	
Notes payable			<u>1,500</u>	
GAAP change in fund balance			\$ <u><u>(20,961)</u></u>	

See independent auditors' report.

**OTHER SUPPLEMENTAL INFORMATION**

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Schedule of Changes in Assets and Liabilities - Agency Funds  
June 30, 2018

	Balance 6/30/2017	Receipts	Disbursements	Balance 6/30/2018
<b>ASSETS</b>				
Cash	\$ <u>          -</u>	<u>          105</u>	<u>          (105)</u>	<u>          -</u>
<b>LIABILITIES</b>				
Due to others	\$ <u>          -</u>	<u>          105</u>	<u>          (105)</u>	<u>          -</u>

See independent auditors' report.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Schedule of Depository Accounts and Pledged Collateral  
June 30, 2018

Type	U.S. Bank	Jemez Valley Credit Union	Total	Plus Deposits in Transit	Less Outstanding Checks	Total Reconciled Balance
Checking, savings, interest bearing*:						
Checking - General	\$ 246,223	-	246,223	-	(7,773)	238,450
Savings* - General		25	25	-		25
Checking - Water Systems	34,179	-	34,179	-	(2,111)	32,068
Savings* debt savings reserve - Water Systems Improvement	3,827	-	3,827	-		3,827
Checking - Water Systems Improvement	20	-	20	-		20
CD's, interest bearing	-	47,394	47,394	-	-	47,394
Total deposits	284,249	47,419	331,668	-	(9,884)	321,784
Less: FDIC Coverage	(250,000)	(47,419)	(297,419)			
Total uninsured public funds	34,249	-	34,249			
50% collateral requirement	17,125	-	17,125			
Pledged securities	86,416	-	86,416			
(Over) under collateralized risk-deposits	(69,292)	-	(69,292)			
Uninsured and uncollateralized	-	-	-			
Total deposits checking, interest bearing and CDs	\$ 284,249	47,419	331,668			

Pledged collateral at June 30, 2018 consists of the following:

Security	Cusip	Maturity	Fair Market Value
FHLMC FGLMC G01554	31283HWP6	5/1/2033	\$ 67,930
FHLMC GOLD REMIC 4193 AP	3137B1H21	4/15/2043	18,486
			\$ <u>86,416</u>

See independent auditors' report.

## **COMPLIANCE SECTION**





INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustee of the State of New Mexico Village of San Ysidro  
Steve M. Lucero, Mayor  
Village of San Ysidro  
San Ysidro, New Mexico

and Honorable State Auditor, Wayne Johnson

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparison for the general fund and the major special revenue funds, of the Village of San Ysidro, State of New Mexico (Village), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds of the Village presented as supplemental information, and have issued our report thereon dated December 14, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we did identify a deficiency in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2018-001, 2018-002, 2018-003, 2018-004, 2018-006, and 2018-007.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet is important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying schedule of findings and responses to be significant deficiency: 2018-005.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item: 2018-006.

### **Village's Responses to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Burt & Company CPAs, LLC

December 14, 2018

STATE OF NEW MEXICO  
 VILLAGE OF SAN YSIDRO  
 Summary Schedule of Findings and Responses  
 June 30, 2018

<b>SUMMARY OF AUDITOR'S RESULTS</b>	<u>Status</u>	<u>Financial Statement Finding</u>
<b>Prior Year Findings</b>		
1998-001 DFA Quarterly Financial Report Reconciliation and Detail	Repeated as 2018-001	Yes
2000-002 Segregation of Duties	Repeated as 2018-002	Yes
<b>Current Year Findings</b>		
2018-001 [1998-001] DFA Quarterly Financial Report Reconciliation		
2018-002 [2000-002] Segregation of Duties		
2018-003 Water and Citation Receivables		
2018-004 Controls Over Fixed Assets		
2018-005 Controls Over Payroll		
2018-006 Monitoring Over Grant Compliance		
2018-007 Offsite IT Backup		

STATE OF NEW MEXICO  
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June 30, 2018

**2018-001 (1998-001) DFA Quarterly Financial Report Reconciliation – *Material weakness*  
(Repeated and modified)**

Condition: The DFA quarterly financial report is not reconciled to general ledger activity. There are discrepancies between the DFA cash balances and the Village’s cash balances. The Village continues to work on the reconciliation of the DFA quarterly financial report to the general ledger activity.

Criteria: Per Section 6-5-2, NMSA 1978, local public bodies shall comply with the model accounting practices established by the division of financial control and the administrative head of each shall ensure that the model accounting practices are followed.

Cause: The Village does not have adequate controls over quarterly DFA reporting and reconciling detail activity to the general ledger.

Effect: The Village is not in compliance with state statute.

Recommendation: The Village should comply with state statute requirements.

Response: The Village will comply with state statute requirements and reconcile cash balances reflected by the Village to DFA quarterly reports. Village Clerk is working with budget analyst to resolve this issue. Village Clerk is going through DFA training and communicating with the budget analyst. This will be fully implemented by FY 2019. Responsible Party – Village Clerk/Treasurer.

**2018-002 (2000-002) Segregation of Duties– *Material weakness* (Repeated and modified)**

Condition: The Village Clerk records receipts and disbursements, reconciles the accounts, is signatory on all bank accounts, makes deposits and prepares all financial reports. Material adjustments were made to adjust the financial statements. The Village Clerk continues to be the only person who records, reconciles, and reports on financial activity.

Criteria: Segregation of duties is a basic building block of good internal controls. Per Section 6-5-2, NMSA 1978, local public bodies shall comply with the model accounting practices established by the division of financial control and the administrative head of each shall ensure that the model accounting practices are followed.

Effect: The Village does not have sufficient segregation of duties to provide for good internal controls, adjust financial statements for all activity, and is not in compliance with state statute.

Recommendation: The Village should develop segregation of duties sufficient so that one person does not perform all general ledger functions. The Village should record all activity. The Village should comply with state statute requirements.

Response: Due to a very small Village staff, oversight over the financial accounting is performed monthly at the regular council meeting. Council reviews all accounts payable prior to disbursement of payment to vendors. Mayor and mayor pro-tem review all expenditures. Mayor, mayor pro-tem or other

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Schedule of Findings and Responses  
June 30, 2018

council member signs all checks. Mayor or procurement officer and Village Clerk sign village payroll. This will be fully implemented by FY 2019. Responsible Party – Village Clerk/Treasurer.

**2018-003 Water and Citation Receivables – *Material weakness***

Condition: During our testing of the water fund receivables, citations receivable and related revenues, we noted the following deficiencies:

- The Village has not developed a formal process for writing off water and citation accounts or any approval requirement for adjustments to accounts whether payments are received or not.
- Liens designated to customer accounts surrounding water collections are not enforced or monitored.
- There is no formal integration of the water and citations receivable information into the Village’s accounting records.
- No formal oversight process has been developed to monitor collections of aged receivables.

Criteria: GASB codification requires that all receivables be reported net of uncollectible amounts. New Mexico Administrative Code (NMAC); 2.20.5, requires that model accounting practices established by the local government division are followed by authorized personnel.

Cause: The Village has not established procedures over receivables to evaluate collectability and reserves for uncollectible accounts.

Effect: The Village does not record water and citation receivable balances in accordance with standards. The Village does not appear to be monitoring receivable balances for uncollectible amounts and providing for adjustment of the same.

Recommendation: The Village should establish and implement procedures over receivables to evaluate for collectability and determine appropriate reserves for uncollectible accounts. The Village should also review and monitor these accounts and procedures on a regular basis and document such review.

Response: All water account receivables, including uncollectible accounts, are reviewed monthly at the regular council meeting. Liens are monitored, however advise by Municipal League legal counsel id being taken into consideration. Water Department utilizes a utility software system for accounting. Clerk is new and in training. This will be fully implemented by FY19. Responsible party – Village Clerk/Treasurer and Water/Court Clerk.

**2018-004 Controls Over Fixed Assets – *Material weakness***

Condition: The Village is not adequately reconciling the annual inventory of fixed assets to the fixed assets listing. The annual inventory of fixed assets is \$169,865 less the fixed assets listing in the audit report. The annual inventory of fixed assets was not properly certified at the end of the fiscal year.

Criteria: Model accounting practices necessitate the maintenance of accurate and complete accounting records. Section 6-6-3 (A) NMSA 1978 defines local public body duties to keep all the books, records

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Schedule of Findings and Responses  
June 30, 2018

and accounts in their respective offices in the form prescribed by the local government division. Fixed asset records should be complete and accurate.

Cause: The Village does not have adequate internal control procedures over fixed assets.

Effect: Fixed assets inventory is not adequately reconciled to the fixed asset listing.

Recommendation: The Village should establish and implement procedures over fixed assets to ensure that they are accounted for in accordance with applicable laws and that annual inventory of fixed assets is reconciled to the fixed asset listing.

Response: The Village maintains an annual inventory of the assets on the fixed asset inventory listing, updated at the end of the year. This same inventory is used for insurance purposes. Finding will be resolved by FY19. Responsible Party – Village Clerk/Treasurer.

**2018–005 Controls Over Payroll – *Significant deficiency***

Condition: The Village has the following deficiencies over payroll:

- Two of the five employees of the Village compensated absences accruals are in excess of the Village’s approved accrual rates per the Personnel Policies Manual.
- The Village’s written compensated absences accrual do not mathematically agree to the reported ending balance.

Criteria: Model accounting practices necessitate the maintenance of accurate and complete accounting records. Section 6-6-3 (A) NMSA 1978 defines local public body duties to keep all the books, records and accounts in their respective offices in the form prescribed by the local government division. Employees should accrue compensated absences in accordance with the Village’s Personnel Policies Manual, which defines the approved accrual rates for compensated absences for Village employees.

Cause: The Village did not ensure the accuracy of the payroll records to the time records. The Village did not follow accrual rates per the Village’s Personnel Policies Manual.

Effect: The Village is not in compliance with state statutes and the Village’s Personnel Policies Manual.

Recommendation: The Village should establish and implement procedures over payroll to ensure that payroll is accounted for in accordance with applicable laws and policy manuals.

Response: The Village has corrected payroll discrepancies cited. The Village will maintain its employee compensated absences accrual records consistent with approved accrual rates per the Personnel Policies Manual. Finding will be resolved by FY19. Responsible Party – Village Clerk/Treasurer.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Schedule of Findings and Responses  
June 30, 2018

**2018-006 Monitoring of Contract Compliance – *Material weakness, Other non-compliance***

Condition: During testing of revenues and deferred revenue, the following deficiencies were identified:

- Funding agency requested reversion of the total amount of grant funds of \$59,000 due to non-completion of the project in accordance with the contract.

Criteria: Grant funds should be expended during the contract period on approved expenditures for the project as defined in the grant agreement.

Effect: The Village is not in compliance with the grant agreement for compliance and proper use of funds.

Cause: The Village did not monitor the grant agreement for contract compliance and proper use of funds.

Recommendation: The Village should monitor grant agreements for contract compliance and proper use of funds.

Response: Completion of project as per grant agreement was not possible due to loss of engineering services and weather issues. Village complied with grant agreement to relinquishing funds back to Department of Transportation. This will be fully implemented by FY 2019. Responsible Party – Village Clerk/Treasurer.

**2018-007 Offsite IT Backup – *Material weakness***

Condition: The Village does not have policies to backup accounting data and storage.

Criteria: Per Section 6-5-2, NMSA 1978, local public bodies shall comply with the model accounting practices established by the division of financial control and the administrative head of each shall ensure that the model accounting practices are followed.

Cause: The Village has not developed policies and procedures to backup its accounting data and store it offsite.

Effect: The Village is not in compliance with state statute.

Recommendation: The Village should comply with state statute requirements. The Village should develop policies and procedures to backup its accounting data and store it offsite, and recover the data to the system if needed.

Response: The Village will develop a system of backup of its accounting data to include offsite storage. This will be fully implemented by FY 2019. Responsible Party – Village Clerk/Treasurer.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Exit Conference  
For the Year Ended June 30, 2018

A. AUDITOR PREPARED FINANCIAL STATEMENTS

The accompanying financial statements are the responsibility of the Village and are based on information from the Village's financial records. Assistance was provided by Burt & Company CPAs, LLC to the Village in preparing the financial statements.

B. EXIT CONFERENCE

The contents of the report were disclosed at an exit conference that was held on December 14, 2018. The following individuals were in attendance.

The State of New Mexico Village of San Ysidro was represented by:

Steve M. Lucero, Mayor  
John J. Urban, Mayor Pro-Tem  
Christina R. Lucero, Clerk/Treasurer

Burt & Company CPAs, LLC was represented by:

Ronald E. Schranz, CPA, CVA