

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO

Annual Financial Report  
For the Year Ended June 30, 2019

## INTRODUCTORY SECTION

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VILLAGE OF SAN YSIDRO  
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June 30, 2019

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STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Official Roster  
June 30, 2019

**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 Brian S. Colón

**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, 2019, and the related notes to the financial statements which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the financial statements of the Village's fiduciary funds as of and for the year ended June 30, 2019 as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

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, 2019, 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, 2019 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 4-10 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 basic 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 9, 2019, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control over financial reporting and compliance.

Assurance Tax Accounting P.C.

Assurance Tax Accounting P.C.  
Albuquerque, New Mexico  
December 9, 2019

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Management's Discussion and Analysis  
(Unaudited)  
June 30, 2019

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, 2019. 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 \$96,480 for 3.4% decrease, as a result 2019 operations. Net assets of governmental activities decreased by \$51,172 for 3.2%, mainly due to an increase in expenses. Net assets of our business-type activities decreased by \$45,308 or 3.5%, due to a decrease in capital assets due to current depreciation.

During the year, the Village had revenues generated in tax and other revenues, for governmental programs (before special items and transfers) that were \$13,917 more than the expense (before depreciation) in comparison to last year, when revenue exceeded expense by \$93,629.

Total cost of all of the Village's governmental programs increased by \$72,400 which is a 23% increase.

The general fund reported a net decrease in net asset in 2019 of \$51,172.

In the Village's business-type activities, operating revenues decreased to \$60,207 in 2019 from \$63,235 in 2018 and expenses decreased to \$105,515 in 2019 from \$124,385 in 2018.

**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, 2019

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 11 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, 2019

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

Table 1 Village of San Ysidro Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 530,860	505,526	84,387	71,715	615,247	577,241
Capital assets	1,177,906	1,242,995	1,258,870	1,316,755	2,436,776	2,559,750
Total assets	1,708,766	1,748,521	1,343,257	1,388,470	3,052,023	3,136,991
Deferred outflows	72,569	37,094	-	4,609	72,569	41,703
Long-term debt outstanding	21,016	24,196	83,657	85,157	104,673	109,353
Other liabilities	230,684	160,189	8,351	25,444	239,035	185,633
Total liabilities	251,700	184,385	92,008	110,601	343,708	294,986
Deferred inflows	13,130	18,217	-	1,257	13,130	19,474
Net position						
Invested in capital assets, net of related debt	1,177,906	1,211,652	1,258,870	1,226,352	2,436,776	2,438,004
Restricted	37,833	22,661	5,246	3,562	43,079	26,223
Unrestricted	300,766	348,700	(12,867)	51,307	287,899	400,007
Total net position	\$ 1,516,505	1,583,013	1,251,249	1,281,221	2,767,754	2,864,234

The net position of the business-type activities decreased by 2.3% (\$1,251,249 compared to \$1,281,221 in 2018); 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, 2019

Table 2 Village of San Ysidro Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenue</b>						
Program revenues						
Charges for services	\$ 12,547	2,831	60,019	63,048	72,566	65,879
State grants	111,200	111,248	-	-	111,200	111,248
General revenues						
Taxes levied for general	198,193	222,335	-	-	198,193	222,335
Interest income	4,845	2,633	188	187	5,033	2,820
Miscellaneous	10,216	3,514	-	-	10,216	3,514
Total revenue	<u>337,001</u>	<u>342,561</u>	<u>60,207</u>	<u>63,235</u>	<u>397,208</u>	<u>405,796</u>
<b>Expenses</b>						
General government	223,438	133,083	-	-	223,438	133,083
Public Safety	78,349	96,991	-	-	78,349	96,991
Culture and recreation	3,861	3,339	-	-	3,861	3,339
Highway and streets	17,436	15,095	-	-	17,436	15,095
Depreciation	65,089	66,841	57,885	57,885	122,974	124,726
Interest on long-term debt	-	424	2,062	2,265	2,062	2,689
Water Department	-	-	45,568	64,235	45,568	64,235
Total Expenses	<u>388,173</u>	<u>315,773</u>	<u>105,515</u>	<u>124,385</u>	<u>493,688</u>	<u>440,158</u>
Excess (deficiency) before						
special items and transfers	(51,172)	26,788	(45,308)	(61,150)	(96,480)	(34,362)
Transfers						
Increase (decrease) in net position	\$ <u>(51,172)</u>	<u>26,788</u>	<u>(45,308)</u>	<u>(61,150)</u>	<u>(96,480)</u>	<u>(34,362)</u>

During the year ended June 30, 2019, there were significant events that changed the balance of net position. An explanation of these events is as follows:

Tax for governmental programs decreased by \$24,142.

Business-type operating revenue decreased by \$3,029.

State operating and capital grants - The Village did not receive any capital grants in 2019.

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, 2019

**GOVERNMENTAL-TYPE ACTIVITIES**

The Village had a decrease of \$51,172 in the Village's General Fund.

Governmental Activities revenues (see Table 2) for the Village decreased \$5,560, and total expenses increased \$72,400. The cost of all governmental activities this year was \$388,173 compared to \$315,773 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 2019.

Operating revenues of the business-type activities (see Table 2) decreased by \$3,216 (\$60,019 in 2019 compared to \$63,048 in 2018) and operating expenses decreased by \$18,667 (\$45,568 in 2019 compared to \$64,235 in 2018). The Village increased the water utility connection fees by a resolution.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Village Council did not revise the Village's budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION CAPITAL ASSETS**

At the end of 2019, the Village had \$2,436,776 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 of \$122,974 over last year attributed to current depreciation.

Table 3 Village of San Ysidro Change in Capital Assets

	<u>Balance</u> <u>June 30, 2018</u>	<u>Increases/ (Decreases)</u>	<u>Balance</u> <u>June 30, 2019</u>
Non-Depreciable Assets:			
Land	\$ 262,478	-	262,478
Other Capital Assets:			
Infrastructure	\$ 601,879	-	601,879
Water utility plant/improvement	2,258,841	-	2,258,841
Buildings/improvements	396,601	-	396,601
Furniture and other equipment	242,160	-	242,160
Land/park improvements	402,188	-	402,188
Vehicles	220,441	-	220,441
Less: Accumulated depreciation	<u>(1,824,838)</u>	<u>122,974</u>	<u>(1,947,812)</u>
Total other capital asset	<u>\$ 2,297,272</u>	<u>122,974</u>	<u>2,174,298</u>

STATE OF NEW MEXICO  
 VILLAGE OF SAN YSIDRO  
 Management's Discussion and Analysis (continued)  
 (Unaudited)  
 June 30, 2019

The Village adjusted accumulated depreciation by \$122,974 for the current depreciation on assets on the books.

**DEBT**

At year end, the Village had \$109,919 in outstanding debt versus \$121,746 last year - a decrease of 9.7 percent - as shown in Table 4. The Village did not make the annual required installment payment towards the NMFA Phase I and II loans amounting to \$1,337 and \$2,530. See finding 2019-001.

Table 4 Village of San Ysidro Outstanding Debt at June 30, 2019

	Governmental Activities	Business-type Activities	Total Primary Government
NMFA - Vehicle LEFP	\$ 21,016	-	21,016
USDA Revenue Bond		40,800	40,800
NMFA - Phase I		15,784	15,784
NMFA - Phase II		32,319	32,319
Totals	<u>\$ 21,016</u>	<u>88,903</u>	<u>109,919</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 2019/2020 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 2019/2020 budgeted general fund revenues. The Village expects the downward pressure on revenue due to the closure of the Family Dollar Store, and since the water utility rates have not increased since 2011. Since the GRT county level rates increased in April 2018 from 6.75% to 6.875% there are upward pressures on revenue.

The Village was awarded \$110,000 in SP Legislative monies, but did not expend any funds in the current fiscal year. NM Department of Transportation awarded the Village \$277,530 requiring a match from the Village of \$14,607. The Village expects to expend those funds in FY 2020.

The Village was also awarded Federal Funds through the Community Development Block Grant in the amount of \$744,110 and expecting to disburse the funds in FY 2020.

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.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Management's Discussion and Analysis (continued)  
(Unaudited)  
June 30, 2019

**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, 2019

<b>ASSETS</b>	Governmental Activities	Business- Type Activities	Total
Cash and investments	\$ 485,614	78,010	563,624
Receivable, net	11,171	6,377	17,548
Taxes receivable	34,075	-	34,075
Land	257,478	5,000	262,478
Capital assets, net of accumulated depreciation	<u>920,428</u>	<u>1,253,870</u>	<u>2,174,298</u>
Total assets	<u>1,708,766</u>	<u>1,343,257</u>	<u>3,052,023</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pension	<u>72,569</u>	<u>-</u>	<u>72,569</u>
<b>LIABILITIES</b>			
Accounts payable	5,350	1,867	7,217
Current liabilities payable from restricted assets	-	1,500	1,500
Compensated absences, due in one year	7,502	1,238	8,740
Compensated absences, due in more than one year	3,622	-	3,622
Long-term liabilities, due within one year	10,327	3,746	14,073
Long-term liabilities, due in more than one year	10,689	83,657	94,346
Net pension liability	<u>214,210</u>	<u>-</u>	<u>214,210</u>
Total liabilities	<u>251,700</u>	<u>92,008</u>	<u>343,708</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	13,130	-	13,130
<b>NET POSITION</b>			
Net investment in capital assets	1,177,906	1,258,870	2,436,776
<b>Restricted for:</b>			
Debt services	-	5,246	5,246
Capital projects	12,013	-	12,013
Special revenues	25,820	-	25,820
Nonspendable	-	-	-
Unrestricted	<u>300,766</u>	<u>(12,867)</u>	<u>287,899</u>
Total net position \$	<u>1,516,505</u>	<u>1,251,249</u>	<u>2,767,754</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, 2019

Functions/Programs	Expense	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		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	\$ 223,438	770	90,000	-	(132,668)	-	(132,668)
Public safety	78,349	11,777	21,200	-	(45,372)	-	(45,372)
Culture and recreation	3,861	-	-	-	(3,861)	-	(3,861)
Highway and streets	17,436	-	-	-	(17,436)	-	(17,436)
Interest expense	-	-	-	-	-	-	-
Depreciation	65,089	-	-	-	(65,089)	-	(65,089)
Total governmental activities	<u>388,173</u>	<u>12,547</u>	<u>111,200</u>	<u>-</u>	<u>(264,426)</u>	<u>-</u>	<u>(264,426)</u>
<b>Business-type activities:</b>							
Water Department	103,453	60,019	-	-	-	(43,434)	(43,434)
Interest expense	2,062	-	-	-	-	(2,062)	(2,062)
Total business-type activities	<u>105,515</u>	<u>60,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,496)</u>	<u>(45,496)</u>
Total primary government	<u>\$ 493,688</u>	<u>72,566</u>	<u>111,200</u>	<u>-</u>	<u>(264,426)</u>	<u>(45,496)</u>	<u>(309,922)</u>
<b>General revenues:</b>							
Taxes:							
Gross receipts				\$	149,693	-	149,693
Property					22,781	-	22,781
Gasoline					20,282	-	20,282
Franchise					4,702	-	4,702
MVD/auto					734	-	734
Unrestricted investment earnings					4,845	188	5,033
Miscellaneous					10,216	-	10,216
Transfer - internal activities					-	-	-
Total general revenues/transfers					<u>213,254</u>	<u>188</u>	<u>213,442</u>
Change in net position					(51,172)	(45,308)	(96,480)
Net position, beginning of year					1,583,013	1,281,221	2,864,234
Restatement for pension					(15,336)	15,336	-
Net position, beginning - restated					<u>1,567,677</u>	<u>1,296,557</u>	<u>2,864,234</u>
Net position, end of year					<u>\$ 1,516,505</u>	<u>\$ 1,251,249</u>	<u>\$ 2,767,754</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, 2019

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Corrections</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and investments	\$ 428,984	28,486	2,323	25,820	485,614
Receivables, net	11,171	-	-	-	11,171
Taxes receivables	34,075	-	-	-	34,075
Total assets	<u>\$ 474,230</u>	<u>28,486</u>	<u>2,323</u>	<u>25,820</u>	<u>530,860</u>
<b>LIABILITIES AND FUND BALANCE LIABILITIES</b>					
Accounts payable	\$ 5,350	-	-	-	5,350
Accrued compensation and benefits	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>5,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,350</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted for:	-	-	-	-	-
Capital projects	-	28,486	-	-	28,486
Special revenues	-	-	2,323	25,820	28,143
Unassigned	468,880	-	-	-	468,880
Total fund balances	<u>468,880</u>	<u>28,486</u>	<u>2,323</u>	<u>25,820</u>	<u>525,510</u>
Total liabilities and fund balances	<u>\$ 474,230</u>	<u>28,486</u>	<u>2,323</u>	<u>25,820</u>	<u>530,860</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, 2019

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

<b>Total fund balances - Governmental funds</b>	\$ 525,509
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	(859,473)
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	72,569
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	(21,015)
Accrued compensated absences	(11,124)
Net pension liability	(214,210)
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	(13,130)
<b>Net position of governmental activities</b>	<u>\$ 1,516,505</u>

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, 2019

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Corrections</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
<b>Revenues:</b>					
Taxes	\$ 198,192	-	-	-	198,192
Charges for services	930	-	-	-	930
Grants - State	90,000	-	-	-	90,000
License, permits, fines and fees	7,771	-	1,300	-	9,071
Interest	4,748	3,732	-	-	8,479
Other	9,128	-	-	-	9,128
<b>Total revenues</b>	<b><u>310,769</u></b>	<b><u>3,732</u></b>	<b><u>1,300</u></b>	<b><u>-</u></b>	<b><u>315,801</u></b>
<b>Expenditures:</b>					
Current:					
General government	171,824	9,725	-	-	181,550
Public safety	88,288	-	-	-	88,288
Culture and recreation	-	-	-	3,712	3,712
Highways and streets	17,436	-	-	-	17,436
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
<b>Total expenditures</b>	<b><u>277,549</u></b>	<b><u>9,725</u></b>	<b><u>-</u></b>	<b><u>3,712</u></b>	<b><u>290,986</u></b>
Excess (Deficiency) of revenues over (under) expenditures before other financing sources	<b>33,221</b>	<b>(5,994)</b>	<b>1,300</b>	<b>(3,712)</b>	<b>24,815</b>
Other financing sources (uses)					
Operating transfers in	-	-	-	23,000	23,000
Operating transfers out	(23,000)	-	-	-	(23,000)
<b>Total other financing sources (uses)</b>	<b><u>(23,000)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>23,000</u></b>	<b><u>-</u></b>
<b>Net change in fund balance</b>	<b>10,221</b>	<b>(5,994)</b>	<b>1,300</b>	<b>19,288</b>	<b>24,815</b>
Fund balance, beginning of year	378,679	16,127	99,355	6,534	500,695
Restatement	79,981	18,353	(98,332)	(2)	-
Fund balance, beginning	458,660	34,480	1,023	6,532	500,695
<b>Fund balance, end of year</b>	<b>\$ <u>468,881</u></b>	<b><u>28,486</u></b>	<b><u>2,323</u></b>	<b><u>25,820</u></b>	<b><u>525,510</u></b>

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, 2019

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

Total net change in fund balances - governmental funds	\$	24,815
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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:

Capital expenditures recorded as capital outlay or other expenses		-
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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.		(65,089)
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Change in accrued compensated absences are expensed under the accrual method, and not the modified accrual method.		(442)
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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.

Principal payment on long-term debt		10,327
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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.

Change in net pension liability and the related deferred inflows and deferred inflows of resources related to pensions.		<u>(20,783)</u>
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<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u><u>(51,172)</u></u></b>
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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, 2019

	<u>Budgeted Amounts</u>		Actual (Non- GAAP Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 222,138	222,138	190,941	31,197
Licenses and permits	675	675	750	(75)
Fines and forfeitures	7,233	7,233	5,346	1,887
Grants	90,000	90,000	90,000	-
Interest on investments	-	-	10,415	(10,415)
Other	6,070	6,070	3,641	2,429
<b>Total revenues</b>	<u>326,116</u>	<u>326,116</u>	301,094	25,022
Expenditures				
Executive - Legislative	19,005	19,005	13,136	5,869
Judicial	5,929	5,929	5,157	772
Elections	-	-	-	-
Finance & administration	123,947	123,947	110,394	13,553
Public safety	91,713	91,713	88,288	3,425
Highways and streets	23,100	23,100	17,436	5,664
Other - Miscellaneous	50,972	50,972	42,452	8,520
<b>Total expenditures</b>	<u>314,666</u>	<u>314,666</u>	276,862	37,804
Excess (deficiency) of revenues over (under) expenditures	11,450	11,450	24,232	(12,782)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	(42,233)	(42,233)	23,000	(65,233)
<b>Total other financing sources (uses)</b>	<u>(42,233)</u>	<u>(42,233)</u>	23,000	(65,233)
Net change in fund balance	(30,783)	(30,783)	47,232	(78,015)
Prior year cash appropriated				
	<u>\$ (30,783)</u>	<u>(30,783)</u>		
Non-GAAP change in fund balance			\$ 47,232	
Courts and other receivable			2,424	
Taxes receivable			7,251	
Accounts payable			(618)	
Accrued compensation and benefits			(14,628)	
GAAP change in fund balance			<u>\$ 41,662</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, 2019

	Budgeted Amounts		Actual (Non- GAAP Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	-	-	-	
Correction fees	270	270	1,300	(1,030)
Other	-	-	-	-
<b>Total revenues</b>	<u>270</u>	<u>270</u>	<u>1,300</u>	<u>(1,030)</u>
Expenditures				
Operating	20,635	20,635	-	20,635
<b>Total expenditures</b>	<u>20,635</u>	<u>20,635</u>	<u>-</u>	<u>20,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,365)</u>	<u>(20,365)</u>	<u>1,300</u>	<u>(21,665)</u>
Other financing sources (uses):				
Operating transfers in Operating transfers IN	-	-	-	-
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	(20,365)	(20,365)	1,300	(21,665)
Prior year cash appropriated	-	-		
	<u>\$ (20,365)</u>	<u>(20,365)</u>		
Non-GAAP change in fund balance			\$ 1,300	
Change from:				
Taxes receivable			-	
Accounts payable			-	
Accrued compensation and benefits			-	
GAAP change in fund balance			<u>\$ 1,300</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, 2019

<b>ASSETS</b>	Water	Water System Improvement	Total
Cash and investments	\$ 46,601	31,409	78,010
Receivable, net	6,377	-	6,377
Land	5,000	-	5,000
Capital assets, net of accumulated depreciation	378,948	874,922	1,253,870
Total assets	<u>436,926</u>	<u>906,331</u>	<u>1,343,257</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pension	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts payable	1,867		1,867
Current liabilities payable from restricted assets	1,500		1,500
Compensated absences, due in one year	1,238		1,238
Compensated absences, due in more than one year	-	-	-
Long-term liabilities, due within one year	-	3,746	3,746
Long-term liabilities, due in more than one year	83,657	-	83,657
Net pension liability	-	-	-
Total liabilities	<u>88,262</u>	<u>3,746</u>	<u>92,008</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	-	-	-
<b>NET POSITION</b>			
Net investment in capital assets	383,948	874,922	1,258,870
<b>Restricted for:</b>			
Debt services	5,246	-	5,246
Capital projects	-	-	-
Special revenues	-	-	-
Nonspendable	-	-	-
Unrestricted	(40,530)	27,663	(12,867)
Total net position	<u>\$ 348,664</u>	<u>902,585</u>	<u>1,251,249</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, 2019

	Water	Water System Improvement	Total
Operating revenues			
Charges for services	\$ 60,019	-	60,019
Operating expenses	45,568	-	45,568
Depreciation	29,681	28,204	57,885
<b>Total operating expenses</b>	<u>75,249</u>	<u>28,204</u>	<u>103,453</u>
Operating (loss) income	(15,230)	(28,204)	(43,434)
Nonoperating revenue (expenses)			
Miscellaneous	-	-	-
Interest income	-	188	188
Interest expense	(2,062)	-	(2,062)
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<u>(2,062)</u>	<u>188</u>	<u>(1,874)</u>
<b>Change in net position</b>	(17,292)	(28,016)	(45,308)
Net position, beginning of year	394,957	886,264	1,281,221
Fund Balance Restatement	15,336	-	15,336
<b>Net position, end of year</b>	<u>\$ 393,001</u>	<u>858,248</u>	<u>1,251,249</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, 2019

	<u>Water</u>	<u>Water System Improvement</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers and users	\$ 61,285	-	61,285
Cash received from miscellaneous	-	-	-
Cash payments to employees	(14,508)	-	(14,508)
Cash payments to vendors	<u>(32,529)</u>	-	<u>(32,529)</u>
<b>Net cash provided (used) by operating activities</b>	<u>14,247</u>	-	<u>14,247</u>
<b>Cash flows from capital and related financing activities:</b>			
Operating transfer in	-	-	-
Operating transfer out	-	-	-
Principal payment on revenue bonds	(1,500)	-	(1,500)
Interest payment on revenue bonds	<u>(2,062)</u>	-	<u>(2,062)</u>
<b>Net cash used by capital and related financial activities</b>	<u>(3,562)</u>	-	<u>(3,562)</u>
<b>Cash flows from investing activities:</b>			
Interest income	<u>188</u>	-	<u>188</u>
Net cash provided (used) by investing activities	188	-	188
Net change in cash and cash equivalents	10,873	-	10,873
Cash, beginning of year	<u>63,310</u>	<u>3,827</u>	<u>67,137</u>
Cash, end of year	<u>\$ 74,183</u>	<u>3,827</u>	<u>78,010</u>
	-	-	-
<b>Operating (loss) income</b>	\$ (15,230)	(28,204)	(43,434)
<b>Adjustments to reconcile operating income to net cash flows:</b>			
Depreciation expense	29,681	28,204	57,885
<b>Change in assets and liabilities:</b>			
Accounts receivable	(1,799)	-	(1,799)
Prepaid expenses	-	-	-
Deferred outflows of resources	-	-	-
Accounts payable	765	-	765
Accrued expenses	<u>830</u>	-	<u>830</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 14,247</u>	<u>-</u>	<u>14,247</u>

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, 2019

**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, 2019

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, 2019

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 principal 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, 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, 2019

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, 2019

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, 2019

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.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2019

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, 2019.

*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, 2019.

*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, 2019, 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, 2019:

Cash and Investments	Amount
Cash and cash equivalents	
Cash	\$ 262,035
Debt service reserves	3,827
Subtotal cash and cash equivalents	265,862
Investments	
Certificates of deposits	47,638
Local government investment pool	250,124
Subtotal investments	297,762
Total cash and investments	\$ 563,624

Fund Type	Amount
Cash and equivalents	
Governmental funds	\$ 219,261
Business-type activities	46,601
Subtotal cash and cash equivalents	265,862
Investments	
Governmental activities funds	266,353
Business-type activities	31,409
Subtotal investments	297,762
Total cash and investments	\$ 563,624

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, 2019, the Village's bank and investment balance of \$322,739 was exposed to custodial credit risk as follows:

Insured through federal depository insurance	\$ 297,729
Uninsured, collateralized with securities held by pledging financial institution's trust department or agent but not in the Village's name	25,010
Uninsured and uncollateralized	-
Total deposits	\$ 322,739

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, 2019:

New Mexico LGIP AAAM Rated \$250,124 [35] day WAM(R); [112] 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, 2019. 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, 2019 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, 2019:

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment in LGIP	\$	<u>250,124</u>	<u>-</u>	<u>-</u>	<u>250,124</u>

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, 2019 totaled \$265,877.

<u>Type</u>		<u>General Fund</u>	<u>Special Revenue</u>	<u>Total Receivables</u>
Gross receipts taxes	\$	34,075	-	34,075
Court fines and reimbursements, net		8,617	-	8,617
Miscellaneous		2,554	-	2,554
Property taxes		-	-	-
Total		<u>45,246</u>	<u>-</u>	<u>45,246</u>

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4. Accounts Receivable (continued)  
*Business-Type Activities*

Accounts receivable representing billings for water services at June 30, 2019:

		<u>Water Fund</u>	
Accounts receivable	\$	14,458	
Less: Allowance for uncollectible		(8,081)	
Net receivable	\$	<u>6,377</u>	

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:

	<u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
<b>Governmental Activities</b>				
Capital Asset, not depreciated				
Land	\$ 257,478	-	-	257,478
<b>Capital assets, depreciated</b>				
Infrastructure	\$ 601,879	-	-	601,879
Land/park improvements	402,188	-	-	402,188
Building/Improvements	396,601	-	-	396,601
Furniture and equipment	206,970	-	-	206,970
Vehicles	172,263	-	-	172,263
<b>Total capital assets depreciated</b>	<b>\$ 1,779,901</b>	<b>-</b>	<b>-</b>	<b>1,779,901</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	\$ 99,240	15,391	-	114,631
Land/park improvements	230,041	21,205	-	251,246
Building/Improvements	140,954	9,900	-	150,854
Furniture and equipment	206,970	-	-	206,970
Vehicles	117,179	18,593	-	135,772
<b>Total Accumulated depreciation</b>	<b>\$ 794,384</b>	<b>65,089</b>	<b>-</b>	<b>859,473</b>
<b>Total capital assets depreciated, net</b>	<b>\$ 985,517</b>	<b>(65,089)</b>	<b>-</b>	<b>920,428</b>



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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	\$ 18,465
Public Safety	18,593
Highways and Streets	15,391
Culture and Recreation	<u>12,640</u>
<b>Total depreciation expense</b>	<b>\$ <u><u>65,089</u></u></b>

	<u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
<b>Business-type Activities</b>				
Capital assets, not depreciated				
Land	\$ <u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
<b>Capital assets, depreciated</b>				
Water System Improvements	\$ 1,128,159	-	-	1,128,159
Water:				
Buildings and improvements	1,130,682	-	-	1,130,682
Vehicles	48,177	-	-	48,177
Machinery and equipment	<u>35,191</u>	<u>-</u>	<u>-</u>	<u>35,191</u>
<b>Total capital assets depreciated</b>	<b>\$ 2,342,209</b>	<b>-</b>	<b>-</b>	<b>2,342,209</b>
<b>Accumulated depreciation for:</b>				
Water System improvements	\$ 225,033	28,204	-	253,237
Water				
Buildings and improvements	733,705	28,923	-	762,628
Vehicles	48,177	-	-	48,177
Machinery and equipment	<u>23,539</u>	<u>758</u>	<u>-</u>	<u>24,297</u>
<b>Total Accumulated depreciation</b>	<b>\$ 1,030,454</b>	<b>57,885</b>	<b>-</b>	<b>1,088,339</b>
<b>Total capital assets depreciated, net</b>	<b>\$ <u><u>1,311,755</u></u></b>	<b><u><u>(57,885)</u></u></b>	<b><u><u>-</u></u></b>	<b><u><u>1,253,870</u></u></b>

Depreciation expense for the business-type funds is \$57,885 at June 30, 2019.

6. Long-Term Debt

During the year ended June 30, 2019, the following changes to governmental activities debt occurred:

	<u>June 30,</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u>	<u>Due Within</u>
	<u>2018</u>			<u>2019</u>	<u>One Year</u>
<b>Governmental activities</b>					
Compensated absences	\$ 10,682	442	-	11,124	7,502
NMFA-LEPF	<u>31,343</u>	<u>-</u>	<u>(10,327)</u>	<u>21,016</u>	<u>10,327</u>
<b>Total</b>	<b>\$ <u><u>42,025</u></u></b>	<b><u><u>442</u></u></b>	<b><u><u>(10,327)</u></u></b>	<b><u><u>32,140</u></u></b>	<b><u><u>17,829</u></u></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 20 years	120 hours
20 years and over	160 hours

Vacation leave balance shall not exceed 240 hours.

NMFA - Vehicle - LEPF

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.

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 10,442	141	10,583
2021	10,574	76	10,650
Total	\$ <u>21,016</u>	<u>217</u>	<u>21,233</u>

During the year ended June 30, 2019, the Village did not make the required annual payment on the two NMFA Loans Phase I and II amounting to \$3,737, see finding 2019-007. The following changes, Business-type debt activities occurred:

	<u>June 30,</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u>	<u>Due Within</u>
	2018			2019	One Year
Business-type activities					
Bonds	\$ 42,300	-	(1,500)	40,800	1,500
NMFA - Phase I	15,784	-	-	15,784	2,594
NMFA - Phase II	32,319	-	-	32,319	4,898
Compensated absences	568	-	-	568	568
Total	\$ <u>90,971</u>	<u>-</u>	<u>(1,500)</u>	<u>89,471</u>	<u>9,560</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 1st 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
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>\$ 44,357</u>	<u>705</u>	<u>45,062</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
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
	<u>\$ 40,800</u>	<u>18,826</u>	<u>59,626</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, 2019 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	\$ 30,000	(53,000)	(23,000)
Non-major funds	-	23,000	23,000
Proprietary funds			-
Water	-	-	-
Water system improvements	-	-	-
Total	<u>\$ 30,000</u>	<u>(30,000)</u>	<u>-</u>
<b>Government-Wide Financial Statements</b>			
Government funds			
Major funds:			
General	\$ 30,000	(53,000)	(23,000)
Non-major funds	-	23,000	23,000
Total governmental activities	<u>\$ 30,000</u>	<u>(30,000)</u>	<u>-</u>
Proprietary funds			
Water	\$ -	-	-
Water system improvements	-	-	-
Total Business-Type Activities	<u>\$ -</u>	<u>-</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, 2018, available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2018-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 FY18 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 FY18 annual audit report at: [http://www.saonm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2018.pdf](http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2018.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 \$10,917.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2019, the Village reported a liability of \$214,210 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, 2018. Only employer contributions for the pay period end dates that fell within the period of June 1, 2017, to June 30, 2018, were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2018 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

PERA Municipal General Division

For PERA Municipal General Division, at June 30, 2019, the Village reported a liability of \$132,333 for its proportionate share of the net pension liability. At June 30, 2018, the Village's proportion was 0.0083%.

At June 30, 2019, 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	\$ 3,825	3,474
Changes of assumptions	11,998	761
Changes in proportion and differences between contributions and proportionate share of contributions	13,832	278
Net difference between projected and actual earnings on pension plan investments	9,814	-
Contributions subsequent to the measurement date	6,170	-
Total	\$ <u>45,639</u>	<u>4,513</u>

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2019

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

PERA Municipal General Division (continued)

\$6,170 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 ending June 30:		
2020	\$	18,402
2021		10,131
2022		5,887
2023		536
2024		-
Thereafter		-
	\$	34,956

PERA Municipal Police Division

For PERA Municipal Police Division, at June 30, 2019, the Village reported a liability of \$81,877 for its proportionate share of the net pension liability. At June 30, 2018, the Village's proportion was 0.0120%.

At June 30, 2019, 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	\$ 4,009	8,116
Changes of assumptions	9,342	501
Changes in proportion and differences between contributions and proportionate share of contributions	3,198	-
Net difference between projected and actual earnings on pension plan investments	5,634	-
Contributions subsequent to the measurement date	4,747	-
Total	\$ 26,930	8,617

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2019

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

PERA Municipal Police Division (continued)

\$4,747 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 ending June 30:	
2020	\$ 7,895
2021	2,479
2022	2,889
2023	303
2024	-
Thereafter	-
	\$ 13,566

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

<b>Valuation date</b>	June 30, 2018
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level Percentage of Payroll, Open
<b>Payroll growth rate</b>	3.00%
<b>Remaining amortization period</b>	30 years
<b>Asset valuation method</b>	4-year Smoothed Market
<b>Actuarial assumptions:</b>	
Investment rate of return	7.25%
Administrative expenses	0.50% of payroll
Projected salary increases	3.25%-13.50%
Post-retirement benefit increases	2.00% compounded annually (2.50% for certain retirees and disabled participants with annual benefits less than \$20,000)

\* Includes inflation at 2.50%



STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2019

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, 2018. The total pension liability for each division were rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018.

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

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

**Discount Rate.** Previously, a select and ultimate rate of return assumption had been adopted for funding purposes but new economic assumptions were adopted for the June 30, 2018 valuations including the change to a 7.25% static rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67. Therefore, the 7.25% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2019

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

***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 7.25%, 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 (6.25%) or one percentage point higher (8.25%) than the single discount rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
PERA Fund Division - Municipal General			
Net pension liability	\$ 203,916	132,333	73,158
PERA Fund Division - Municipal Police			
Net pension liability	\$ 125,893	81,877	45,993

***Pension plan fiduciary net position.*** Detailed information about the pension's fiduciary net position is available in the separately issued FY18 PERA financial report. The report is available at <http://www.nmpera.org/publications.html>.

10. GASB 75, 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, 2018 to June 30, 2019
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 June 30, 2018 Public Employee Retirement Association (PERA) Schedules of Employer Allocations and Pension Amounts, does not identify the amounts related to the San Ysidro Proprietary Water Fund. As such the amounts provided, in the Prior Year Audit Report's Proprietary Fund Statement of Net Position, and Statement of Revenues, and Changes in Net Position Fund Balance Restatement, as follows:

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2019

12. Prior Period Adjustment (continued)

FY18 Deferred outflows of resources related to pension	\$	4,609
FY18 Net pension liability		(18,688)
FY18 Deferred inflows of resources related to pensions		(1,257)
Proprietary Fund Balance Restatement	\$	(15,336)

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 \$582 as of June 30, 2019.

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, 2019:

- 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, 2019.
- The Village has adopted GASB Statement No. 85, *OMNIBUS 2018*, during fiscal year 2018, with no significant impact to the Village's financial statements.
- GASB Statement No. 87, *Leases*, has been issued and is effective for reporting periods beginning after December 15, 2019, but is not yet effective at June 30, 2019.
- The Village has adopted GASB Statement No. 83, *Certain Asset Retirement Obligations* during fiscal year 2019, with no significant impact to the Village's financial statements.
- The Village has adopted GASB Statement No. 88, *Certain Disclosures Related to Debt* during fiscal year 2019, with no significant impact to the Village's financial statements.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Financial Statements  
June 30, 2019

17. Recent and New Accounting Pronouncements (continued)

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, 2019.

19. Subsequent Events

The Village has evaluated subsequent events through December 9, 2019, the date which the financial statements were available to be issued. The Village had no material subsequent events from June 30, 2019 to December 9, 2019.

**REQUIRED SUPPLEMENTAL INFORMATION**

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Required Supplemental Information  
For the Year Ended June 30, 2019

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Village's portion of net position liability (asset)	0.0083%	0.0068%	0.0068%	0.0069%	0.0069%
Village's proprotinate share of the net pension liabilit (asset)	\$ 132,333	93,438	108,641	70,351	53,827
Village's covered employee payroll	\$ 88,190	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	150.05%	102.92%	140.54%	93.60%	72.70%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	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\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 6,170	7,399	6,350	5,561	6,062
Contributions in relation to the contractually required contribution	<u>6,170</u>	<u>7,399</u>	<u>6,350</u>	<u>5,561</u>	<u>6,056</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6</u>
Covered employee payroll	\$ 88,190	90,783	77,300	75,152	74,036
Contributions as a percentage of covered-employee payroll	7.00%	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.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Required Supplemental Information  
For the Year Ended June 30, 2019

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Village's portion of net position liability (asset)	0.0120%	0.0113%	0.0113%	0.0112%	0.0107%
Village's propo.rtionate share of the net pension liability (asset)	\$ 81,877	62,779	83,375	53,856	34,881
Village's covered employee payroll	\$ 44,574	45,968	42,494	41,014	40,040
Village's propo.rtionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	183.69%	136.57%	196.20%	131.31%	87.11%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	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 Police Division  
Public Employee's Retirement Association (PERA) Pension Plan  
Last 10 Fiscal Years\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 4,747	5,470	5,057	4,265	4,765
Contributions in relation to the contractually required contribution	<u>4,747</u>	<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>	<u>-</u>
Covered employee payroll	\$ 44,574	45,968	42,494	41,014	40,040
Contributions as a percentage of covered-employee payroll	10.65%	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.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Notes to Schedules of PERA Plan Information  
For the Year Ended June 30, 2019

***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 FY18 CFAR available at:  
<http://s3.amazonaws.com/boardaudio/cafr/CAFR2018Final.pdf>

***Assumptions*** - The PERA of New Mexico Annual Actuarial Valuations as of June 30, 2018 report is available at:  
<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2018-PERA-Valuation-Report-FINAL.pdf>



**SUPPLEMENTAL INFORMATION**

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Non-Major Funds  
June 30, 2019

**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, 2019

	<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	21,832	-	25,820
Receivables, net	-	-	-	-	-
Taxes receivables	-	-	-	-	-
Total assets	<u>\$ 2</u>	<u>3,986</u>	<u>21,832</u>	<u>-</u>	<u>25,820</u>
<b>LIABILITIES AND FUND BALANCE LIABILITIES</b>					
Accounts payable	\$ -	-	-	-	-
Accrued compensation and benefits	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted for:	-	-	-	-	-
Capital projects	-	3,986	-	-	3,986
Special revenues	2	-	21,832	-	21,834
Unassigned	-	-	-	-	-
Total fund balances	<u>2</u>	<u>3,986</u>	<u>21,832</u>	<u>-</u>	<u>25,820</u>
Total liabilities and fund balances	<u>\$ 2</u>	<u>3,986</u>	<u>21,832</u>	<u>-</u>	<u>25,820</u>

See independent auditor's report.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Non-Major Funds  
June 30, 2019

	<u>LEPF</u>	<u>Rodeo</u>	<u>Recreation</u>	<u>Debt Service</u>	<u>Total Non-Major</u>
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Charges for services	-	-	-	-	-
Grants - State	21,500	-	-	-	21,500
License, permits, fines and fees	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
<b>Total revenues</b>	<u>21,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,500</u>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	-
Public safety	21,500	-	-	-	21,500
Culture and recreation	-	3,714	-	-	3,714
Highways and streets	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
<b>Total expenditures</b>	<u>21,500</u>	<u>3,714</u>	<u>-</u>	<u>-</u>	<u>25,214</u>
Excess (Deficiency) of revenues over (under) expenditures before other financing sources	-	<b>(3,714)</b>	-	-	<b>(3,714)</b>
Other financing sources (uses)					
Operating transfers in	-	23,000	-	-	23,000
Operating transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>23,000</u>	<u>-</u>	<u>-</u>	<u>23,000</u>
<b>Net change in fund balance</b>	-	<b>19,286</b>	-	-	<b>19,286</b>
Fund balance, beginning of year		-	-	6,534	6,534
<b>Fund balance, end of year</b>	\$ <u><u>2</u></u>	<u><u>19,286</u></u>	<u><u>-</u></u>	<u><u>6,534</u></u>	<u><u>25,820</u></u>

See independent auditors' report

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Water Proprietary Fund  
Statement of Revenues and Expenditures Budget and Actual (Non-GAAP Budgetary Basis)  
For Year Ended June 30, 2019

	Budgeted Amounts		Actual (Non- GAAP Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 66,044	66,044	60,207	(5,837)
<b>Total revenues</b>	66,044	66,044	60,207	(5,837)
Expenditures				
Operating	61,700	61,700	45,496	16,204
<b>Total expenditures</b>	61,700	61,700	45,496	16,204
Operating Income (loss)	4,344	4,344	14,711	(22,041)
Nonoperating revenue (expenses)				
Interest income	-	-	-	-
Principal on bond	(1,500)	(1,500)	(1,500)	-
Interest on bond	(2,062)	(2,062)	(2,062)	-
Other income	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	(37,428)	(37,428)	-	(37,428)
<b>Total nonoperating expense</b>	(40,990)	(40,990)	(3,562)	(37,428)
Net change in fund balance	(36,646)	(36,646)	11,149	(59,469)
Prior year cash appropriated	34,181	34,181		
	\$ (2,465)	(2,465)		
Non-GAAP change in fund balance			\$ 11,149	
Non-budgeted item - depreciation			(29,681)	
Change from:				
Accounts payable			1,707	
Accrued compensation and benefits			1,238	
Notes payable			1,500	
GAAP change in fund balance			\$ (14,087)	

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, 2019

	Balance 6/30/2018	Receipts	Disbursements	Balance 6/30/2019
<b>ASSETS</b>				
Cash	\$ -	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>LIABILITIES</b>				
Due to others	\$ -	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

See independent auditors' report.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Schedule of Depository Accounts and Pledged Collateral  
June 30, 2019

Type	U.S. Bank	Jemez Valley Credit Union	Total	Plus Deposits in Transit	Outstanding Checks	Reconciled Balance
Checking, savings, interest bearing*:						
Checking - General	\$ 212,369	-	212,369	-	(6,892)	219,261
Savings* - General	-	-	-	-	-	-
Checking - Water Systems	40,447	-	40,447	-	(2,307)	42,754
Savings* debt savings reserve - Water Systems Improvement	3,827	-	3,827	-	-	3,827
Checking - Water Systems Improvement	20	-	20	-	-	20
CD's. interest bearing	-	47,638	47,638	-	-	47,638
Total Depository Accounts	<u>256,663</u>	<u>47,638</u>	<u>304,301</u>	<u>-</u>	<u>(9,199)</u>	<u>313,500</u>
Less: FDIC Coverage	(250,000)	(47,638)	(297,638)			
Total uninsured public funds	<u>6,663</u>	<u>-</u>	<u>6,663</u>			
50% collateral requirement	3,332	-	3,332			
Pledged securities	<u>94,968</u>	<u>-</u>	<u>94,968</u>			
(Over) under collateralized risk-deposits	(91,637)	-	(91,637)			
Uninsured and uncollateralized	<u>-</u>	<u>-</u>	<u>-</u>			
Reconciliation of Depository Accounts to Cash and Investments						
Total Deposits checking, interest bearing and CDs	351,939	47,638	304,301	-	(9,199)	313,500
Local Government Investment Pool	<u>250,124</u>	<u>-</u>	<u>250,124</u>			<u>250,124</u>
Total cash and investments	<u><u>602,063</u></u>	<u><u>47,638</u></u>	<u><u>554,425</u></u>	<u>-</u>	<u><u>(9,199)</u></u>	<u><u>563,624</u></u>

Pledged collateral at June 30, 2019 consist of the following:

Security	Cusip	Maturity	Fair Market Value
FHLMC GOLD REMIC 4212 QF	3137B2SK7	6/15/2043	<u>94,968</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 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 Brian S. Colón

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, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds of the Village presented as supplemental information, and have issued our report thereon dated December 9, 2019.

Internal Control Over Financial Reporting

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

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 control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Responses, we did identify a deficiency in internal control that we consider to be material weaknesses: 2018-001, 2018-002, 2018-003, 2018-004, 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 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 Office's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Village's 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 result 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 Office's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Assurance Tax Accounting P.C.

Assurance Tax Accounting P.C  
Albuquerque, New Mexico  
December 9, 2019

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Summary Schedule of Findings and Responses  
June 30, 2019

<b>SUMMARY OF AUDITOR'S RESULTS</b>	<u>Status</u>	<u>Financial Statement Finding</u>
<b><u>PRIOR YEAR FINDINGS</u></b>		
<b>GAGAS Requirements:</b>		
2018-006 Monitoring Over Grant Compliance	Resolved	No
<b>AAG GAS 13.35 and 13.39 Requirements:</b>		
No related AAG GAS findings		
<b>Section 123-6-5 NMSA 1978 Requirements:</b>		
2018-001 [1998-001] DFA Quarterly Financial Report Reconciliation	Repeated	Yes
2018-002 [2000-002] Segregation of Duties	Repeated	Yes
2018-003 Water and Citation Receivables	Repeated	Yes
2018-004 Controls Over Fixed Assets	Repeated	Yes
2018-005 Controls Over Payroll	Repeated	Yes
2018-007 Offsite IT Backup	Repeated	Yes
<b><u>CURRENT YEAR FINDINGS</u></b>		
<b>GAGAS Requirements:</b>		
2019-003 [2018-003] Water and Citation Receivables		
<b>AAG GAS 13.35 and 13.39 Requirements:</b>		
No related AAG GAS findings		
<b>Section 123-6-5 NMSA 1978 Requirements:</b>		
2019-001 [1998-001] DFA Quarterly Financial Report Reconciliation		
2019-002 [2000-002] Segregation of Duties		
2019-004 [2018-004] Controls Over Fixed Assets		
2019-005 [2018-005] Controls Over Payroll		
2019-006 [2018-007] Offsite IT Backup		
2019-007 Failure to Make Required Debt Service Payments		
2019-008 Late Submission of Audit Report		
Type of auditor's report issued	<u>Unqualified</u>	
Internal control over financial reporting:		
• Material weakness(es) identified?	<u>Yes</u>	
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>Yes</u>	
Noncompliance material to financial statements noted?	<u>No</u>	

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Schedule of Findings and Responses  
June 30, 2019

**2019-001 (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 reported activity and the Village's actual activity. The Village does not adhere to the double-entry system of accounting where every business transaction is recorded in a minimum of two accounts. Where the amounts entered as debits, must equal to the amounts entered as credits. Therefore, some transactions were not measured accurately or omitted. Management did not make any progress towards implementing the prior year corrective action plan.

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 all 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 2020. Responsible Party – Village Clerk/Treasurer.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Schedule of Findings and Responses  
June 30, 2019

**2019-002 (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. Management did not make any progress towards implementing the prior year corrective action plan.

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 council member signs all checks. Mayor and Village Clerk sign village payroll. This will be fully implemented by FY 2020. Responsible Party – Village Clerk/Treasurer.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Schedule of Findings and Responses  
June 30, 2019

**2019-003 (2018-003) Water and Citation Receivables – *Material weakness (Repeated and modified)***

**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.

Management did not make any progress towards implementing the prior year corrective action plan.

**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 advised by Municipal League legal counsel is 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 FY20. Responsible party –Water/Court Clerk.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Schedule of Findings and Responses  
June 30, 2019

**2019-004 (2018-004) Controls Over Fixed Assets – *Material weakness (Repeated and modified)***

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 \$44,352 less the fixed assets listing in the audit report. Management did not make any progress towards implementing the prior year corrective action plan.

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. 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 FY20. Responsible Party – Village Clerk/Treasurer.



STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Schedule of Findings and Responses  
June 30, 2019

**2019-005 (2018-005) Controls Over Payroll – *Significant deficiency (Repeated and modified)***

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 maximum vacation leave per the Personnel Policies Manual.
- The Village's written compensated absences accrual rates do not agree to the Personnel Policies Manual.

Management did not make any progress towards implementing the prior year corrective action plan.

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 maximum vacation leave 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 the maximum vacation leave or the 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 will maintain its employee compensated absences accrual records consistent with approved maximum vacation leave and accrual rates per the Personnel Policies Manual. Finding will be resolved by FY20. Responsible Party – Village Clerk/Treasurer.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Schedule of Findings and Responses  
June 30, 2019

**2019-006 (2018-007) Offsite IT Backup – *Material weakness (Repeated and modified)***

Condition: The Village does not have policies to backup accounting data and storage. Management did not make any progress towards implementing the prior year corrective action plan.

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 is currently developing a system of backup of its accounting data. Offsite storage is currently being implemented in FY20. Responsible party – Mayor.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Schedule of Findings and Responses  
June 30, 2019

**2019-007 Failure to Make Required Debt Service Payments – *Material weakness***

Condition: While performing testing over the debt, it was noted that the Village failed to make the annual installment payments to the New Mexico Finance Authority for the construction loans NMFA – Phase I and II amounting to: \$1,297 and \$2,449.

Criteria: In accordance with Section 12-6-5 NMSA 1978 which states any violation of good accounting practices shall be set out in detail in a written report. Good accounting practices dictate that all contractually required payments were made on a timely basis, to provide assurance that all transactions have been entered by the bank and recorded in the financial statements properly.

Cause: The Village was not aware of the contractually required payments to be made and due dates of those payments to the NMFA.

Effect: By not making the contractually required payments, the NMFA could consider the Village in default of the loan agreement. This could lead to inaccurate interim financial reporting. In addition, errors and misappropriation of assets could be more difficult to detect if not identified in a timely manner.

Recommendation: The Village should establish a policy by which all contractually required payments are made timely in order to comply with the loan agreements and keep the Village in good standing with its financial institutions. The Village should contact the NMFA in order to make the required payments immediately and cure the default and keep the Village in compliance with its financial institutions.

Response: The Village did not receive invoices for loan payments which are delivered electronically, no hard copy is mailed as requested. Payments cannot be made without invoices for attachment to payment record per the NM Department of Finance & Administration. Finding will be resolved in FY20.  
Responsible Party – Village Clerk/Treasurer.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Schedule of Findings and Responses  
June 30, 2019

**2019-008 Late Submission of Audit Report – *Other Non-Compliance***

Condition: The Village did not submit their FY 2019 audit report to the Office of the State Auditor by December 16, 2019, the due date of the report.

Criteria: 2.2.2 NMAC (State Audit Rule) requires submission of audit reports within five and a half months after year-end, or December 16, 2019.

Cause: The auditor did not begin the audit early enough to be able to complete the procedures and audit report within the five and a half months after year end.

Effect: The Village was not in compliance with the State Audit Rule, which could impact their ability to receive grants from federal and state sources.

Recommendation: The Village should submit the audit report to the Office of the State Auditor before the due date. The District should also institute policies and procedures that will enable it to complete their annual audit five and a half months after year-end.

Management's Response: The Village Trustees will create a policy and procedure to complete the audit requirements within the five and a half months after year-end. Finding will be resolved in FY20.  
Responsible Party – Village Mayor.

STATE OF NEW MEXICO  
VILLAGE OF SAN YSIDRO  
Exit Conference  
For the Year Ended June 30, 2019

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 Assurance Tax Accounting PC 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 9, 2019. The following individuals were in attendance.

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

Steve M. Lucero, Mayor  
Christina R. Lucero, Clerk/Treasurer

Assurance Tax Accounting PC was represented by:

Johnny Mangu, MBA, CPA, CGFM, CGMA