

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2017  
(with Auditor's Report Thereon)**

**Harshwal & Company LLP  
Certified Public Accountants  
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## **INTRODUCTORY SECTION**

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TOWN OF SPRINGER  
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STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Official Roster  
June 30, 2017

Town Council

<u>Name</u>	<u>Title</u>
Mr. Fernando Garcia	Mayor
Mr. Boe Lopez	Mayor Pro Tem
Ms. Jean Martinez	Town Trustee
Ms. Anna Phillips	Town Trustee
Mr. Timothy Trujillo	Town Trustee

Administrative Officials

Ms. Shawn Jeffrey	Clerk Treasurer
Mr. Samuel Blea	Deputy Clerk
Mr. Anthony Abeyta	Utility Billings Clerk

## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Mr. Wayne Johnson  
NM State Auditor  
Honorable Mayor and Town Council  
Town of Springer  
Springer, NM

### 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 of the Town of Springer, as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Town of Springer's basic financial statements as listed in the table of contents. We did not audit the 2016 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employee Retirement Association (PERA), the administrator of the cost sharing pension plan for the Town. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town, is based solely on the report of the other auditors. We did not audit the financial statements of the Town of Springer Housing Authority, a component unit of the Town of Springer, which statements reflect total assets of \$663,143 as of June 30, 2017, and net operating revenues of (\$119,924) for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Town of Springer, is based solely on the reports of the other auditors. These financial statements are the responsibility of Town of Springer's management. Our responsibility is to express opinions on these financials statements based on our audit.

### 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 from material misstatement.

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

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

## **Opinions**

In our opinion, based on our audit and report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Springer, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund for the year then ended 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 the Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of Contributions and the notes to the required supplementary information on pages 74-80 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 the 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.

Management has omitted the Management's Discussion and Analysis that Government Accounting Standards require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Government 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. Our opinion on the basic financial statements is not affected by this missing information

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Town of Springer's financial statements, that collectively comprise the Town of Springer's basic financial statements. The combining and individual nonmajor fund financial statements and the other schedules as required by Section 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.



The combining and individual nonmajor fund financial statements and the other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the other schedules as required by Section 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 01, 2018 on our consideration of the Town of Springer'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 Town of Springer's internal control over financial reporting and compliance

**Harshwal & Company LLP**

**Certified Public Accountants**

*Harshwal & Company LLP*

**Albuquerque, New Mexico**

**March 01, 2018**

**BASIC  
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Statement of Net Position  
June 30, 2017

Statement 1

	Governmental Activities	Business-Type Activities	Housing Authority Component Unit
<b>ASSETS</b>			
Current Assets			
Cash	\$ 230,034	\$ 891,876	\$ 137,862
Accounts receivable (net of uncollectible accounts)	1,185	149,389	76
Prepaid insurance			10,370
Inventory			9,432
Due from other funds	16,965	-	-
Due from grantor	<u>806,054</u>	<u>-</u>	<u>-</u>
Total current assets	<u>1,054,238</u>	<u>1,041,265</u>	<u>157,740</u>
Non-current assets			
Restricted assets (cash)			13,177
Customer meter deposits		<u>53,797</u>	
Total non-current assets	<u>0</u>	<u>53,797</u>	<u>13,177</u>
Capital assets	11,511,258	7,016,761	3,187,626
Less: accumulated depreciation	<u>(3,364,623)</u>	<u>(4,108,110)</u>	<u>(2,695,400)</u>
Total capital assets (net of accumulated depreciation)	<u>8,146,635</u>	<u>2,908,651</u>	<u>492,226</u>
Deferred outflows:			
Deferred outflows of resources - related to pension	<u>334,287</u>		<u>68,822</u>
Total deferred outflows of resources	<u>334,287</u>		<u>68,822</u>
Total assets	<u>9,535,160</u>	<u>4,003,713</u>	<u>731,965</u>
<b>LIABILITIES AND NET POSITION</b>			
Current liabilities			
Accounts payable	\$ 812,614	\$ 53,857	\$ 1,582
Payroll and accrued liabilities			15,794
Current portion revenue bonds / NMFA loans payable	49,261	30,135	
Prepaid rent			35
Current portion compensated absences	15,585	29,628	10,296
Customer meter deposits payable from restricted assets		53,797	
Security deposits			<u>13,194</u>
Total current liabilities	<u>877,460</u>	<u>167,417</u>	<u>40,901</u>
Non-current liabilities			
Compensated absences payable			1,933
Revenue bonds / NMFA loans payable	265,853	1,036,614	

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Statement of Net Position  
June 30, 2017

Statement 1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Housing Authority Component Unit</u>
Net pension liability	<u>802,974</u>	<u>                    </u>	<u>196,513</u>
Total non-current liabilities	<u>1,068,827</u>	<u>1,036,614</u>	<u>198,446</u>
Total liabilities	<u>1,946,287</u>	<u>1,204,031</u>	<u>239,347</u>
Deferred Inflows:			
Deferred inflows of resources - related to pension	<u>28,596</u>	<u>                    </u>	<u>5,603</u>
Total deferred inflows of resources	<u>28,596</u>	<u>0</u>	<u>5,603</u>
Net Position			
Net investment in capital assets	7,831,521	1,841,902	492,226
Restricted for:			
Special revenue fund	35,639		
Debt service		60,240	
Unrestricted	<u>(306,883)</u>	<u>897,540</u>	<u>(5,211)</u>
Total net position	<u>7,560,277</u>	<u>2,799,682</u>	<u>487,015</u>
Total liabilities and net position	<u>\$ 9,535,160</u>	<u>\$ 4,003,713</u>	<u>\$ 731,965</u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Statement of Activities  
Year Ended June 30, 2017

Statement 2

Functions/ Programs	Expenses	Program Revenues		
		Charges for services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 1,263,070	\$ 14,103	\$ 224,017	\$ 556,133
Public safety	167,108			
Culture and recreation	26,262			
Interest	465			
Depreciation - unallocated	<u>379,912</u>			
Total government activities	<u>1,836,817</u>	<u>14,103</u>	<u>224,017</u>	<u>556,133</u>
Business-type Activities:				
Joint Utilities	<u>1,562,114</u>	<u>1,468,249</u>		
Total Business type activities	<u>1,562,114</u>	<u>1,468,249</u>	<u>0</u>	<u>0</u>
Total primary government	<u>\$ 3,398,931</u>	<u>\$ 1,482,352</u>	<u>\$ 224,017</u>	<u>\$ 556,133</u>
Component Unit:				
Housing Authority	<u>\$ 363,412</u>	<u>\$ 145,345</u>	<u>\$ 98,143</u>	<u>\$ 141,823</u>
General Revenue:				
Property taxes				
Gas tax				
Franchise taxes				
Lodgers taxes				
State aid not restricted to special purpose				
General				
Transfers				
Investment earnings				
Other revenue				
Gain on disposal of fixed assets				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position - end of year				

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Statement of Activities  
Year Ended June 30, 2017

Statement 2

<u>Functions/ Programs</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
<b>Primary Government</b>				
Governmental activities:				
General government	\$ (468,817)	\$	\$ (468,817)	\$
Public safety	(167,108)		(167,108)	
Culture and recreation	(26,262)		(26,262)	
Interest	(465)		(465)	
Depreciation - unallocated	(379,912)		(379,912)	
Total government activities	<u>(1,042,564)</u>	<u>0</u>	<u>(1,042,564)</u>	<u>0</u>
Business-type Activities:				
Joint Utilities		(93,865)	(93,865)	
Total Business type activities		<u>(93,865)</u>	<u>(93,865)</u>	<u>0</u>
Total primary government	<u>(1,042,564)</u>	<u>(93,865)</u>	<u>(1,136,429)</u>	<u>0</u>
Component Unit:				
Housing Authority				<u>21,899</u>
General Revenue:				
Property taxes	314,219	8,003	322,222	
Gas tax	42,881		42,881	
Franchise taxes	11,337		11,337	
Lodgers taxes	6,606		6,606	
State aid not restricted to special purpose				
General	75,667		75,667	
Transfers	2,625	(2,625)		
Investment earnings	2,720	254	2,974	82
Other revenue	5,894	32,058	37,952	
Gain on disposal of fixed assets				<u>11,000</u>
Total general revenues and transfers	<u>461,949</u>	<u>37,690</u>	<u>499,639</u>	<u>11,082</u>
Change in net position	(580,615)	(56,175)	(636,790)	32,981
Net position, beginning of year	<u>8,140,892</u>	<u>2,855,857</u>	<u>10,996,749</u>	<u>454,034</u>
Net position - end of year	<u>\$ 7,560,277</u>	<u>\$ 2,799,682</u>	<u>\$ 10,359,959</u>	<u>\$ 487,015</u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Balance Sheet  
Governmental Funds  
June 30, 2017

Statement 3

	General Fund	Dam Project Fund	Water Improvements Fund	Other Governmental Funds	Total Governmental Fund
<b>ASSETS</b>					
Cash	\$ 194,916	\$	\$	\$ 35,118	\$ 230,034
Accounts receivable	664			521	1,185
Due from grantor		806,054			806,054
Due from other funds	<u>16,965</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>16,965</u>
Total assets	<u>212,545</u>	<u>806,054</u>	<u>          </u>	<u>35,639</u>	<u>1,054,238</u>
<b>LIABILITIES</b>					
Accounts payable	<u>6,560</u>	<u>806,054</u>	<u>          </u>	<u>          </u>	<u>812,614</u>
Total liabilities	<u>6,560</u>	<u>806,054</u>	<u>0</u>	<u>0</u>	<u>812,614</u>
<b>FUND BALANCE</b>					
Restricted					
Special revenue fund				35,639	35,639
Capital project fund					
Debt service fund					
Unassigned	<u>205,985</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>205,985</u>
Total fund balances	<u>205,985</u>	<u>0</u>	<u>0</u>	<u>35,639</u>	<u>241,624</u>
Total liabilities and fund balances	<u>\$ 212,545</u>	<u>\$ 806,054</u>	<u>\$ 0</u>	<u>\$ 35,639</u>	<u>\$ 1,054,238</u>

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

## STATE OF NEW MEXICO

Statement 4

## TOWN OF SPRINGER

Reconciliation of the Balance Sheet -  
 Governmental Funds to the Statement of Net Position  
 June 30, 2017

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

Total fund balances - governmental funds		\$ 241,624
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
The cost of capital assets	11,511,258	
Accumulated depreciation	<u>(3,364,623)</u>	
		8,146,635
Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:		
Compensated absences	(15,585)	
Loans payable	<u>(315,114)</u>	
		(330,699)
Some liabilities, including net pension obligations, are not due and payable in the current period and therefore, are not reported in the funds		
Net pension liability		(802,974)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds		
Deferred outflows		334,287
Deferred inflows		<u>(28,596)</u>
Net position of governmental activities		<u>\$ 7,560,277</u>

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



## STATE OF NEW MEXICO

Statement 5

## TOWN OF SPRINGER

## Governmental Funds

## Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended June 30, 2017

	General Fund	Dam Project Fund	Water Improveme nts Fund	Other Governmen tal Funds	Total Government al Funds
<b>REVENUES</b>					
Taxes	\$ 325,556	\$	\$	\$	\$ 325,556
Gas taxes	63,917				63,917
Lodger's tax				6,606	6,606
Charges for services	24,976			3,413	28,389
Licenses and permits	33,727			3,824	37,551
Small cities distribution	91,013				91,013
Local sources	218,060		201,305	10,779	430,144
State sources	1,871	82,314		177,822	262,007
Miscellaneous revenue	5,576				5,576
Earnings on investments	2,720			100	2,820
Total revenues	<u>767,416</u>	<u>82,314</u>	<u>201,305</u>	<u>202,544</u>	<u>1,253,579</u>
<b>EXPENDITURES</b>					
Current:					
General government	922,824	39,372	209,034	61,482	1,232,712
Public safety	47,533			119,575	167,108
Culture and recreation				26,262	26,262
Capital outlay		36,883			36,883
Debt service-Principle	59,242	6,059			65,301
Debt service-Interest	465				465
Total expenditures	<u>1,030,064</u>	<u>82,314</u>	<u>209,034</u>	<u>207,319</u>	<u>1,528,731</u>
Excess (deficiency) of revenues over expenditures	<u>(262,648)</u>		<u>(7,729)</u>	<u>(4,775)</u>	<u>(275,152)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds	60,454			20,152	80,606
Transfers in	61,902		7,729		69,631
Transfers out	<u>(31,202)</u>			<u>(35,804)</u>	<u>(67,006)</u>
Total other financing sources (uses)	<u>91,154</u>		<u>7,729</u>	<u>(15,652)</u>	<u>83,231</u>
Net change in fund balance	(171,494)			(20,427)	(191,921)
Fund balance - beginning of year	<u>377,479</u>			<u>56,066</u>	<u>433,545</u>
Fund balance - end of year	<u>\$ 205,985</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 35,639</u>	<u>\$ 241,624</u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER

Statement 6

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the year ended June 30, 2017

Net change in fund balances - total governmental funds \$ (191,921)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation expense in the period.

Capital outlay	36,883	
Depreciation expense	(379,912)	
Excess of capital outlay over depreciation expense	<u>          </u>	(343,029)

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions	41,930
Pension expense	(94,460)

In the Statement of Activities, certain operating expenses are measured by the amount incurred during the year. In the fund financial statements however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). The (increase) decrease in the liabilities for the year were:

Compensated absences payable	22,170
------------------------------	--------

The issuance of long-term debt (e.g. loans) 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.

Loan proceeds	(80,606)	
Repayment of long-term debt	<u>65,301</u>	<u>(15,305)</u>

Change in net position of governmental activities \$ (580,615)

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

## STATE OF NEW MEXICO

Statement 7

## TOWN OF SPRINGER

## General Fund

## Statement of Revenues and Expenditures -Budget and Actual (Non-GAAP Budgetary Basis)

For the year ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variances Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 58,000	\$ 13,995	\$ 66,620	\$ 52,625
Franchise taxes	15,000	15,000	11,337	(3,663)
Gas taxes	78,000	78,000	63,917	(14,083)
Charges for services	18,000	18,000	18,755	755
Licenses and permits	3,500	3,500	4,002	502
Fines and forfeitures	15,000	15,000	28,340	13,340
State sources	2,000	2,000		(2,000)
State shared taxes	454,050	474,050	410,088	(63,962)
Intergovernmental- State	150,000	150,000	91,013	(58,987)
Interest on Investments	200	200	229	29
Miscellaneous	<u>60,000</u>	<u>60,000</u>	<u>40,515</u>	<u>(19,485)</u>
Total revenues	<u>853,750</u>	<u>829,745</u>	<u>734,816</u>	<u>(94,929)</u>
<b>EXPENDITURES</b>				
Current:				
General government	432,250	452,250	474,434	(22,184)
Highways and streets	45,000	45,000	49,975	(4,975)
Public safety	250,000	250,000	258,811	(8,811)
Culture and recreation	56,000	67,000	109,574	(42,574)
Miscellaneous	<u>30,000</u>	<u>30,000</u>	<u>19,784</u>	<u>10,216</u>
Total expenditures	<u>813,250</u>	<u>844,250</u>	<u>912,578</u>	<u>(68,328)</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in				
Operating transfers out	<u>78,310</u>	<u>78,310</u>	<u>17,000</u>	<u>(61,310)</u>
Total other financing sources	<u>\$ 78,310</u>	<u>\$ 78,310</u>	<u>\$ 17,000</u>	<u>\$ (61,310)</u>
Change in fund balance (Non-GAAP Basis)	<u>\$ 118,810</u>	<u>\$ 63,805</u>	<u>(160,762)</u>	<u>(224,567)</u>
BUDGETED CASH BALANCE	<u>\$ 0</u>	<u>\$ 0</u>		

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Proprietary Funds  
Statement of Net Position  
June 30, 2017

Statement 8

	<u>Water/Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
<b>ASSETS</b>					
Current Assets					
Cash on deposit	\$ 172,402	\$ 5,801	\$ 703,408	\$ 10,265	\$ 891,876
Accounts receivable (net)	<u>71,511</u>	<u>9,952</u>	<u>67,926</u>	<u>          </u>	<u>149,389</u>
Total current assets	<u>243,913</u>	<u>15,753</u>	<u>771,334</u>	<u>10,265</u>	<u>1,041,265</u>
Non-current assets					
Customer meter deposits	<u>53,797</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>53,797</u>
Total non-current assets	<u>53,797</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>53,797</u>
Capital Assets					
Land improvements				34,622	34,622
Buildings and improvements	254,359			107,496	361,855
Heavy equipment	59,000	60,500			119,500
Plant/Infrastructure	6,500,784				6,500,784
Accumulated depreciation	<u>(3,974,954)</u>	<u>(60,500)</u>	<u>          </u>	<u>(72,656)</u>	<u>(4,108,110)</u>
Total capital assets, net	<u>2,839,189</u>	<u>0</u>	<u>0</u>	<u>69,462</u>	<u>2,908,651</u>
Total assets	<u>3,136,899</u>	<u>15,753</u>	<u>771,334</u>	<u>79,727</u>	<u>4,003,713</u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Proprietary Funds  
Statement of Net Position  
June 30, 2017

Statement 8

	<u>Water/Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	7,838		46,019		53,857
Compensated absences payable	23,537	6,091			29,628
Current portion revenue bonds payable	27,000				27,000
Current portion loan payable	3,135				3,135
Customer meter deposits payable from restricted assets	<u>53,797</u>				<u>53,797</u>
Total current liabilities	<u>115,307</u>	<u>6,091</u>	<u>46,019</u>	<u>0</u>	<u>167,417</u>
Long-Term Liabilities					
Revenue bonds payable	985,367				985,367
NMAF loan payable	<u>51,247</u>				<u>51,247</u>
Total Long-Term Liabilities	<u>1,036,614</u>				<u>1,036,614</u>
Total liabilities	<u>1,151,921</u>	<u>6,091</u>	<u>46,019</u>		<u>1,204,031</u>
<b>NET POSITION</b>					
Net investment in capital assets	1,772,440			69,462	1,841,902
Restricted for debt service	60,240				60,240
Unrestricted	<u>152,298</u>	<u>9,662</u>	<u>725,315</u>	<u>10,265</u>	<u>897,540</u>
Total net position	<u>1,984,978</u>	<u>9,662</u>	<u>725,315</u>	<u>79,727</u>	<u>2,799,682</u>
Total liabilities and net position	<u>\$ 3,136,899</u>	<u>\$ 15,753</u>	<u>\$ 771,334</u>	<u>\$ 79,727</u>	<u>\$ 4,003,713</u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Proprietary Funds

Statement 9

Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Year Ended June 30, 2017

	Water/Sewer Fund	Solid Waste Fund	Electric Fund	Other Enterprise Fund	Total
<b>OPERATING REVENUES</b>					
Taxes		8,003			8,003
Licenses, fines & fees	16,733	3,151			19,884
Charges for services	479,934	109,828	858,603		1,448,365
Miscellaneous	<u>30,733</u>			<u>1,325</u>	<u>32,058</u>
Total operating revenue	<u>527,400</u>	<u>120,982</u>	<u>858,603</u>	<u>1,325</u>	<u>1,508,310</u>
<b>OPERATING EXPENSES</b>					
Cost of energy			650,328		650,328
Personal services	158,566	65,838			224,404
Maintenance and operations	322,573	73,964	66,793	493	463,823
Depreciation	<u>204,723</u>			<u>2,756</u>	<u>207,479</u>
Total operating expenses	<u>685,862</u>	<u>139,802</u>	<u>717,121</u>	<u>3,249</u>	<u>1,546,034</u>
Operating income (loss)	<u>(158,462)</u>	<u>(18,820)</u>	<u>141,482</u>	<u>(1,924)</u>	<u>(37,724)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>					
Investment income	201	53			254
Investment expense	(16,080)				(16,080)
Transfers in	104,977	17,000	284,499		406,476
Transfers out	<u>(405,221)</u>			<u>(3,880)</u>	<u>(409,101)</u>
Total Non-Operating Revenue (Expense)	<u>(316,123)</u>	<u>17,053</u>	<u>284,499</u>	<u>(3,880)</u>	<u>(18,451)</u>
Change in Net Position	(474,585)	(1,767)	425,981	(5,804)	(56,175)
Net position, beginning of year	<u>2,459,563</u>	<u>11,429</u>	<u>299,334</u>	<u>85,531</u>	<u>2,855,857</u>
Net position, end of year	<u>\$ 1,984,978</u>	<u>\$ 9,662</u>	<u>\$ 725,315</u>	<u>\$ 79,727</u>	<u>\$ 2,799,682</u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2017

Statement 10

	<u>Water/Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 514,748	\$ 113,039	\$ 863,027	\$ 1,325	\$ 1,492,139
Cash received from state shared taxes		8,003			8,003
Cash payments to employees and to suppliers for goods and services	<u>(495,623)</u>	<u>(142,288)</u>	<u>(717,121)</u>	<u>(493)</u>	<u>(1,355,525)</u>
Net cash provided by operating activities	<u>\$ 19,125</u>	<u>\$ (21,246)</u>	<u>\$ 145,906</u>	<u>\$ 832</u>	<u>\$ 144,617</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Loan proceeds	1,012,367				1,012,367
Principal paid	(629,661)		(313,267)		(942,928)
Investment expense	<u>(16,080)</u>				<u>(16,080)</u>
Net cash provided (used) by capital and related financing activities	<u>366,626</u>		<u>(313,267)</u>		<u>53,359</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Operating transfers from other funds	104,977	17,000	284,499		406,476
Operating transfers to other funds	<u>(405,221)</u>			<u>(3,880)</u>	<u>(409,101)</u>
Net cash provided (used) by noncapital financing activities	<u>(300,244)</u>	<u>17,000</u>	<u>284,499</u>	<u>(3,880)</u>	<u>(2,625)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income	<u>201</u>	<u>53</u>			<u>254</u>
Net cash provided by investing activities	<u>201</u>	<u>53</u>			<u>254</u>
Net increase (decrease) in cash	85,708	(4,193)	117,138	(3,048)	195,605
Cash, beginning of year	<u>86,694</u>	<u>9,994</u>	<u>586,270</u>	<u>13,313</u>	<u>696,271</u>
Cash, end of year	<u>\$ 172,402</u>	<u>\$ 5,801</u>	<u>\$ 703,408</u>	<u>\$ 10,265</u>	<u>\$ 891,876</u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2017

Statement 10

	Water/Sewer Fund	Solid Waste Fund	Electric Fund	Other Enterprise Fund	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (158,462)	\$ (18,820)	\$ 141,482	\$ (1,924)	\$ (37,724)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	204,723			2,756	207,479
Changes in assets and liabilities:					
(Increase) decrease in receivables			4,424		4,424
Increase (decrease) in accounts payable	(12,651)	60			(12,591)
Increase (decrease) in compensated absences	<u>(14,485)</u>	<u>(2,486)</u>			<u>(16,971)</u>
Net cash provided (used) by operating activities	<u>\$ 19,125</u>	<u>\$ (21,246)</u>	<u>\$ 145,906</u>	<u>\$ 832</u>	<u>\$ 144,617</u>

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



STATE OF NEW MEXICO  
TOWN OF SPRINGER

Statement 11

Statement of Fiduciary Assets and Liabilities - Agency Funds  
June 30, 2017

ASSETS

Cash	\$ <u>31,889</u>
Total assets	<u>31,889</u>

LIABILITIES

Due to General Fund	16,965
Due to bond holders	529
Due to other agencies	<u>14,395</u>
Total liabilities	\$ <u><u>31,889</u></u>

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

## **FINANCIAL NOTES**

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Springer was incorporated under the provisions of the Municipal Code of the State of New Mexico (Sec. 14-2-1 et-Seq. 1953 Comp.) The Town operates under a mayor-council form of government and provides the following services: public safety (police, emergency and fire), public works (highway and streets), community services (culture and recreation), judicial, development, legal, engineering and general administrative services.

This summary of significant accounting policies of the Town is presented to assist in the understanding of the Town's financial statements. The financial statements and notes are the representation of the Town's management who is responsible for their integrity and objectivity. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures unless those pronouncements conflict with or contradict GASB pronouncements. The Town has elected not to follow subsequent private-sector guidance. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the following is a brief review of the potential component unit addressed in defining the government's reporting entity. The Town has one discretely presented component unit.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(CONT'D)**

Town of Springer Housing Authority (Authority): this component unit has a separate board, which the Town has the ability to appoint and influence operations, and provides services to residents, generally within the geographic boundaries of the government. The Authority will be reported as a proprietary type discretely presented component unit. The Housing Authority has no significant transactions with the Town of Springer.

The Housing Authority was audited by another audit firm, and has issued separately audited financial statements. Additional information regarding the Housing Authority may be obtained directly from their administrative office at: Executive Director, Town of Springer Housing Authority, 601 El Paso Ave, A, Springer, NM 87747.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which is normally 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(CONT'D)**

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Dam Project Fund (Capital Project Fund)* - To account for resources from State Grants (and state appropriations) to rehabilitate dams located within the Town limits.

*Water Improvements Fund (Capital Project Fund)* - To account for federal grants and bond proceeds used for water system improvements.

The Town reports the following as Proprietary Funds:

*Proprietary Funds* - Enterprise Funds

*Water and Sewer Fund* - To account for the provision of water and sewer services to the residents of Springer, New Mexico. All activities necessary to provide these services are accounted for in this fund.

*Solid Waste Fund* - To account for revenue and expenditures for the maintenance of the solid waste operations. All activities necessary to provide these services are accounted for in this fund.

*Electric Fund* - To account for revenue and expenditures for the maintenance of the electric operations. All activities necessary to provide these services are accounted for in this fund.

*Non-Major Enterprise Fund - Cemetery Fund* - To account for the operations of the Cemetery Fund.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(CONT'D)**

*Non-Major Enterprise Fund - Museum Fund* - To account for the operations of the Museum Fund.

The Town also reports additional governmental funds as non-major.

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

*Capital Project Funds* - These funds are used to account for the acquisition of capital assets or construction of major capital projects.

*Agency Funds* - To account for assets held by the Town as an agent for other funds or agencies.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Program revenues included in the Statement of Activities derived directly from the program itself or from parties outside the Town's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues. Program revenues include: (1) charges for services to taxpayers or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions and 3) program specific capital grants and contributions including special assessments.

Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund are charges to customers for sales and services. The enterprise fund also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 needed.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(CONT'D)**

**D. Budgetary Information**

The original reporting budget is coordinated and prepared by the Town Manager and staff. The budget is brought before the Town Council for approval. The approved budget is then presented to the State of New Mexico, Department of Finance and Administration for approval. Amendments to the budget, including operating transfers, must follow the same process as the original budget. Adjustments and other amendments made to the original budget have been included in the budgetary comparison statements of this report. The Department of Finance and Administration exercises budget control at the fund level. The budgets of all individual funds may not be legally over expended. All appropriations lapse at year end. The Town does not use encumbrance accounting.

Budgets and amendments to the budgets, for all governmental and proprietary type funds are adopted in a legally permissible manner. The budgets presented in the financial statements are considered to be adopted on a basis inconsistent with generally accepted accounting principles (GAAP). Budgetary comparisons presented for these funds are on a Non-GAAP (cash) budgetary basis.

**E. Cash and Investments**

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest bearing accounts with local financial institutions, and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Town. The pledged securities remain in the name of the financial institution.

**F. Inventories**

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

The cost of inventories are recorded as expenditures when purchased rather than when consumed.

**G. Deferred Inflows of Resources**

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, 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. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. The Town has pensions related to deferred inflows of resource items that qualify for reporting in this category.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(CONT'D)**

**H. Deferred Outflows of Resources**

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Town has pensions related to deferred outflows of resource items that qualify for reporting in this category.

**I. Capital Assets**

Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Donated capital assets received prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	39
Building improvements	39
Public domain infrastructure	30
System infrastructure	30
Vehicles	7
Equipment	7



**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(CONT'D)**

The Town does not capitalize computer software or software developed for internal use (if applicable) unless it exceeds the \$5,000 threshold.

**J. Compensated Absences**

Vested or accumulated vacation and compensation 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. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

**K. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**L. Taxes**

Franchise Taxes - By authority of Chapter 3, Article 42, NMSA 1978 and various ordinances, the Town imposes a franchise tax on certain public utilities operating within the municipality.

Motor Vehicle Registration Fees - Under the provisions of Chapter 66, Article 6, NMSA 1978, the State of New Mexico collects various fees for the registration and regulation of motor vehicles in the state. Of the amount collected, certain specified amounts are distributed to various governmental agencies with the State, including: the Motor Vehicle Division, State Road fund, municipalities, and counties. After certain priority payments, as detailed in 66-6-23 NMSA 1978 have been made, a portion of the remaining fees held in the motor vehicle suspense fund are distributed as required in 66-6-23 B (4) and 66-6-23 B (5). These distributions are commonly referred to as the 10% and 15% motor vehicle tax distributions.

Gasoline Tax - The State of New Mexico, by authority of Chapter 7, Article 13 NMSA 1978, imposed an excise tax on \$0.17 on each gallon of gasoline received in New Mexico. Of the total gasoline taxes received, a portion is distributed to the various municipalities within the State pursuant to Chapter 7, Article 1-6.9 NMSA 1978 and Chapter 7, Article 1-6.27 NMSA 1978.

Municipal Gross Receipts Tax - Under authority of Chapter 7, Articles 19 and 19D, NMSA 1978, the Town adopted gross receipts taxing through ordinance. Said ordinances provide for the imposition of gross receipts taxes on all non-exempt persons engaging in business in the municipality. The tax is collected by the State of New Mexico and remitted to the Town after deducting certain administrative costs.

State Gross Receipts Tax - Under authority of Chapter 7, Article 1, NMSA 1978, the State of New Mexico imposes a gross receipts tax on all businesses within the State. Of the total collected, 1.225% of the taxable gross receipts are distributed to the municipality reporting the taxable receipts.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(CONT'D)**

**M. Restricted Assets**

Certain long-term assets in the proprietary funds are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purpose such as "deposits held in trust for others."

**N. Net Assets**

The governmental activities and business-type activities financial statements utilize a net position presentation. Net assets are categorized as follows:

Net investment in capital assets - This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - This category reflects the portion of net assets that have third party limitation on their use.

Unrestricted net position - This category reflects net assets of the Town not restricted for any project or other purposes.

**O. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are 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. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Town ordinances). Enabling legislation authorizes the Town to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Town can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposed specified by the legislation.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(CONT'D)**

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Town Council. Those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Town Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Town Council or a Town official delegated that authority by the Town Council or ordinance.

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

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

**P. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Q. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for these risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the current fiscal year.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(CONT'D)**

**R. 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 Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 2 - DEPOSITORY COLLATERAL**

New Mexico statutes provide that deposits of public monies in financial institutions must be secured by pledged collateral in an aggregate value equal to one-half of the amount of the public monies deposited after deducting the amount of Federal Deposit Insurance Corporation insurance coverage (for each financial institution).

The following is the cash on deposit at each financial institution.

Wells Fargo Bank	Checking	Revenue Bond Account	\$ 9,619
International Bank	Checking	Veterans memorial account	4,596
International Bank	Checking	Court Bond Account	529
Wells Fargo Bank	Checking	General	986,284
International Bank	Checking	Meter Deposit	53,003
XPress bill pay			<u>3,884</u>
	Total		<u>\$ 1,057,915</u>
NM Finance Authority			<u>\$ 148,959</u>
Total amount on deposit			1,206,874
Deposit in transit			4,039
Petty Cash			50
Outstanding Checks			<u>(3,367)</u>
	Total per financial statements		<u>\$ 1,207,596</u>

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2 - DEPOSITORY COLLATERAL - (CONT'D)**

The following schedule details the public money held at each bank and the pledged collateral provided for the Town is as follows:

	<u>Wells Fargo Bank</u>	<u>International Bank</u>
Cash on deposit at June 30	\$ 995,903	\$ 58,128
Less: FDIC	<u>(250,000)</u>	<u>(58,128)</u>
Uninsured funds	745,903	0
Funds needing collateralization at 50% (required by State Law)	372,952	
Pledged collateral at June 30	<u>405,883</u>	<u>          </u>
Excess (deficiency) of Pledged Collateral	<u>\$ (32,932)</u>	<u>\$ 0</u>

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$745,903 of the Town's bank balance of \$1,054,031 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$ 340,020
B. Uninsured and collateralized with securities held by the pledged banks trust department, but not in the Town's name	<u>405,883</u>
Total	<u>\$ 745,903</u>

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

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. The collateral pledged is shown as follows:

<u>Wells Fargo Bank</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FMAC #3132GRZP9	03-01-42	\$ 6,575
FNMA #3138M1W38	07-01-42	386,722
FNMA #31416Y5M6	09-01-42	<u>12,586</u>
		<u>\$ 405,883</u>

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2 - DEPOSITORY COLLATERAL - (CONT'D)**

The amount held at the New Mexico Finance Authority totaling \$148,959 is collateralized within the NMFA guidelines. This information is not available by individual Agency but the financial statements for the NMFA are available by writing to New Mexico Finance Authority, 207 Shelby Street, Santa Fe, New Mexico 87501.

**NOTE 3 - RECEIVABLES**

Receivables as of June 30, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business- Type Activities
Receivables from customers	\$ 1,185	\$ 179,738
Less: allowance for uncollectible accounts	0	(30,349)
Total	\$ 1,185	\$ 149,389

**NOTE 4 - PROPERTY TAX**

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semi-annual installments by November 10 and April 10 of the subsequent year. Taxes are collected on behalf of the Town by the County Treasurer, and are remitted to the Town in the month following collection. Because the Treasurer for the county in which the Town is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the Town.

The Town is permitted to levy taxes for general operating purposes based on taxable value for both residential and nonresidential property, taxable value being defined as one-third of the fully assessed value. In addition, the Town is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the Town.

The Town accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues. The Town has no means of determining the amount of delinquent taxes, and no delinquent taxes are recorded on the Town's financial records.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5 - DEPOSITS HELD FOR OTHERS, ENTERPRISE FUND**

Deposits in the Water and Wastewater Utility Enterprise Fund consist of the following:

Hydrant Meter deposits	\$	53,797
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**NOTE 6 - TRANSFERS**

The Town's interfund transfers during the year ended June 30, 2017 consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ 61,902	\$ 31,202
Water Improvements Fund	7,729	
Non-Major Governmental Funds		35,804
Water/Sewer Fund	104,977	405,221
Solid Waste Fund	17,000	
Electric Fund	284,499	
Other Enterprise Fund		<u>3,880</u>
Total	<u>\$ 476,107</u>	<u>\$ 476,107</u>

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 - CAPITAL ASSETS**

The amount of property, plant and equipment in the Governmental-Type Activities consists of the following:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 119,375	\$	\$	\$ 119,375
Total capital assets, not being depreciated	<u>119,375</u>	<u>0</u>	<u>0</u>	<u>119,375</u>
Capital assets being depreciated:				
Buildings & improvements	1,358,002			1,358,002
Airport	615,606			615,606
Vehicles	362,134			362,134
Equipment	139,500			139,500
Heavy equipment	1,245,204	36,883		1,282,087
Infrastructure	<u>7,634,554</u>			<u>7,634,554</u>
Total capital assets being depreciated	<u>11,355,000</u>	<u>36,883</u>	<u>0</u>	<u>11,391,883</u>
Less Accumulated Depreciation for:				
Buildings & improvements	(731,833)	(24,007)		(755,840)
Airport	(94,261)	(24,624)		(118,885)
Vehicles	(272,001)	(18,058)		(290,059)
Equipment	(83,192)	(8,500)		(91,692)
Heavy equipment	(1,120,837)	(39,334)		(1,160,171)
Infrastructure	<u>(682,587)</u>	<u>(265,389)</u>		<u>(947,976)</u>
Total accumulated depreciation	<u>(2,984,711)</u>	<u>(379,912)</u>	<u>0</u>	<u>(3,364,623)</u>
Governmental activities capital assets, net	<u>\$ 8,489,664</u>	<u>\$ (343,029)</u>	<u>\$ 0</u>	<u>\$ 8,146,635</u>



**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 - CAPITAL ASSETS - (CONT'D)**

The amount of property, plant and equipment in the Business-Type Activities consists of the following:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets being depreciated:				
Land improvement	\$ 34,622	\$	\$	\$ 34,622
Buildings & improvements	361,855			361,855
Heavy equipment	119,500			119,500
Plant	<u>6,500,784</u>			<u>6,500,784</u>
Total capital assets being depreciated	<u>7,016,761</u>	<u>0</u>	<u>0</u>	<u>7,016,761</u>
Less accumulated depreciation for:				
Land improvement	(34,622)			(34,622)
Buildings & improvements	(187,893)	(11,235)		(199,128)
Heavy equipment	(72,300)	(5,900)		(78,200)
Plant	<u>(3,605,816)</u>	<u>(190,344)</u>		<u>(3,796,160)</u>
Total accumulated depreciation	<u>(3,900,631)</u>	<u>(207,479)</u>	<u>0</u>	<u>(4,108,110)</u>
Business-type activities capital assets, net	<u>\$ 3,116,130</u>	<u>\$ (207,479)</u>	<u>\$ 0</u>	<u>\$ 2,908,651</u>

**NOTE 8 - LONG-TERM LIABILITIES**

**A. Changes in Long-Term Liabilities**

**Enterprise Fund**

During the fiscal year ended June 30, the following changes occurred in certain long-term liabilities reported in the Enterprise Fund:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due within One Year
Revenue bonds payable	\$ 939,800	\$1,012,367	\$ (939,800)	\$ 1,012,367	\$ 27,000
Loan payable to New Mexico Finance Authority	57,510		(3,128)	54,382	3,135
Compensated absences payable	<u>49,146</u>	<u>723</u>	<u>(20,241)</u>	<u>29,628</u>	<u>29,628</u>
Total	<u>\$ 1,046,456</u>	<u>\$1,013,090</u>	<u>\$ (963,169)</u>	<u>\$ 1,096,377</u>	<u>\$ 59,763</u>

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 - LONG-TERM LIABILITIES - (CONT'D)**

The Joint Utility Enterprise Fund has several revenue bond issues. These bonds were issued for the purpose of constructing and renovating the Town's water and sewer system. On March 31, 2017, the Town issued \$1,012,367 of Joint utility improvement revenue bonds (Loan no. 3689-PP), refunding of its loans consisting of Series 1997A, Series 2003 and Series 2007 Joint Utility Improvement Revenue Bonds for economic savings purposes and shortening the term of the bonds with interest rates 3.355%. The following details are the various bonds owed by the Town:

<u>Series</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2017</u>
Refunding of series 1997, 2003 and 2007 NMFA	9/1/2041 6/1/2034	1,012,367 63,720	3.36 % 0.25 %	\$ 1,012,367 <u>54,382</u>
	Total			<u>\$ 1,066,749</u>

The annual requirements to amortize the business-type bonds as of 6/30/2017 including interest payments are as follows:

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 30,135	\$ 12,476	\$ 42,611
2019	34,224	29,286	63,510
2020	34,553	28,958	63,511
2021	34,941	28,570	63,511
2022	35,388	28,124	63,512
2023-2041	<u>897,508</u>	<u>346,313</u>	<u>1,243,821</u>
Total	<u>\$ 1,066,749</u>	<u>\$ 473,727</u>	<u>\$ 1,540,476</u>

**Governmental Funds**

The debt service requirement to maturity is as follows:

During the fiscal year ended June 30, the following changes occurred in certain long-term liabilities reported in the Governmental Fund:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Due within One Year</u>
Loan payable to New Mexico Finance Authority	\$ 266,971	\$ 80,606	\$ (35,066)	\$ 312,511	\$ 46,658
Capital Lease	32,838		(30,235)	2,603	2,603
Compensated absences	<u>37,755</u>	<u>608</u>	<u>(22,778)</u>	<u>15,585</u>	<u>15,585</u>
Total	<u>\$ 337,564</u>	<u>\$ 81,214</u>	<u>\$ (88,079)</u>	<u>\$ 330,699</u>	<u>\$ 64,846</u>

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 - LONG-TERM LIABILITIES - (CONT'D)**

The District had the following NMFA loans and Capital Lease outstanding during the fiscal year ending June 30, 2017.

<u>Series</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2017</u>
NMFA	05/1/2018	\$ 29,220	1.37 %	\$ 6,360
NMFA	05/1/2021	75,567	2.02 %	44,702
NMFA	05/01/2026	267,960	3.52 %	182,063
NMFA	05/01/2026	60,454	0.10 %	59,234
NMFA	05/1/2023	20,152	0.10 %	20,152
Capital Lease	07/01/2023	59,000	0.01 %	<u>2,603</u>
Total				<u>\$ 315,114</u>

The annual requirements to amortize the governmental NMFA loans and Capital Lease as of 6/30/2017 including interest payments are as follows:

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	49,261	6,969	56,230
2019	39,466	5,990	45,456
2020	40,367	5,088	45,455
2021	41,328	4,127	45,455
2022-2026	<u>144,692</u>	<u>17,524</u>	<u>162,216</u>
Total	<u>\$ 315,114</u>	<u>\$ 39,698</u>	<u>\$ 354,812</u>

**B. Short-Term Liabilities**

The Town did not have any short-term liabilities during the fiscal year.

**C. Operating Leases**

The Town did not have any leases during the fiscal year.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9 - FUND BALANCES CLASSIFIED**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented here.

<u>Fund Balances</u>	<u>General Fund</u>	<u>Dam Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:				
Special Revenue Fund	\$	\$	\$ 35,639	\$ 35,639
Unassigned	<u>205,985</u>	<u>          </u>	<u>          </u>	<u>205,985</u>
Total Fund Balances	<u>\$ 205,985</u>	<u>\$ 0</u>	<u>\$ 35,639</u>	<u>\$ 241,624</u>

**NOTE 10 - RETIREMENT PLAN**

**General Information about the Pension Plan**

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

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

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 - RETIREMENT PLAN - (CONT-D)**

***TIER II.*** The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit.

State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The contribution of final average salary increased as the average of salary for 60 consecutive months.

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

**NOTE 10 - RETIREMENT PLAN - (CONT-D)**

*Contributions.* See PERA's comprehensive annual financial report for contribution provided description.

<b>PERA Contribution Rates and Pension Factors as of July 1, 2016</b>						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
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JUNE 30, 2017**

**NOTE 10 - RETIREMENT PLAN - (CONT-D)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles.

Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The Town of Springer's proportion of the net pension liability was based on a projection of the Town of Springer's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

At June 30, 2017, Town of Springer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**For PERA Fund Division** – the Town's General Division, at June 30, 2017, the Town reported a liability of \$659,835 for its proportionate share of the net pension liability. At June 30, 2016, the Town's proportion was .0413 percent, which was an increase of .0028 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the Town recognized PERA Fund – General, pension expense of \$81,706. At June 30, 2017, the Town reported PERA Fund Division – General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 32,968	\$ 6,439
Net difference between projected and actual earnings on pension plan investments	121,408	
Change of Assumptions	38,692	110
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	36,435	
Town's contributions subsequent to the measurement date	<u>33,168</u>	<u>          </u>
Total	<u>\$ 262,671</u>	<u>\$ 6,549</u>

\$33,168 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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**NOTE 10 - RETIREMENT PLAN - (CONT-D)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30:</u>	<u>Amount</u>
2018	\$ 54,246
2019	\$ 54,246
2020	\$ 83,096
2021	<u>\$ 31,366</u>
Total	<u>\$ 222,954</u>

*For PERA Fund Division - the Town's Police Division*, at June 30, 2017, the Town reported a liability of \$ 143,139 for its proportionate share of the net pension liability. At June 30, 2016, the Town's proportion was 0.0914 percent, which was an increase of 0.0665 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized PERA Fund Division – Police division pension expense of \$ 12,753. At June 30, 2017, the Town reported PERA Police Division – deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 9,481	\$ 2,581
Difference between expected and actual experience	10,508	
Net difference between projected and actual earnings on pension plan investments	22,638	
Changes in proportion and differences between Town's contributions and proportionate share of contributions	20,227	19,466
Town's contributions subsequent to the measurement date	<u>8,762</u>	<u>          </u>
Total	<u>\$ 71,616</u>	<u>\$ 22,047</u>

\$8,762 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2018	\$ 12,330
2019	\$ 12,330
2020	\$ 10,921
2021	<u>\$ 5,226</u>
Total	<u>\$ 40,807</u>



**STATE OF NEW MEXICO  
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**NOTE 10 - RETIREMENT PLAN - (CONT-D)**

**Actuarial assumptions.** The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

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

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

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

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**NOTE 10 - RETIREMENT PLAN - (CONT-D)**

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expeted Real Rate of Return</u>
Global Equity	43.50 %	7.39 %
Risk Reduction & Mitigation	21.50 %	1.79 %
Credit Oriented Fixed Income	15.00 %	5.77 %
Real Assets	<u>20.00 %</u>	7.35 %
Total	<u><u>100 %</u></u>	

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

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

**Sensitivity of the Town of Springer's proportionate share of the net pension liability to changes in the discount rate** - The following presents the Town of Springer's proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the Town of Springer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.48%)</u>	<u>1% Increase (8.48%)</u>
PERA Fund Municipal General Division:			
Town of Springer's proportionate share of the net pension liability	\$ <u>983,755</u>	\$ <u>659,835</u>	\$ <u>391,159</u>
PERA Fund Municipal Police Division:			
Town of Springer's proportionate share of the net pension liability	\$ <u>210,593</u>	\$ <u>143,139</u>	\$ <u>87,970</u>

**STATE OF NEW MEXICO  
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**NOTE 10 - RETIREMENT PLAN - (CONT-D)**

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

**Payables to the pension plan.** At June 30, 2017, the Town had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2017.

**NOTE 11 - POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN**

*Plan Description.* The Town contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provided health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies. Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employers effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

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

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

**STATE OF NEW MEXICO  
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JUNE 30, 2017**

**NOTE 11 - POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN -  
(CONT'D)**

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act. The Town contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$8,897, \$8,149 and \$8,338, respectively, which equal the required contributions for each year.

**NOTE 12 - BUDGET VIOLATIONS**

The General Fund had an overall budget overrun of \$68,328. The Fire Protection Fund had an overall budget overrun of \$11,726. The Law Enforcement Protection Fund had an overall budget overrun of \$600. The Street Fund had an overall budget overrun of \$28,256. Also, the Solid Waste Fund had an overall budget overrun of \$13,103.

**NOTE 13 - RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS**

	<b>General Fund</b>
Change in fund balance (Non-GAAP Basis)	\$ (160,762)
To adjust applicable revenue accruals and deferrals	106,754
To adjust applicable expenditure accruals	(117,486)
Change in fund balance (GAAP basis)	\$ (171,494)

**STATE OF NEW MEXICO  
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**NOTE 14 - COMPONENT UNIT - HOUSING AUTHORITY**

**A. CASH AND INVESTMENTS**

Cash consists of United States currency and financial institution checking accounts. The Housing Authority follows state law in regard to deposits and investments. At June 30, 2017, the Housing Authority held only short term certificates of deposit and therefore, they were shown as cash equivalents.

All financial institutions in which the Housing Authority has an account are covered by Federal Deposit Insurance Corporation (FDIC) insurance.

<u>Cash on Deposits</u>	<u>Bank Balance</u>	<u>Carrying Amounts</u>	
<u>Wells Fargo Bank</u>			
Public Fund - regular checking	\$ 64,849	\$ 64,547	
Public Fund - interest checking	12,948	13,177	
Certificate of deposit - investments	39,765	39,765	
Certificate of deposit - investments	<u>33,550</u>	<u>33,550</u>	
Total Cash on Deposit	151,112	151,039	
Less certificates of deposit shown as investments	<u>(73,315)</u>	<u>(73,315)</u>	
Total Cash	<u>\$ 77,797</u>	<u>\$ 77,724</u>	
<u>Investments</u>	<u>WAM</u>	<u>Cost</u>	<u>Market Value</u>
Certificates of deposit		\$ 39,765	\$ 39,765
Certificates of deposit		<u>33,550</u>	<u>33,550</u>
Total investments	60 days	<u>\$ 73,315</u>	<u>\$ 73,315</u>

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Housing Authority's deposits may not be returned to it.

There were no uninsured bank deposits (not covered by F.D.I.C)

	<u>Wells Fargo Bank</u>
Amount held in bank	\$ 151,112
Less F.D.T.C.	<u>(151,112)</u>
Amount uninsured	<u>\$ 0</u>
100% Collateral requirement	<u>\$ 0</u>

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
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**NOTE 14 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

**B. ACCOUNTS RECEIVABLE AND MORTGAGES RECEIVABLE**

Accounts receivable are reported at their gross value. Those amounts considered doubtful have been recorded as allowance for doubtful accounts in the amount of \$113.

**C. CHANGES IN CAPITAL ASSETS**

Capital assets are stated at historical cost. The following is a summary of changes in capital assets for the fiscal year in the proprietary funds:

	Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2017</u>
Land	\$ 41,101	\$	\$	\$ 41,101
Fees and costs	3,237	121,707		124,944
Buildings	2,640,505			2,640,505
Non dwelling structures	233,192			233,192
Machinery and equipment	<u>143,465</u>	<u>22,639</u>	<u>(18,220)</u>	<u>147,884</u>
Sub Total	<u>3,061,500</u>	<u>144,346</u>	<u>(18,220)</u>	<u>3,187,626</u>
Buildings	(2,363,607)	(47,543)		(2,411,150)
Non dwelling structures	(153,548)	(11,265)		(164,813)
Machinery and equipment	(126,567)	(11,090)	18,220	(119,437)
Less: Accumulated Depreciation	<u>(2,643,722)</u>	<u>(69,898)</u>	<u>18,220</u>	<u>(2,695,400)</u>
Total Capital Assets	<u>\$ 417,778</u>	<u>\$ 74,448</u>	<u>\$ 0</u>	<u>\$ 492,226</u>

Depreciation expense for the year was \$69,898.

**D. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

<u>Net Working Capital</u>	<u>Amount</u>
Proprietary Funds	<u>\$ 130,033</u>

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
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**NOTE 14 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

**E . PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**General Information about the 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 294-1 through 294-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

**Benefits provided** - For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2016 available at: [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2016.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2016.pdf).

**Contributions** - The contribution requirements of defined benefit plan members and the Town of Springer Housing Authority 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 FY 16 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 43 of the PERA FY16 annual audit report at:

[http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2016.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2016.pdf).

The PERA coverage options that apply to the Town of Springer Housing Authority is Municipal General. Statutorily required contributions to the pension plan from the Town of Springer Housing Authority were \$11,322 for the year ended June 30, 2017.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2016. The PERA pension liability amounts for each division were rolled forward from the valuation date to the plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's plan was established as of the measurement date June 30, 2016.

**STATE OF NEW MEXICO  
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**NOTE 14 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

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 Town of Springer Housing Authority'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, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 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 un-remitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Municipal General Division, at June 30, 2017, the Town of Springer Housing Authority reported a liability of \$196,513 for its proportionate share of the net pension liability. At June 30, 2016, the Town of Springer Housing Authority proportion was 0.0123%, which was unchanged from its proportion measured as of June 30, 2015 of 0.0124 percent.

For the year ended June 30, 2017, the Town of Springer Housing Authority recognized PERA Fund Municipal General Division pension expense of \$22,021. At June 30, 2017, the Town of Springer Housing Authority reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,819	\$ 1,918
Changes of assumptions	11,523	33
Net difference between projected and actual earnings on pension plan investments	36,158	
Changes in proportion and differences between Town of Springer Housing Authority contributions and proportionate share of contributions		3,652
Town of Springer's Housing Authority contributions subsequent to the measurement date	<u>11,322</u>	
Total	<u>\$ 68,822</u>	<u>\$ 5,603</u>



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**NOTE 14 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

\$11,322 reported as deferred outflows of resources related to pensions resulting from Town of Springer Housing Authority contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2018	\$ 10,572
2019	10,572
2020	21,625
2021	9,128
2022	<u>0</u>
	<u>\$ 51,897</u>

**Actuarial assumptions.** As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2015 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Payroll growth rate	3.50%
Remaining amortization period	30 years
Assets valuation method	4-year Smoothed Market
Actuarial assumptions:	
Investment rate of return*	7.75%
Administrative expenses	0.45% of payroll
Projected salary increases*	4.00% - 14.25%
Post-retirement benefits increases	2.00% compounded annually (2.50% for certain retirees and disabled participants with annual benefits less than \$20,000)

\* Includes inflation at 3.00%

**STATE OF NEW MEXICO  
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**NOTE 14 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

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

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expeted Real Rate of Return</u>
Global Equity	43.50 %	7.39 %
Risk Reduction & Mitigation	21.50 %	1.79 %
Client Oriented Fixed Income	15.00 %	5.77 %
Real Assets	<u>20.00 %</u>	7.35 %
Total	<u>100 %</u>	

**Discount rate:** The discount rate used to measure the total pension liability was 7.75 percent. 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 67. Therefore, the 7.75% assumed longterm expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Town of Springer Housing Authority's proportionate share of the net pension liability to changes in the discount rate** - The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Town of Springer Housing Authority's net pension liability in each PERA Fund Division that Town of Springer Housing Authority participates in, under the current single rate assumption, as if it was calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

<u>PERA Fund Division Municipal General</u>	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.48%)</u>	<u>1% Increase (8.48%)</u>
Town of Springer Housing Authority's proportionate share of the net pension liability	\$ <u>292,983</u>	\$ <u>196,513</u>	\$ <u>116,496</u>

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

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**NOTE 14 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

**Payables to the pension plan.** The Authority is legally required to make defined contributions to the cost sharing pension plan on behalf of its' participant employees. At June 30, 2017, the Authority had paid all required contributions and therefore, there is no payable to the pension plan.

**F. POST-EMPLOYMENT BENEFITS-STATE RETIREE HEALTH CARE PLAN**

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

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

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

**Funding Policy.** The Retiree Health Care Act (Section 10-7C-1 3 NMSA 1978) authorized the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

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

**STATE OF NEW MEXICO  
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JUNE 30, 2017**

**NOTE 14 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Town of Springer Housing Authority's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$2,371, \$2,107 and \$2,068, respectively, which equal the required contributions for each year.

**G . TRANSFERS AND DUE FROM/TO OTHER FUNDS**

Transfers between funds were as follows:

<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>		
	<u>Low Rent</u>	<u>CFP</u>	<u>Total</u>
Low Rent	\$ 0	\$ 0	\$ 0
CFP	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Transfers are used to move the portion of CFP funding allotted for operating expenditures to the Low Rent Fund.

<u>Capital Transfers In</u>	<u>Capital Transfers Out</u>		
	<u>Low Rent</u>	<u>CFP</u>	<u>Total</u>
Low Rent	\$ 0	\$ 0	\$ 0
CFP	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Capital transfers arose from the purchase or construction of capital assets in one fund, which were then transferred to another fund where they are being utilized.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 14 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

**H. CHANGES IN ACCRUED COMPENSATED ABSENCES**

The following summarized the changes in accrued compensation absences during 2017.

	Balance June 30, 2016	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2017	Amount Due within One Year
Accrued compensated absences	\$ <u>8,841</u>	\$ <u>5,685</u>	\$ <u>2,297</u>	\$ <u>12,229</u>	\$ <u>10,296</u>

**NON-MAJOR FUNDS**

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION  
For the Year Ended June 30, 2017

**NON-MAJOR SPECIAL REVENUE FUNDS**

**ALL FUNDS** - All funds were created by management directive.

**FIRE DISCRETIONARY FUND** - To account for the expenditures of the Fire Department that were not covered under the Fire Protection Act. This is Board designated; funded by transfer from the Town of Springer.

**RECREATION FUND** -To account for the operation and maintenance of recreation facilities in the Town. Financing is provided by a specific annual cigarette tax levy. (Authority is NMSA 7-12-15).

**EMERGENCY MEDICAL SERVICES (EMS) FUND** - To account for the operations of emergency services. Financing is provided from the State of New Mexico pursuant to the Emergency Medical Services Act (Authority is NMSA 24-10A- 1).

**LODGER'S TAX FUND** - To account for the operations of a special fund to promote tourist operations in the Town. Financing is provided by a special Lodger's tax chartered on all transient lodging in the Town (Authority is NMSA 3-38-13).

**LIBRARY FUND** - To account for the operations and maintenance of the Town's library. Financing is provided by an intergovernmental grant (Authority is NMSA 3-18-14).

**LAW ENFORCEMENT PROTECTION FUND (LEPF)** - To account for the receipts and expenditures of a Special State grant for the police department. The grant may be used only for the operations of the police department.

**STREETS FUND** - To account for the receipts and expenditures of cooperative grant agreement projects to include the Town of Springer's match of 15%.

**FIRE PROTECTION FUND** - To account for the operations and maintenance of the Fire Department, financed by a specific allotment from the State Fire Marshall's Office (Authority is NMSA 59A-53-1).

**CORRECTIONS FUND** - To account for the provisions of a local correction fee collected with local fines (Authority is NMSA 35-14-11)

**NON-MAJOR CAPITAL PROJECT FUNDS**

**WATER IMPROVEMENTS FUND** - To account for federal grants and bond proceeds used for water system improvements.

**AIRPORT CONSTRUCTION FUND** - To account for the rehabilitation to the Town Airport for re-striping and resurfacing.

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Non-Major Funds  
Combining Balance Sheet  
June 30, 2017

Statement B-1

	21 - Corrections Fund	22 - Fire Fund	23 - Law Enforcement Protection Fund
<b>ASSETS</b>			
Cash on deposit	\$ 13,299	\$ 104	\$ 60
Accounts receivable			
Total assets	13,299	104	60
<b>LIABILITIES</b>			
Accounts payable			
Total liabilities	0	0	0
<b>FUND BALANCE</b>			
Restricted for:			
Special Revenue Fund	13,299	104	60
Unassigned:			
Special Revenue Fund			
Total fund balances	\$ 13,299	\$ 104	\$ 60

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



STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Non-Major Funds  
Combining Balance Sheet  
June 30, 2017

Statement B-1

	24 - Library Fund	25 - Lodgers Tax Fund	26 - EMS Fund
<b>ASSETS</b>			
Cash on deposit	\$	\$ 8,331	\$
Accounts receivable	0	521	0
Total assets	0	8,852	0
<b>LIABILITIES</b>			
Accounts payable	0	0	0
Total liabilities	0	0	0
<b>FUND BALANCE</b>			
Restricted for:			
Special Revenue Fund		8,852	
Unassigned:			
Special Revenue Fund	0	0	0
Total fund balances	\$ 0	\$ 8,852	\$ 0

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Non-Major Funds  
Combining Balance Sheet  
June 30, 2017

Statement B-1

	28 - Fire Discretionary Fund	31 - Airport Construction Fund	Total
<b>ASSETS</b>			
Cash on deposit	\$ 13,324	\$	\$ 35,118
Accounts receivable			521
Total assets	13,324	0	35,639
<b>LIABILITIES</b>			
Accounts payable			
Total liabilities	0	0	0
<b>FUND BALANCE</b>			
Restricted for:			
Special Revenue Fund	13,324		35,639
Unassigned:			
Special Revenue Fund			
Total fund balances	\$ 13,324	\$ 0	\$ 35,639

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

## STATE OF NEW MEXICO

Statement B-2

## TOWN OF SPRINGER

## Non-Major Funds

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2017

	21 - Corrections Fund	22 - Fire Fund	23 - Law Enforcement Protection Fund
REVENUES			
Lodger's tax	\$	\$	\$
Charges for services			
Licenses and permits	3,824		
Local sources			
State sources		80,667	20,000
Earnings on investments		62	38
Total revenues	<u>3,824</u>	<u>80,729</u>	<u>20,038</u>
EXPENDITURES			
Current:			
General government			
Public safety	525	74,387	28,310
Culture and recreation			
Total expenditures	<u>525</u>	<u>74,387</u>	<u>28,310</u>
Excess (deficiency) of revenues over expenditures	<u>3,299</u>	<u>6,342</u>	<u>(8,272)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds			20,152
Transfers in			
Transfers out		(23,963)	(11,841)
Total other financing sources (uses)	<u>0</u>	<u>(23,963)</u>	<u>8,311</u>
Net change in fund balance	3,299	(17,621)	39
Fund balance - beginning of year	<u>10,000</u>	<u>17,725</u>	<u>21</u>
Fund balance - end of year	<u>\$ 13,299</u>	<u>\$ 104</u>	<u>\$ 60</u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Non-Major Funds

Statement B-2

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2017

	24 - Library Fund	25 - Lodgers Tax Fund	26 - EMS Fund
<b>REVENUES</b>			
Lodger's tax	\$	\$ 6,606	\$
Charges for services			2,135
Licenses and permits			
Local sources	3,561		7,218
State sources	8,983		7,000
Earnings on investments			
Total revenues	12,544	6,606	16,353
<b>EXPENDITURES</b>			
Current:			
General government			
Public safety			16,353
Culture and recreation	15,519	10,743	
Total expenditures	15,519	10,743	16,353
Excess (deficiency) of revenues over expenditures	(2,975)	(4,137)	
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan proceeds			
Transfers in			
Transfers out			
Total other financing sources (uses)	0	0	0
Net change in fund balance	(2,975)	(4,137)	0
Fund balance - beginning of year	2,975	12,989	0
Fund balance - end of year	\$ 0	\$ 8,852	\$ 0

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER

Statement B-2

Non-Major Funds

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2017

	<u>28 - Fire Discretionary Fund</u>	<u>31 - Airport Construction Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Lodger's tax	\$	\$	\$ 6,606
Charges for services	1,278		3,413
Licenses and permits			3,824
Local sources			10,779
State sources	6,317	54,855	177,822
Earnings on investments			<u>100</u>
Total revenues	<u>7,595</u>	<u>54,855</u>	<u>202,544</u>
<b>EXPENDITURES</b>			
Current:			
General government	5,073	56,409	61,482
Public safety			119,575
Culture and recreation			<u>26,262</u>
Total expenditures	<u>5,073</u>	<u>56,409</u>	<u>207,319</u>
Excess (deficiency) of revenues over expenditures	<u>2,522</u>	<u>(1,554)</u>	<u>(4,775)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan proceeds			20,152
Transfers in			
Transfers out			<u>(35,804)</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(15,652)</u>
Net change in fund balance	2,522	(1,554)	(20,427)
Fund balance - beginning of year	<u>10,802</u>	<u>1,554</u>	<u>56,066</u>
Fund balance - end of year	<u>\$ 13,324</u>	<u>\$ 0</u>	<u>\$ 35,639</u>

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

**PROPRIETARY FUND DETAIL**

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PROPRIETARY FUNDS DESCRIPTION  
For the Year Ended June 30, 2017

**PROPRIETARY FUNDS**

**WATER AND SEWER FUND** - To account for the provision of water and sewer services to the residents of Springer, New Mexico. All activities necessary to provide these services are accounted for in this fund.

**SOLID WASTE FUND** - To account for revenue and expenditures for the maintenance of the solid waste operations. All activities necessary to provide these services are accounted for in this fund.

**ELECTRIC FUND** - To account for revenue and expenditures for the maintenance of the electric operations. All activities necessary to provide these services are accounted for in this fund.

**NON-MAJOR PROPRIETARY FUNDS**

**CEMETERY FUND** - To account for the operations of the cemetery.

**MUSEUM FUND** - To account for the operations of the museum.

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Non-Major Proprietary Funds  
Statement of Net Position  
June 30, 2017

Statement D-1

	<u>Cemetery Fund</u>	<u>Museum Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets			
Cash on deposit	\$ <u>10,265</u>	\$ _____	\$ <u>10,265</u>
Total current assets	<u>10,265</u>	<u>0</u>	<u>10,265</u>
Capital Assets			
Land improvements	34,622		34,622
Buildings and improvements		107,496	107,496
Accumulated depreciation	<u>(34,622)</u>	<u>(38,034)</u>	<u>(72,656)</u>
Total capital assets	<u>0</u>	<u>69,462</u>	<u>69,462</u>
Total assets	<u>10,265</u>	<u>69,462</u>	<u>79,727</u>
<b>LIABILITIES</b>			
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET POSITION</b>			
Net investment in capital assets		69,462	69,462
Unrestricted	<u>10,265</u>	<u>_____</u>	<u>10,265</u>
Total net position	<u>10,265</u>	<u>69,462</u>	<u>79,727</u>
Total liabilities and net position	<u>\$ 10,265</u>	<u>\$ 69,462</u>	<u>\$ 79,727</u>

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



## STATE OF NEW MEXICO

Statement D-2

## TOWN OF SPRINGER

## Non-Major Proprietary Funds

## Statement of Revenues, Expenses and Changes in Fund Net Position

For the Year Ended June 30, 2017

	Cemetery Fund	Museum Fund	Total
<b>OPERATING REVENUES</b>			
Miscellaneous	\$ <u>1,325</u>	\$ _____	\$ <u>1,325</u>
Total operating revenue	<u>1,325</u>	<u>0</u>	<u>1,325</u>
<b>OPERATING EXPENSES</b>			
Maintenance and operations	493		493
Depreciation	_____	<u>2,756</u>	<u>2,756</u>
Total operating expenses	<u>493</u>	<u>2,756</u>	<u>3,249</u>
Operating income (loss)	<u>832</u>	<u>(2,756)</u>	<u>(1,924)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>			
Transfers out	_____	<u>(3,880)</u>	<u>(3,880)</u>
Total Non-Operating Revenue (Expense)	<u>0</u>	<u>(3,880)</u>	<u>(3,880)</u>
Change in Net Position	832	(6,636)	(5,804)
Net position, beginning of year	<u>9,433</u>	<u>76,098</u>	<u>85,531</u>
Net position, end of year	<u>\$ 10,265</u>	<u>\$ 69,462</u>	<u>\$ 79,727</u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Non-Major Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2017

Statement D-3

	Cemetery Fund	Museum Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 1,325	\$	\$ 1,325
Cash payments to employees and to suppliers for goods and services	<u>(493)</u>	<u>          </u>	<u>(493)</u>
Net cash provided by operating activities	<u><u>832</u></u>	<u><u>0</u></u>	<u><u>832</u></u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating transfers to other funds	<u>          </u>	<u>(3,880)</u>	<u>(3,880)</u>
Net cash provided (used) by noncapital financing activities	<u>          </u>	<u>(3,880)</u>	<u>(3,880)</u>
Net increase (decrease) in cash	832	(3,880)	(3,048)
Cash, beginning of year	<u>9,433</u>	<u>3,880</u>	<u>13,313</u>
Cash, end of year	<u><u>\$ 10,265</u></u>	<u><u>\$</u></u>	<u><u>\$ 10,265</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 832	\$ (2,756)	\$ (1,924)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		2,756	2,756
Changes in assets and liabilities:			
Increase (decrease) in receivables			
Increase (decrease) in accounts payable			
Increase (decrease) in compensated absences			
Increase in allowance for doubtful accounts	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided (used) by operating activities	<u><u>\$ 832</u></u>	<u><u>\$</u></u>	<u><u>\$ 832</u></u>

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
TOWN OF SPRINGER**

**Schedule I**

**SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY OF PERA FUND MUNICIPAL GENERAL DIVISION  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\***

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Town of Springer proportion of the net pension liability (asset)	0.0360 %	0.0385 %	0.0413 %
Town of Springer proportionate share of the net pension liability (asset)	\$ 280,839	\$ 392,541	\$ 659,835
Town of Springer covered-employee payroll	\$ 325,956	\$ 340,988	\$ 347,009
Town of Springer proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	67.08 %	115.00 %	190.15 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %	69.18 %

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

**STATE OF NEW MEXICO  
TOWN OF SPRINGER**

**Schedule II**

**SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY OF PERA FUND MUNICIPAL POLICE DIVISION  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\***

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Town of Springer proportion of the net pension liability (asset)	0.0168 %	0.0249 %	0.0914 %
Town of Springer proportionate share of the net pension liability (asset)	\$ 54,766	\$ 119,733	\$ 143,139
Town of Springer covered-employee payroll	\$ 92,512	\$ 66,451	\$ 91,669
Town of Springer proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	67.08 %	180.00 %	156.15 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %	69.18 %

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

**STATE OF NEW MEXICO**  
**TOWN OF SPRINGER**  
**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS**  
**Public Employees Retirement Association (PERA) Plan**  
**PERA Municipal General Division**

**Schedule III**

**Last 10 Fiscal Years\***

	2015	2016	2017
Contractually required contribution	\$ 29,590	\$ 32,564	\$ 33,168
Contributions in relation to the contractually required contribution	(29,590)	(32,564)	(33,168)
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0

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

**STATE OF NEW MEXICO**  
**TOWN OF SPRINGER**  
**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS**  
**Public Employees Retirement Association (PERA) Plan**  
**PERA Municipal Police Division**

**Schedule IV**

**Last 10 Fiscal Years\***

	2015	2016	2017
Contractually required contribution	\$ 9,370	\$ 6,911	\$ 8,762
Contributions in relation to the contractually required contribution	(9,370)	(6,911)	(8,762)
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0

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

**STATE OF NEW MEXICO  
TOWN OF SPRINGER**

**Schedule V**

**SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY OF PERA FUND MUNICIPAL GENERAL DIVISION  
Public Employees Retirement Association (PERA) Plan**

**Last 10 Fiscal Years\***

**Housing Authority**

	2015	2016	2017
Town of Springer Housing Authority proportion of the net pension liability (asset)	0.0129 %	0.0124 %	0.0123 %
Town of Springer Housing Authority proportionate share of the net pension liability (asset)	\$ 100,634	\$ 126,429	\$ 196,513
Town of Springer Housing Authority covered employee payroll	\$ 107,476	\$ 104,480	\$ 105,361
Town of Springer Housing Authority proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	93.63 %	121.01 %	186.51 %
Plan fiduciary net position as a percentage of the total pension liability	81.50 %	76.99 %	69.18 %

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



**STATE OF NEW MEXICO**  
**TOWN OF SPRINGER**  
**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS**  
**Public Employees Retirement Association (PERA) Plan**  
**PERA Fund Division - Municipal General**

**Schedule VI**

**Last 10 Fiscal Years\***

**Housing Authority**

	2015	2016	2017
Contractually required contribution	\$ 9,814	\$ 10,062	\$ 11,322
Contributions in relation to the contractually required contribution	(9,814)	(10,062)	(11,322)
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0

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

**STATE OF NEW MEXICO**  
**TOWN OF SPRINGER**  
**Notes to Required Supplementary Information**  
**June 30, 2017**

**Schedule VII**

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

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

**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
TOWN OF SPRINGER

Schedule VIII

Schedule of Changes in Assets and Liabilities -  
Agency Funds  
Year Ended June 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>ASSETS</b>				
Cash	\$ 38,800	\$ 12,094	\$ 19,005	\$ 31,889
Total assets	<u>\$ 38,800</u>	<u>\$ 12,094</u>	<u>\$ 19,005</u>	<u>\$ 31,889</u>
<b>LIABILITIES</b>				
Due to General Fund	32,409		15,444	16,965
Due to bond holders	529			529
Due to other agencies	<u>5,862</u>	<u>8,533</u>		<u>14,395</u>
Total liabilities	<u>38,800</u>	<u>8,533</u>	<u>15,444</u>	<u>31,889</u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Proprietary Funds - Housing Authority  
Statement of Cash Flows  
For the Year Ended June 30, 2017

Schedule IX

	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 146,345
Cash subsidies - HUD	98,143
Cash paid to suppliers	(89,380)
Cash paid to employees (or on behalf of)	<u>(188,626)</u>
Net cash provided by operating activities	<u>\$ (33,518)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Net cash provided (used) by noncapital financing activities	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Capital grant	141,823
Purchase of capital assets	(144,346)
Disposition of assets	<u>11,000</u>
Net cash provided (used) by capital and related financing activities	<u>8,477</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investment income	<u>98</u>
Net cash provided by investing activities	<u>98</u>
Net increase (decrease) in cash	(24,943)
Cash, beginning of year	<u>175,982</u>
Cash, end of year	<u>\$ 151,039</u>
Cash and cash equivalents, at June30,2016	\$ 102,765
Adjustment for certificate of deposit reclass	73,217
Cash and cash equivalents, beginning of year, as adjusted	<u>\$ 175,982</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ (119,924)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	69,898
Changes in assets and liabilities:	
Accounts receivable	651
Tenant prepaid rent	(775)
Inventory	2,088
Prepaid expenses	587
Tenants security deposits	1,150
Accounts and contracts payable	(1,020)
Accrued payroll and payroll taxes	(260)
Accrued compensated absences	3,388
Net GASB 68 accrual	<u>10,699</u>
Net cash provided (used) by operating activities	<u>\$ (33,518)</u>

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

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

**INDEPENDENT AUDITOR'S REPORT**

Mr. Wayne Johnson,  
New Mexico State Auditor  
Honorable Mayor and Town Council  
Town of Springer  
Springer, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United State 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 of the General fund of the Town of Springer (Town), as of and for the year ended June 30 2017, and related notes to the financial statements, which collectively comprise the Town's basic financial statements, and the combining and individual funds financial of the Town's, presented as supplemental information, and have issued our report thereon dated March 01, 2018.

Other auditors audited the financial statements of the Town of Springer Housing Authority, as described in our report on the Town's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors is based solely on the reports of the other auditors.

**Internal Control Over Financial Reporting**

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider as items 2017-001, 2017-002, 2017-003, 2017-005 and 2017-006 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Springer's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which is described in the accompanying schedule of Findings and Responses as items 2005-008, 2009-003, 2015-005, 2015-015, 2016-002, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, 2016-011 and 2017-004.

### **Town of Springer's Response to Findings**

Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town'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 Town of Springer's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harshwal & Company LLP  
Certified Public Accountants

*Harshwal & Company LLP*

Albuquerque, New Mexico  
March 01, 2018

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

Prior Year Town Audit Findings:

1. Budget Overruns (2005-008) - Repeated and Modified.
2. DFA Report Incorrect (2009-003) - Repeated.
3. Water Meter Deposits (2015-005) - Repeated.
4. Late Fees for Late Deposits of IRS Taxes (2015-008) - Resolved.
5. New Hire Reporting (2015-009) - Resolved.
6. Employee Files Not Complete (2015-010) - Resolved.
7. Policy Regarding Use of Town Property (2015-011) - Resolved.
8. Court Fees Not Distributed Correctly (2015-015) - Repeated and Modified.
9. Transactions Made by Third Parties Not Recorded on Books of Record (2015-016)- Resolved.
10. Incorrect Court Reports Compared to Deposits Made - (2016-001) - Resolved.
11. Court Reports Prepared and Submitted Late - (2016-002)- Repeated and Modified.
12. Repair and Replacement Funds Required - (2016-003) - Resolved.
13. Required Reserves - (2016-004) - Resolved.
14. Failure to Deposit Monies Timely - (2016-005) - Repeated and Modified.
15. Request for Documents - (2016-006) - Repeated.
16. Gross Receipts Taxes not Remitted Correctly - (2016-007) - Repeated and Modified.
17. Tax Exempt Entities Unclear - (2016-008)- Repeated and Modified.
18. Waste of Public Monies - (2016-009) - Repeated.
19. Lapse of Grant Reimbursement - (2016-010) - Resolved.
20. Late Audit Report - (2016-011) - Repeated.



**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

Component Unit Audit Findings

Prior Year

NONE

Current Year

NONE

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**Section I - Audit Findings in Relation to Financial Statements**

**2005-008 Budget Overruns - Repeated and Modified (Compliance Matter)**

**Condition:** The following budget overruns occurred during the year:

The General Fund \$68,328; the Fire Protection Fund \$11,726; the Law Enforcement Protection Fund \$600; the Street Fund \$28,256 and the Solid Waste Fund \$13,103. Management has not made progress in this area.

**Criteria:**

NMSA 1978 Section 22-8-11 B requires all funds to be spent within the established guidelines set for budgets.

**Cause:**

Management did not ensure budget adjustment requests were obtained from DFA by the required deadline.

**Effect:**

The Town had the adequate cash to pay the overruns but not the required budget authority from DFA.

**Recommendation:**

Management should review its budget quarterly, and request all budget adjustments at that time to ensure budget overruns do not occur.

**Management's Response:**

Management is diligently making an effort to review the budget, as well as quarterly reports to ensure there are no overruns, and all adjustments are done within the required timeline. The correct budget adjustment was not submitted to the Governing Board for consideration of approval on time. There were sufficient funds in the bank to cover the overruns; however, the budget adjustments were not done on time. This process has been more effective with the new Caselle financial software, and management is working on keeping the system up to date, and ensure that transactions are recorded correctly. This process has been implemented during the FY 18 year.

**Estimated Completion Date:**

June 2018.

**Responsible party:**

Town Clerk.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2009-003 DFA Report Incorrect - Repeated (Other Matter)**

**Condition:**

The Town has cash balances per the prior audit report that are not reflected on the DFA report. In addition, transfers shown on the books of record do not match those recorded on the DFA report.

The Town did not make any progress in resolving this finding.

**Criteria:**

Department of Finance and Administration regulations require all transactions and cash balances to be recorded on the DFA report.

**Cause:**

The budget analyst for the Town requested changes to the DFA report. Some of these changes were not supported adequately.

**Effect:**

DFA regulations concerning cognizant reporting were not followed.

**Recommendation:**

The financial statements should adequately support all amounts reported on the DFA report.

**Management's Response:**

The Town is currently in the process of obtaining the service of DFA to finalize the FY 17 financials, which would include the 4th Qtr. The Town will submit a budget adjustment with the recommendations from DFA to correct this finding. The resolution to this finding is in process, and it will be resolved during the FY 18 year. The financial statements will adequately support all amounts reported on the DFA report and the quarter reports. The Town Finance Department will be responsible for this process.

**Estimated Completion Date:**

June 2018.

**Responsible party:**

Town Clerk.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2015-005 Water Meter Deposits - Repeated (Other Matter)**

**Condition:**

The Town is not reconciling their monthly water meter deposit to the restricted bank account each month. The Town did not make progress in this area.

**Criteria:**

The monthly meter deposit list should be reconciled and agreed to the reconciled bank account each month. This complies with good accounting practices.

**Cause:**

Management is aware of this situation but has not completed an accurate meter deposit list and reconciled it to the reconciled bank account on a monthly basis.

**Effect:**

Available resources could not be budgeted for and used in the Water Fund.

**Recommendation:** Management should designate an employee to perform this duty each month, identify differences and resolve those differences.

**Management's Response:**

The Utility Clerk and Deputy Clerk continue to work to update the water meter list so that the Town Clerk can accurately reconcile this list to the bank account on a monthly basis. The new Caselle system produces a monthly list of deposits that match the monthly meter deposits. The previous historic accounts are being reviewed with a possible solution of the customer receiving a refund if the transaction is over a chosen amount of years. The data recording of previous records of meter deposits continues to be processed. The meter deposits are reviewed monthly and reconciled to receipts and bank statements. This solution will be presented to the Governing Body for consideration of approval so this fund may be balanced with the exact customers on file. This finding is in the process of being resolved in FY18.

**Estimated Completion Date:**

June 2018.

**Responsible party:**

Utility Clerk and Deputy Clerk.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2015-015 Court Fees Not Distributed Correctly - Repeated and Modified (Other Matter)**

**Condition:**

The Utility/Court Clerk is currently using the Caselle program which includes a Court module that is being utilized to record the tickets, and it divides the distributions as required. However, as of June 30, 2017, General fund was owed \$16,965 and this amount has not been transferred by the town. The Town has made progress in this area.

**Criteria:**

All amounts owed to the Corrections and General Fund should be distributed each month after all Automation and Education Fees are reconciled and submitted to the State.

**Cause:**

Management did not have complete control over these transactions as the Judge and the Judge's office had a separate bank account. This office also prepared the monthly reports. So management is unable to correctly distribute these revenues on a regular (monthly) basis.

**Effect:**

The General Fund is owed \$16,965.

**Recommendation:**

These amounts need to be transferred as soon as possible.

**Management's Response:**

The Utility/Court Clerk is currently using the Caselle program, which includes a Court module that is being utilized to record the tickets, and also divides the distributions four ways as required. The bank account for this fund has been combined with the combined cash bank account. A monthly report is being generated and the Clerk pays each distribution at the end of each month. This process has been implemented during the FY18 year. The balance owed to the General Fund will be processed during this fiscal year and this finding will be resolved in FY18 audit year.

**Estimated Completion Date:**

June 2018.

**Responsible party:**

Utility/Court Clerk.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2016-002 Court Reports Prepared and Submitted Late - Repeated and Modified (Compliance Matter)**

**Condition:**

The court reports for the months of July 2016, October 2016, November 2016, January 2017, February 2017, and June 2017 were not submitted with payment on time. The total amount required for Automatic Fees and Education fees was \$1,032 for those six months. The Town did not make any progress in resolving this finding.

**Criteria:**

All automation and education fees should be remitted to the State within 30 days after the end of each month.

**Cause:**

The business office was not preparing these reports. The judge's office was preparing them and then providing them to the business office.

**Effect:**

Management is not complying with the required filing deadline.

**Recommendation:**

The Clerk/Treasurer should prepare these reports after obtaining the Casselle report providing a list of the citations that were paid and the separation of the amounts due for each required fee, ex: automation and education. Management also needs to ensure these reports and fees are remitted within 30 days of the end of each reporting month.

**Management's Response:**

In the prior Court software, the reports were not being generated on a monthly basis and reports were turned in late. Currently, the Utility/Court Clerk is utilizing the Caselle program to generate a monthly report, and recording each ticket as it comes in, which the Caselle program automatically distributes it four ways to the JEC, AOC, Corrections, and fines. Once a ticket is recorded and a monthly report is generated, the amounts are paid to the respective agencies. The Clerk is then checking the deposits and comparing them to the reports, ensuring all distributions are listed and fees paid monthly. This process has been implemented during the FY18 year.

**Estimated Completion Date:**

June 2018.

**Responsible party:**

Utility/Court Clerk.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2016-005 Failure to Deposit Monies Timely - Repeated and Modified (Compliance Matter)**

**Condition:**

For 12 out of 60 samples tested, totaling \$2,920 of Court Citations and meter deposits received, the money was not deposited within 24 hours of receipt.

The Town did not make any progress in resolving this finding.

**Criteria:**

Per DFA regulations, all receipts are to be deposited within a 24 hour period.

**Cause:**

The Town does not have a proper control structure in place to adequately document and monitor all cash receipts.

**Effect:**

Non-adherence to DFA regulations places the Town in noncompliance, and lack of timeliness of deposits or failure to receipt all cash received could subject the Town to a possible occurrence of fraud.

**Recommendation:**

All receipts received by the Town are required to be deposited within 24 hours. Management needs to ensure that proper internal controls are followed to ensure these funds are deposited promptly.

**Management's Response:**

All cash and checks that are being received are deposited on the current or next business day by the Utility Clerk or the Deputy Clerk. Each deposit has attestation to the deposit amount by both the Utility Clerk and the Deputy Clerk. All receipts are checked for the correct dates and are deposited within the required timeline with a two-signature form of proof. Some of the deposits miss the 24-hour deadline due to the holiday or weekend schedules and this has caused some deposits to be more than 24 hours late. All revenues received will be deposited daily no matter what the amount is or what date is. This process has been implemented during the FY18 year.

**Estimated Completion Date:**

June 2018.

**Responsible party:**

Utility Clerk or the Deputy Clerk

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2016-006 Request for Documents - Repeated (Other Matter)**

**Condition:**

On October 11, 2016 a Board Trustee requested Management to furnish copies of all mileage and per diem to employees and elected officials from March 1, 2014 to October 2016. Copies of these documents (totaling 967 pages) were produced and charged at the rate of \$0.35/page for a grand total of \$338. The Trustee reviewed the documents and selected only a portion and paid for only those documents. The Town did not make any progress in resolving this finding.

**Criteria:**

The Town's attorney has determined that Trustees cannot be held at a different level than any other individual requesting copies of documents. Thus, this amount is still owed to the Town by this Trustee.

**Cause:**

It is unknown at this time why the Trustee refuses to pay for and pick up the documents that were requested in writing.

**Effect:**

The Trustee owes the Town approximately \$257 for documents requested. On September 12, 2016, a payment of \$43 was made by the Trustee.

**Recommendation:**

The Trustee needs to pay the amount still owed for the documents requested. In the future, Management of the Town should receive full payment or a sufficient deposit for any and all future requests.

**Management's Response:**

A policy for all inspection of Public Records Act (IPRA) requests has been drafted and approved. This policy outlines and details IPRA requests, which includes the language "not to exclude elected officials." This policy was approved unanimously by the Governing Body. It includes the requirement that payment will be received in full for all IPRA requests. All IPRA requests will be charged the same price of \$0.35 per page, and the policy states that all requests will be treated the same for all requesters. The policy includes details that cost will be implemented for all Information of Public Records Requests. "Copies are to include all (IPRA) Inspection of Public Records requests by the customer and/or elected official's" is the language on the service charges policy. The Trustee that requested this IPRA request has not paid for nor picked up the remaining documents. This policy was passed and approved in the July 2017 meeting by the entire Governing Body.

**Estimated Completion Date:**

Policy was passed and approved in the July 2017.

**Responsible party:**

The Trustees and the Town Clerk.



**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2016-007 Gross Receipts Taxes not Remitted Correctly - Repeated and Modified (Compliance Matter)**

**Condition:**

The Town was assessed \$5,032 in penalties and interest for late filing of CRS-1 reports. The Town did not make any progress in resolving this finding.

**Criteria:**

All gross receipts taxes received by the Town are required to be remitted to the Taxation and Revenue Department by the 25th of the following month.

**Cause:**

CRS-1 reports were not being submitted in a timely manner.

**Effect:**

The penalties are not budgeted for or allowed under DFA regulations.

**Recommendation:**

Management should take steps to ensure that CRS-1 reports are submitted timely.

**Management's Response:**

The new form that contains the correct formula has been utilized during the current FY18 fiscal year. Due to previous reports and balances of amended reports not yet being filed, this finding has not been resolved. The office staff will work through FY18 to diligently correct the reports and submit the remaining balances that are due to the NM Taxation and Revenue so this finding may be resolved. The total amount is the previous amount due as well as the penalties that were paid for the reporting using the previous formula that was not calculating the GRT correctly. This finding will be resolved in the FY18 fiscal year.

**Estimated Completion Date:**

June 2018

**Responsible party:**

Utility Clerk/Town Clerk.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2016-008 Tax Exempt Entities Unclear - Repeated and Modified (Compliance Matter)**

**Condition:**

Management is charging gross receipts tax on themselves and the State Highway Department. The total amount overpaid for these entities is \$156.

The District made some progress in resolving this finding.

**Criteria:**

According to Taxation and Revenue regulations, certain entities are exempt from the 5% required gross receipts tax on water, sewer, and solid waste services. Example is State Statute 7-9-54 that would exempt the Town of Springer and the State Highway Department.

**Cause:**

Management has not ensured that the business software is set up to provide the information so the CRS-1 reports can adequately reflect the correct legally exempt (entities) amounts.

**Effect:**

The CRS-1 reports submitted could be incorrect. Also, management may not be receiving gross receipts taxes owed because they have incorrectly classified them as exempt. Management has overpaid gross receipts taxes by \$156 for entities that are clearly exempt.

**Recommendation:**

Management should require the business software to provide an exempt only report that can be reviewed to ensure it is correct.

**Management's Response:**

After consulting with the software company, they provided information for the retrieval of this information that will separate both tax exempt and non-exempt customers. The Town Clerk was unaware of the tax allowance as according to the NM State Statute 7-9-54. Currently, all tax charges have been removed from the Town and NMDOT Utility accounts. New classification codes had to be created to implement the no tax on these accounts. This process is up-to-date for the FY18.

**Estimated Completion Date:**

June 2018.

**Responsible party:**

Town Clerk

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2016-009 Waste of Public Monies - Repeated (Other Matter)**

**Condition:**

A Board Trustee has brought numerous allegations against other Board Trustees and employees of the Town. The Town's attorney has had to spend numerous hours defending these allegations. The Town Clerk has spent numerous hours obtaining documents for the attorneys, providing copies of documents to the Attorney General's Office and to the 2016 auditors. None of these allegations to date has been substantiated. The Town did not make any progress in resolving this finding.

**Criteria:**

According to the Governmental Conduct Act 10- 16-3, C "at all times, reasonable efforts shall be made to avoid undue influence and abuse of office in public service."

**Cause:**

It appears that the Trustee is not concerned with the cost of defending these allegations, especially when they can easily be researched by the Trustee who has the same access to the records used by the attorneys and auditors.

**Effect:**

Substantial town resources have been spent to defend frivolous allegations that have no merit.

**Recommendation:**

The Trustee should attend a seminar or receive training of some kind to obtain knowledge about ethics and how a Trustee should avoid waste and/or abuse of public monies.

**Management's Response:**

The Town and their attorney have continued to defend and expend public monies due to the Trustee and their misrepresentation of the Town in matters unsubstantiated. These expenditures have continued since submission of the FY 2016 audit. Legal fees accrued due to an investigation, which the Trustee participated in, portraying misinformation and defamation of the Town and their cemetery. The Town plans to have the Trustee use his or her own finances to attend and participate in a seminar or receive training of some kind to obtain knowledge about ethics and how a Trustee should avoid waste and/or abuse of public monies.

**Estimated Completion Date:**

June 2018.

**Responsible party:**

The Town Trustees.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2016-011 Late Audit Report - Repeated (Compliance Matter)**

**Condition:**

The audit report was submitted to the State Auditors Office after the required deadline of December 15.

The Town did not make any progress in resolving this finding.

**Criteria:**

Town audits are required to be submitted to the State Auditor by December 15, as required by NMAC 2.2.2.9.

**Cause:**

The Town was unable to provide the information necessary to complete an accurate and complete audit by the statutory deadline.

**Effect:**

NMAC 2.2.2.9 was not followed.

**Recommendation:**

The Town must prepare and provide all necessary information and schedules to the auditors in a timely and accurate manner. In addition, the Town must ensure audit procedures are scheduled in a manner which allows for a timely submission of the financial statements to the State Auditor's Office.

**Management's Response:**

Due to the NM State Auditor Office rejecting the original contract award, the Town Clerk had to re-advertised and submit for a new auditing firm. Management worked with the current audit firm to get the required materials collected for the FY17 audit. Department of Finance provided oversight and assistance to correct all financials. Due the Town not having a Municipal Clerk on staff during the entire audit process, it created some obstacles in the completion of the process and information submission including the financial reports. Current management has been enlightened on the audit process and will work to strive to complete the process in a more timely manner. During the FY18 fiscal year, this finding will be resolved.

**Estimated Completion Date:**

June 2018.

**Responsible party:**

Town Clerk.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2017- 001 Journal Entries (Significant Deficiency)**

**Condition:**

Journal entries are being posted to the Town's accounting system without review or approval from an independent source.

**Criteria:**

Good accounting policies and procedures require manual journal entries posted to the accounting system be reviewed and approved by someone other than the employee preparing the journal entry.

**Effect:**

The lack of approval of non-routine journal entries leaves the Town open to mistakes not being found in a timely manner.

**Cause:**

The Town lacks written policies outlining the expectations for journal entry authorization, documentation and review.

**Auditor's Recommendations:**

We recommend that the Town implement a policy where all nonroutine journal entries must be initiated by one employee and approved by another.

**Management's Response:**

The Journal Entry report will be generated and presented for review and oversight to the Mayor and Finance Department on a monthly basis.

**Estimated Completion Date:**

During the FY 2018 audit year.

**Responsible party:**

Town Clerk.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2017-002 Annual Inventory Certification (Significant Deficiency)**

**Condition:**

The Town did not perform an annual capital asset inventory certification of their capital asset listing.

**Criteria:**

According to State Audit Rule 2.2.2.10 W, Capital Asset Inventory:

Agencies shall conduct an annual physical inventory of chattels and equipment on the inventory list at the end of each fiscal year in accordance with the requirements of Section 12-6-10 NMSA 1978. The agency shall certify the correctness of the inventory after the physical inventory. This certification shall be provided to the agency's auditors. The IPA shall audit the inventory listing for correctness and compliance with the requirements of the Audit Act.

**Cause:**

The Town was aware of the requirement but the due date for the annual certification was overlooked.

**Effect:**

Items could be present on the capital assets listing that do not exist or items could also exist that are not on the listing. The listing could also be misstated.

**Recommendation:**

We recommend that once the count of annual inventory has been completed, the Town has it certified by the Town's Board of Trustees, and that the timeliness of the certification be monitored every year.

**Management's Response:**

The Town will work to have a physical inventory verified of all the RCI reports. This finding will be resolved in FY 2018. Each department will do a physical inventory of the building they are assigned to.

**Estimated Completion Date:**

Fiscal Year 2018.

**Responsible party:**

Each Department head and the Municipal Clerk.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2017-003 Bank reconciliations - (Significant Deficiency)**

**Condition:** During our testwork over cash, we noted that the Town reconciled the bank statements to the general ledger. However the reconciliations did not indicate that a review of someone other than the preparer was completed.

**Criteria:** Good accounting practices require properly reconciled cash and investment accounts. In addition, all reconciliations should be reviewed by someone other than the person performing the reconciliation function.

**Cause:** There is an inadequate segregation of duties, and the Town lacks written policies outlining the expectations for bank reconciliation completion, documentation and review.

**Effect:** Without performing a proper review of bank reconciliations, incorrect postings to the general ledger will not be recognized.

**Recommendation:** The Town should implement procedures that require all reconciliations to be reviewed by someone other than the person performing the reconciliation function. In addition, implement policies and procedures that will address the process and review of the bank reconciliations.

**Management's Response:**

The Governing Body will make all bank reconciliations available for monthly review and a document of oversight will be presented for signatures. This finding will be resolved in fiscal year 2018.

**Estimated Completion Date:**

During Fiscal year 2018.

**Responsible party:**

The Governing Body and the Municipal Clerk or Finance Director.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2017-004 Late IPA recommendation and Audit Contract – (Compliance and Other Matter)**

**Condition:** The IPA recommendation and audit contract were not received by the Office of the State Auditor by the required due date of July 1, 2017.

**Criteria:** The New Mexico Administrative Code (NMAC) 2.2.2.8 Subsection F “The agency shall deliver the unsigned contract generated by OSA-Connect to the OSA by the deadline specify in the Audit rule” local public bodies that qualify for the tiered system pursuant to Subsections A and B of 2.2.2.16 NMAC: July 1, 2017.

**Cause:** Audit contracts that are not received by the State Auditor is a violation of the New Mexico Administrative Code.

**Effect:** The Town did not submit their audit contract timely manner.

**Recommendation:** We recommend that the Town ensure all reports are filed in a timely manner with the State Auditor to comply with all New Mexico State Statutes.

**Management’s Response:**

The Town Clerk submitted the original contract on time to the NM State Auditor's Office. The NM State Auditor's Office rejected the contract on the basis that that firm could not be used due to what they alleged as "an independence issue" caused by complaints filled with the NM State Auditor's Office from a Trustee of the Town. The town advertised again for auditing services in which resulted in the town submission of a second IPA recommendation after the required due date of July 1, 2017. The town's management is working to get the RFP for audit services out early so if there is any issues, a second advertisement can be done timely to ensure the contract is awarded before the final deadline. This finding will be resolved in FY18.

**Estimated Completion Date:**

During FY 2018.

**Responsible party:**

The Governing Body and the Municipal Clerk.



**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2017-005 Internal Control over Cash Disbursement - (Significant Deficiency)**

**Condition:** During our testwork of disbursements, we noted the following deficiencies:

- All purchase orders are being requested and authorized by the same person.
- For 1 out of 40 samples totaling \$1,000, the PO was approved after the invoice.
- For 2 out of 40 samples totaling \$1,768, the PO was not signed prior to payment to the vendor.

**Criteria:** Good accounting and internal control practices require that all disbursements must originate with authorizing documents, and be supported by properly approved documents such as purchase orders, bills, petty cash reimbursement forms, payroll and time records, leases, contracts, or other supporting documents.

**Cause:**

The Town staff did not ensure that all of the required documentation and procedures were in place prior to final disbursement of funds. Completing the purchase order after the purchase has been made defeats the purpose of the purchase order and purchase requisition. Such documents should be completed prior to the purchase.

**Effect:**

The lack of implementing adequate policies and procedures over disbursements and enforcing proper segregation of duties may result in a non-authorized or incorrect calculation of invoices. In addition, when purchases are made without proper authorization, items could be procured that are inappropriate and/or unallowed, and the risk of misappropriation is increased.

**Recommendation:**

The Town must develop and enforce policies and procedures for the purchase of goods and/or services, and ensure that the vendor invoices are being checked for accuracy prior to payment.

**Management's Response:**

The Acting Clerk and Deputy Clerk is diligently working to educate all departments in the procurement and purchasing process. Due to unforeseen circumstances, some purchases must be made at the time of being in Town when the opportunity is more cost effective. The Governing Body submits an annual purchasing policy for approval. This policy will be distributed to all staff and elected officials so all may be informed of the procedures and requirements. The staff is persistently working to resolve this finding.

**Estimated Completion Date:**

Fiscal Year 2018.

**Responsible party:**

Governing Body, Department Heads and Purchasing.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**2017-006 - Preparation of Accounts Payable - Significant Deficiency**

**Condition:** During the performance audit procedures relating to accounts payable, we noted that the Town did not include 24 items totalling \$56,994 as accounts payable at year-end.

**Criteria:** Financial statements should report accurate and timely financial information. NMSA 1978 6-5-2 specifies that agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state, and federal law, and rules related to financial matters. Procedures should be in place to ensure that all vendor invoices are recorded in the correct period.

**Cause:** There was no adequate review of the Town's invoices paid after year-end to determine the proper period in which to record them.

**Effect:** Preparing an accurate accounts payable listing is essential to the Town's operational and management decision making process. Incorrect preparation of the accounts payable listing could lead to misstating the balances in the financial statements.

**Recommendation:** Accounts payables cutoff procedures should be improved to include a more thorough review of all significant invoices paid after year-end to determine the correct period in which to record them.

**Management's Response:**

Payables will be cut off for processing in the beginning of May. Only regular occurring bills will be paid. Accounts payable will review and document which invoices belong in the current and next fiscal year. This finding will be resolved in FY18.

**Estimated Completion Date:**

Fiscal Year 2018.

**Responsible party:**

Accounts Payable.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
FINANCIAL STATEMENT PREPARATION AND EXIT CONFERENCE  
JUNE 30, 2017**

**FINANCIAL STATEMENT PREPARATION**

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2017 were prepared by Harshwal & Company LLP, based on management's chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

**EXIT CONFERENCE**

An exit conference was held on February 26, 2018, and attended by the following people:

**Town of Springer Officials**

Rebecca Ramirez

Samuel Blea

Anthony Aburta

Board Trustee

Deputy Clerk

Utility Clerk

**Harshwal & Company LLP**

Sanwar Harshwal, CPA - Managing Partner

Mariem Tall, Audit Manager