

**STATE OF NEW MEXICO
TOWN OF SPRINGER
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018
(with Auditor's Report Thereon)**

**Harshwal & Company LLP
Certified Public Accountants
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INTRODUCTORY SECTION

STATE OF NEW MEXICO
TOWN OF SPRINGER
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STATE OF NEW MEXICO
TOWN OF SPRINGER
Official Roster
June 30, 2018

Town Council

<u>Name</u>	<u>Title</u>
Boe Lopez	Mayor
Rebecca Ramirez	Mayor Pro Tem
Luella Smith	Town Trustee
Anna Phillips	Town Trustee
Joe Apodaca	Town Trustee

Administrative Officials

Samuel Blea	Acting Clerk Treasurer
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, 2018, 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 2017 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 \$619,574 as of June 30, 2018, and net operating revenues of (\$200,466) 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, 2018, 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 the Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of Contributions, the notes to the required supplementary information and the Schedule of the Proportionate Share of the Net OPEB Liability and Schedule of Contributions - OPEB on pages 83-93 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 December 14, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Town's 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

December 14, 2018

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF SPRINGER
Statement of Net Position
June 30, 2018

Statement 1

	Governmental Activities	Business-Type Activities	Housing Authority (Component Unit)
ASSETS			
Current assets			
Cash	\$ 344,605	\$ 2,396,731	\$ 149,708
Accounts receivable (net of uncollectible accounts)	1,185	138,641	333
Prepaid expenses			10,316
Inventory			9,099
Total current assets	345,790	2,535,372	169,456
Non-current assets			
Restricted assets (cash)			12,877
Customer meter deposits		58,706	
Total non-current assets	0	58,706	12,877
Capital assets	11,617,907	7,016,761	3,203,164
Less: accumulated depreciation	(3,622,551)	(4,293,024)	(2,765,923)
Total capital assets (net of accumulated depreciation)	7,995,356	2,723,737	437,241
Deferred outflows of resources:			
Deferred outflows of resources - Pension	216,286		57,984
Deferred outflows of resources - OPEB	13,327		2,371
Total deferred outflows of resources	229,613		60,355
Total assets and deferred outflows of resources	\$ 8,570,759	\$ 5,317,815	\$ 679,929
LIABILITIES AND NET POSITION			
Current liabilities			
Accounts payable	\$ 170,065	\$ 7,850	\$ 3,949
Accrued payroll and benefits	13,616	8,579	8,410
Current portion revenue bonds / NMFA loans payable	39,721	65,124	
Current portion compensated absences	32,231	53,345	1,853
Customer meter deposits payable from restricted assets		58,706	
Tenant deposits			13,044
Total current liabilities	255,633	193,604	27,256

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

STATE OF NEW MEXICO
TOWN OF SPRINGER
Statement of Net Position
June 30, 2018

Statement 1

	Governmental Activities	Business-Type Activities	Housing Authority (Component Unit)
Non-current liabilities			
Compensated absences payable			13,401
Revenue bonds / NMFA loans payable	231,703	2,240,159	
Net pension liability	702,996		192,372
Net OPEB liability	456,339		125,074
Total non-current liabilities	1,391,038	2,240,159	330,847
Total liabilities	1,646,671	2,433,763	358,103
Deferred inflows of resources:			
Unearned revenues			279
Deferred inflows of resources - Pension	75,747		13,953
Deferred inflows of resources - OPEB	103,862		28,467
Total deferred inflows of resources	179,609	0	42,699
Net position			
Net investment in capital assets	7,723,932	1,687,123	437,241
Restricted for:			
Special revenue fund	221,883		
Capital project fund	20,153		
Debt service		65,124	
Unrestricted	(1,221,489)	1,131,805	(158,114)
Total net position	6,744,479	2,884,052	279,127
Total liabilities, deferred inflows of resources and net position	\$ 8,570,759	\$ 5,317,815	\$ 679,929

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

STATE OF NEW MEXICO
TOWN OF SPRINGER
Statement of Activities
For the year ended June 30, 2018

Statement 2

Functions/ Programs	Expenses	Program Revenues		
		Charges for services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 1,191,104	\$ 215,724	\$ 313,150	\$ 346,758
Public safety	172,345			
Culture and recreation	32,930			
Interest	1,855			
Depreciation - unallocated	<u>387,111</u>			
Total government activities	<u>1,785,345</u>	<u>215,724</u>	<u>313,150</u>	<u>346,758</u>
Business-type Activities:				
Joint Utilities	<u>1,475,919</u>	<u>1,460,197</u>		
Total Business type activities	<u>1,475,919</u>	<u>1,460,197</u>	<u>0</u>	<u>0</u>
Total primary government	<u>\$ 3,261,264</u>	<u>\$ 1,675,921</u>	<u>\$ 313,150</u>	<u>\$ 346,758</u>
Component Unit:				
Housing Authority	<u>\$ 349,331</u>	<u>\$ 148,865</u>	<u>\$ 126,723</u>	<u>\$ 13,592</u>
General Revenue:				
Property taxes				
Gross receipts taxes				
Gas tax				
Franchise taxes				
Lodgers taxes				
State aid not restricted to special purpose				
General				
Interest income				
Other revenue				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position - restatement (Note 12)				
Net position - beginning, restated				
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
For the year ended June 30, 2018

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>
Primary Government				
Governmental activities:				
General government	\$ (315,472)	\$	\$ (315,472)	\$
Public safety	(172,345)		(172,345)	
Culture and recreation	(32,930)		(32,930)	
Interest	(1,855)		(1,855)	
Depreciation - unallocated	<u>(387,111)</u>		<u>(387,111)</u>	
Total government activities	<u>(909,713)</u>	<u>0</u>	<u>(909,713)</u>	<u>0</u>
Business-type Activities:				
Joint Utilities		<u>(15,722)</u>	<u>(15,722)</u>	
Total Business type activities		<u>(15,722)</u>	<u>(15,722)</u>	<u>0</u>
Total primary government	<u>(909,713)</u>	<u>(15,722)</u>	<u>(925,435)</u>	<u>0</u>
Component Unit:				
Housing Authority				<u>(60,151)</u>
General Revenue:				
Property taxes	68,453	85,168	153,621	
Gross receipts taxes	454,080		454,080	
Gas tax	54,294		54,294	
Franchise taxes	10,335		10,335	
Lodgers taxes	7,524		7,524	
State aid not restricted to special purpose				
General	48,745		48,745	
Interest income	1,538	150	1,688	663
Other revenue	<u>7,973</u>	<u>14,774</u>	<u>22,747</u>	<u>66</u>
Total general revenues and transfers	<u>652,942</u>	<u>100,092</u>	<u>753,034</u>	<u>729</u>
Change in net position	<u>(256,771)</u>	<u>84,370</u>	<u>(172,401)</u>	<u>(59,422)</u>
Net position, beginning of year	7,560,277	2,799,682	10,359,959	487,015
Net position - restatement (Note 12)	(559,027)		(559,027)	(148,466)
Net position - beginning, restated	<u>7,001,250</u>	<u>2,799,682</u>	<u>9,800,932</u>	<u>338,549</u>
Net position - end of year	<u>\$ 6,744,479</u>	<u>\$ 2,884,052</u>	<u>\$ 9,628,531</u>	<u>\$ 279,127</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, 2018

Statement 3

	10 - General Fund	31 - Airport Construction Fund	Other Governmental Funds	Total Governmental Fund
ASSETS				
Cash	\$ 135,158	\$	\$ 241,515	\$ 376,673
Accounts receivable	<u>664</u>	<u> </u>	<u>521</u>	<u>1,185</u>
Total assets	<u>135,822</u>	<u> </u>	<u>242,036</u>	<u>377,858</u>
LIABILITIES				
Cash deficit		26,009	6,059	32,068
Accounts payable	170,065			170,065
Accrued payroll and benefits	<u>13,616</u>	<u> </u>	<u> </u>	<u>13,616</u>
Total liabilities	<u>183,681</u>	<u>26,009</u>	<u>6,059</u>	<u>215,749</u>
FUND BALANCE				
Restricted				
Special revenue fund			221,883	221,883
Capital project fund			20,153	20,153
Unassigned	<u>(47,859)</u>	<u>(26,009)</u>	<u>(6,059)</u>	<u>(79,927)</u>
Total fund balances	<u>(47,859)</u>	<u>(26,009)</u>	<u>235,977</u>	<u>162,109</u>
Total liabilities and fund balances	<u>\$ 135,822</u>	<u>\$ 0</u>	<u>\$ 242,036</u>	<u>\$ 377,858</u>

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

STATE OF NEW MEXICO
TOWN OF SPRINGER

Statement 4

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position
June 30, 2018

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

Total fund balances - governmental funds	\$ 162,109
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

The cost of capital assets	11,617,907	
Accumulated depreciation	<u>(3,622,551)</u>	
		7,995,356

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	(32,231)	
Loans payable	<u>(271,424)</u>	
		(303,655)

Some liabilities, including net pension and net OPEB obligations, are not due and payable in the current period and therefore, are not reported in the funds

Net pension liability	(702,996)	
Net OPEB liability	(456,339)	

Deferred outflows and inflows or resources related to pension and OPEB are applicable to future periods and therefore, are not reported in the funds

Deferred outflows of resources - Pension	216,286	
Deferred outflows of resources - OPEB	13,327	
Deferred inflows of resources - Pension	(75,747)	
Deferred inflows of resources - OPEB	<u>(103,862)</u>	

Net position of governmental activities	<u>\$ 6,744,479</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
TOWN OF SPRINGER
Governmental Funds

Statement 5

Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2018

	10 - General Fund	31 - Airport Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 532,868	\$	\$	\$ 532,868
Gas taxes	54,294			54,294
Lodger's tax			7,524	7,524
Charges for services	158,791		12,433	171,224
Licenses and permits	33,644		10,856	44,500
Small cities distribution	131,704			131,704
Local sources			173,788	173,788
State sources	2,124	241,733	159,304	403,161
Miscellaneous revenue	6,154		1,819	7,973
Interest income	1,345		193	1,538
	<u>920,924</u>	<u>241,733</u>	<u>365,917</u>	<u>1,528,574</u>
Total revenues				
EXPENDITURES				
Current:				
General government	1,068,715	32,868	2,889	1,104,472
Public safety	50,452		121,893	172,345
Culture and recreation			32,930	32,930
Capital outlay		234,874	958	235,832
Debt service-Principal	37,631		6,059	43,690
Debt service-Interest	1,005		850	1,855
	<u>1,157,803</u>	<u>267,742</u>	<u>165,579</u>	<u>1,591,124</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(236,879)</u>	<u>(26,009)</u>	<u>200,338</u>	<u>(62,550)</u>
Net change in fund balance	<u>(236,879)</u>	<u>(26,009)</u>	<u>200,338</u>	<u>(62,550)</u>
Fund balance - beginning of year	205,985		35,639	241,624
Fund balance - restatement (Note 12)	<u>(16,965)</u>			<u>(16,965)</u>
Fund balance - beginning, restated	<u>189,020</u>		<u>35,639</u>	<u>224,659</u>
Fund balance - end of year	<u>\$ (47,859)</u>	<u>\$ (26,009)</u>	<u>\$ 235,977</u>	<u>\$ 162,109</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, 2018

Net change in fund balances - total governmental funds \$ (62,550)

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

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

Capital outlay	235,832	
Depreciation expense	<u>(387,111)</u>	(151,279)

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

Net pension expense		(65,174)
Net OPEB expense		(4,812)

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		(16,646)
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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	-	
Repayment of long-term debt	<u>43,690</u>	<u>43,690</u>

Change in net position of governmental activities \$ (256,771)

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variances Favorable (Unfavorable)
REVENUES				
Taxes	\$ 70,000	\$ 82,704	\$ 68,453	\$ (14,251)
Franchise taxes	15,000	15,000	10,335	(4,665)
Gas taxes	71,000	77,000	54,294	(22,706)
Charges for services	20,000	20,000	19,341	(659)
Licenses and permits	4,500	4,500	3,800	(700)
Fines and forfeitures	35,000	35,000	23,554	(11,446)
State sources	5,000	5,000		(5,000)
State shared taxes	442,000	468,300	462,344	(5,956)
Intergovernmental- State	100,000	132,000	131,704	(296)
Interest on Investments	350	350	171	(179)
Miscellaneous	<u>44,000</u>	<u>35,700</u>	<u>10,493</u>	<u>(25,207)</u>
Total revenues	<u>806,850</u>	<u>875,554</u>	<u>784,489</u>	<u>(91,065)</u>
EXPENDITURES				
Current:				
General government	376,000	424,704	420,047	4,657
Highways and streets	30,000	30,095	25,558	4,537
Public safety	225,000	240,594	240,594	
Culture and recreation	60,000	71,000	70,784	216
Capital outlay		3,781	3,781	
Miscellaneous	<u>35,000</u>	<u>49,826</u>	<u>49,826</u>	
Total expenditures	<u>726,000</u>	<u>820,000</u>	<u>810,590</u>	<u>9,410</u>
OTHER FINANCING SOURCES				
Operating transfers in	10,000	10,000	10,000	
Operating transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(13,781)</u>	<u>36,219</u>
Total other financing sources	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ (3,781)</u>	<u>\$ 36,219</u>
Change in fund balance (Non-GAAP Basis)	<u>\$ 40,850</u>	<u>\$ 15,554</u>	<u>(29,882)</u>	<u>(45,436)</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, 2018

Statement 8

	Water/Sewer Fund	53 - Electric Fund	Other Enterprise Fund	Total
ASSETS				
Current Assets				
Cash	\$ 232,330	\$ 2,146,681	\$ 17,720	\$ 2,396,731
Accounts receivable (net)	<u>53,606</u>	<u>74,044</u>	<u>10,991</u>	<u>138,641</u>
Total current assets	<u>285,936</u>	<u>2,220,725</u>	<u>28,711</u>	<u>2,535,372</u>
Non-current assets				
Customer meter deposits	<u>58,706</u>	<u> </u>	<u> </u>	<u>58,706</u>
Total non-current assets	<u>58,706</u>	<u> 0</u>	<u> 0</u>	<u>58,706</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>(4,157,112)</u>	<u> </u>	<u>(135,912)</u>	<u>(4,293,024)</u>
Total capital assets, net	<u>2,657,031</u>	<u> 0</u>	<u>66,706</u>	<u>2,723,737</u>
Total assets	<u>3,001,673</u>	<u>2,220,725</u>	<u>95,417</u>	<u>5,317,815</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, 2018

Statement 8

	<u>Water/Sewer Fund</u>	<u>53 - Electric Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
LIABILITIES				
Current liabilities				
Accounts payable		7,850		7,850
Accrued payroll and benefits	7,163		1,416	8,579
Compensated absences payable	41,231		12,114	53,345
Current portion revenue bonds payable	31,081	30,900		61,981
Current portion loan payable	3,143			3,143
Customer meter deposits payable from restricted assets	<u>58,706</u>			<u>58,706</u>
Total current liabilities	<u>141,324</u>	<u>38,750</u>	<u>13,530</u>	<u>193,604</u>
Long-Term Liabilities				
Revenue bonds payable	954,286	1,237,769		2,192,055
NMAF loan payable	<u>48,104</u>			<u>48,104</u>
Total Long-Term Liabilities	<u>1,002,390</u>	<u>1,237,769</u>		<u>2,240,159</u>
Total liabilities	<u>1,143,714</u>	<u>1,276,519</u>	<u>13,530</u>	<u>2,433,763</u>
NET POSITION				
Net investment in capital assets	1,620,417		66,706	1,687,123
Restricted for debt service	34,224	30,900		65,124
Unrestricted	<u>203,318</u>	<u>913,306</u>	<u>15,181</u>	<u>1,131,805</u>
Total net position	<u>1,857,959</u>	<u>944,206</u>	<u>81,887</u>	<u>2,884,052</u>
Total liabilities and net position	<u>\$ 3,001,673</u>	<u>\$ 2,220,725</u>	<u>\$ 95,417</u>	<u>\$ 5,317,815</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, 2018

	Water/Sewer Fund	53 - Electric Fund	Other Enterprise Fund	Total
OPERATING REVENUES				
Taxes	19,922	51,522	13,724	85,168
Licenses, fines & fees	11,757		2,466	14,223
Charges for services	519,808	820,707	105,459	1,445,974
Miscellaneous	14,159		615	14,774
Total operating revenue	565,646	872,229	122,264	1,560,139
OPERATING EXPENSES				
Cost of energy		599,015		599,015
Personal services	224,002		63,092	287,094
Maintenance and operations	286,505	54,332	64,059	404,896
Depreciation	182,158		2,756	184,914
Total operating expenses	692,665	653,347	129,907	1,475,919
Operating income (loss)	(127,019)	218,882	(7,643)	84,220
NON-OPERATING REVENUE (EXPENSE)				
Interest income		9	141	150
Total Non-Operating Revenue (Expense)		9	141	150
Change in Net Position	(127,019)	218,891	(7,502)	84,370
Net position, beginning of year	1,984,978	725,315	89,389	2,799,682
Net position, end of year	\$ 1,857,959	\$ 944,206	\$ 81,887	\$ 2,884,052

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, 2018

Statement 10

	Water/Sewer Fund	Electric Fund	Other Enterprise Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 546,963	\$ 814,589	\$ 105,035	\$ 1,466,587
Cash received from state shared taxes	31,679	51,522	16,190	99,391
Cash payments to employees and to suppliers for goods and services	<u>(488,579)</u>	<u>(691,516)</u>	<u>(119,712)</u>	<u>(1,299,807)</u>
Net cash provided by operating activities	<u>\$ 90,063</u>	<u>\$ 174,595</u>	<u>\$ 1,513</u>	<u>\$ 266,171</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Loan proceeds		1,276,798		1,276,798
Principal paid	(30,135)	(8,129)		(38,264)
Investment expense	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by capital and related financing activities	<u>(30,135)</u>	<u>1,268,669</u>	<u> </u>	<u>1,238,534</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfers from other funds				
Operating transfers to other funds	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by noncapital financing activities	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	<u> </u>	<u>9</u>	<u>141</u>	<u>150</u>
Net cash provided by investing activities	<u> </u>	<u>9</u>	<u>141</u>	<u>150</u>
Net increase (decrease) in cash	59,928	1,443,273	1,654	1,504,855
Cash, beginning of year	<u>172,402</u>	<u>703,408</u>	<u>16,066</u>	<u>891,876</u>
Cash, end of year	<u>\$ 232,330</u>	<u>\$ 2,146,681</u>	<u>\$ 17,720</u>	<u>\$ 2,396,731</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, 2018

Statement 10

	Water/Sewer Fund	Electric Fund	Other Enterprise Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (127,019)	\$ 218,882	\$ (7,643)	\$ 84,220
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	182,158		2,756	184,914
Changes in assets and liabilities:				
(Increase) decrease in receivables	12,996	(6,118)	(1,039)	5,839
Increase (decrease) in accounts payable	4,234	(38,169)	1,416	(32,519)
Increase (decrease) in compensated absences	17,694		6,023	23,717
Net cash provided (used) by operating activities	\$ 90,063	\$ 174,595	\$ 1,513	\$ 266,171

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, 2018

ASSETS	
Cash	\$ <u>28,280</u>
Total assets	<u>28,280</u>
LIABILITIES	
Due to General Fund	0
Due to bond holders	529
Due to other agencies	<u>27,751</u>
Total liabilities	\$ <u><u>28,280</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, 2018**

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, 2018**

**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, 2018**

**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.

Airport Construction Fund (Capital Project Fund) - To account for the rehabilitation to the Town Airport for re-striping and resurfacing.

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.

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 - 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.

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, 2018**

**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, 2018**

**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 pension, OPEB and Unearned revenues 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, 2018**

**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 pension and OPEB 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>Year(s)</u>
Airport	25
Building & improvements	20-50
Infrastructure/Plant	20-50
Vehicles	8
Equipment	8-10

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

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

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, 2018**

**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, 2018**

**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, 2018**

**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.

S. OPEB

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

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.

International Bank	Checking	Veterans memorial account	\$ 4,346
International Bank	Checking	Court Bond Account	529
Wells Fargo Bank	Checking	General	1,454,491
International Bank	Checking	Meter Deposit	57,385
Xpress bill pay			<u>6,839</u>
	Total		<u>1,523,590</u>
NM Finance Authority			<u>1,370,877</u>
Total amount on deposit			<u>\$ 2,894,467</u>
Deposit in transit			4,776
Outstanding Checks			<u>(70,921)</u>
	Total per financial statements		<u>\$ 2,828,322</u>

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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	\$ 1,454,491	\$ 62,260
Less: FDIC	<u>(250,000)</u>	<u>(62,260)</u>
Uninsured funds	1,204,491	0
Funds needing collateralization at 50% (required by State Law)	602,246	
Pledged collateral at June 30	<u>718,101</u>	<u> </u>
(Excess) deficiency of Pledged Collateral	<u>\$ (115,855)</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, 2018, \$1,204,491 of the Town's bank balance of \$1,516,751 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$ 486,390
B. Uninsured and collateralized with securities held by the pledging banks trust department, but not in the Town's name	<u>718,101</u>
Total	<u>\$ 1,204,491</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>
FNMA #3138LY5A1	07-01-42	\$ 527,490
FNMA #31418UC28	05-01-25	<u>190,611</u>
		<u>\$ 718,101</u>

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - DEPOSITORY COLLATERAL - (CONT'D)

The amount held at the New Mexico Finance Authority totaling \$1,370,877 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	\$ 168,990
Less: allowance for uncollectible accounts	0	(30,349)
Total	\$ 1,185	\$ 138,641

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, 2018**

NOTE 5 - DEPOSITS HELD FOR OTHERS, ENTERPRISE FUND

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

Hydrant Meter deposits	\$	58,706
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NOTE 6 - CAPITAL ASSETS

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

	Balance June 30, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2018</u>
Capital assets not being depreciated:				
Land	\$ <u>119,375</u>	\$ <u> </u>	\$ <u> </u>	\$ <u>119,375</u>
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	20,000		382,134
Equipment	139,500	30,609		170,109
Heavy equipment	1,282,087	185,223	(129,183)	1,338,127
Infrastructure	<u>7,634,554</u>	<u> </u>	<u> </u>	<u>7,634,554</u>
Total capital assets being depreciated	<u>11,391,883</u>	<u>235,832</u>	<u>(129,183)</u>	<u>11,498,532</u>
Less Accumulated Depreciation for:				
Buildings & improvements	(755,840)	(24,007)		(779,847)
Airport	(118,885)	(24,624)		(143,509)
Vehicles	(290,059)	(20,551)		(310,610)
Equipment	(91,692)	(12,185)		(103,877)
Heavy equipment	(1,160,171)	(40,355)	129,183	(1,071,343)
Infrastructure	<u>(947,976)</u>	<u>(265,389)</u>	<u> </u>	<u>(1,213,365)</u>
Total accumulated depreciation	<u>(3,364,623)</u>	<u>(387,111)</u>	<u>129,183</u>	<u>(3,622,551)</u>
Governmental activities capital assets, net	<u>\$ 8,146,635</u>	<u>\$ (151,279)</u>	<u>\$ 0</u>	<u>\$ 7,995,356</u>

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 - CAPITAL ASSETS - (CONT'D)

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

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
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	(199,128)	(11,235)		(210,363)
Heavy equipment	(78,200)	(5,900)		(84,100)
Plant	<u>(3,796,160)</u>	<u>(167,779)</u>		<u>(3,963,939)</u>
Total accumulated depreciation	<u>(4,108,110)</u>	<u>(184,914)</u>	<u>0</u>	<u>(4,293,024)</u>
Business-type activities capital assets, net	<u>\$ 2,908,651</u>	<u>\$ (184,914)</u>	<u>\$ 0</u>	<u>\$ 2,723,737</u>

NOTE 7 - 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, 2017	Additions	Deletions	Balance June 30, 2018	Due within One Year
Revenue bonds payable	\$ 1,012,367	\$1,276,798	\$ (35,129)	\$ 2,254,036	\$ 61,981
Loan payable to New Mexico Finance Authority	54,382		(3,135)	51,247	3,143
Compensated absences payable	<u>29,628</u>	<u>47,806</u>	<u>(24,089)</u>	<u>53,345</u>	<u>53,345</u>
Total	<u>\$ 1,096,377</u>	<u>\$1,324,604</u>	<u>\$ (62,353)</u>	<u>\$ 2,358,628</u>	<u>\$ 118,469</u>

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - 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%.

On January 26, 2018, the Town entered into a new loan agreement with New Mexico Finance Authority (Loan No. 4255-PP) of \$1,276,798 for financing the costs of repairing and upgrading the Governmental Unit's electric utility system with interest rates 3.17%.

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, 2018</u>
Refunding of series 1997, 2003 and 2007	09/01/2041	1,012,367	3.36 %	\$ 985,367
4255-PP	05/01/2047	1,276,798	3.17	1,268,669
NMFA	06/01/2034	63,720	0.25 %	<u>51,247</u>
	Total			<u>\$ 2,305,283</u>

The annual requirements to amortize the business-type bonds and NMFA Loans as of 6/30/2018 including interest payments are as follows:

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 65,124	\$ 65,446	\$ 130,570
2020	65,907	64,634	130,541
2021	66,775	63,737	130,512
2022	67,735	62,746	130,481
2023	68,791	61,654	130,445
2024-2028	363,780	287,865	651,645
2029-2033	410,227	240,272	650,499
2034-2038	464,163	172,206	636,369
2039-2043	485,726	87,011	572,737
2044-2047	<u>247,055</u>	<u>21,826</u>	<u>268,881</u>
Total	<u>\$ 2,305,283</u>	<u>\$ 1,127,397</u>	<u>\$ 3,432,680</u>

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - LONG-TERM LIABILITIES - (CONT'D)

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</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due within</u> <u>One Year</u>
Loan payable to New Mexico Finance Authority	\$ 312,511	\$	\$ (41,087)	\$ 271,424	\$ 39,721
Capital Lease	2,603		(2,603)		
Compensated absences	<u>15,585</u>	<u>23,334</u>	<u>(6,688)</u>	<u>32,231</u>	<u>32,231</u>
Total	<u>\$ 330,699</u>	<u>\$ 23,334</u>	<u>\$ (50,378)</u>	<u>\$ 303,655</u>	<u>\$ 71,952</u>

The Town had the following NMFA loans and Capital Lease outstanding during the fiscal year ending June 30, 2018.

<u>Series</u>	<u>Maturity Date</u>	<u>Original</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Balance</u> <u>June 30, 2018</u>
NMFA	05/1/2021	75,567	2.02 %	\$ 33,853
NMFA	05/01/2026	267,960	3.52 %	164,740
NMFA	05/01/2026	60,454	0.10 %	52,679
NMFA	05/1/2023	20,152	0.10 %	<u>20,152</u>
Total				<u>\$ 271,424</u>

The annual requirements to amortize the governmental NMFA loans and Capital Lease as of 6/30/2018 including interest payments are as follows:

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 39,721	\$ 6,508	\$ 46,229
2020	40,620	5,609	46,229
2021	41,563	4,666	46,229
2022	30,725	3,664	34,389
2023	31,449	2,939	34,388
2024-2026	<u>87,346</u>	<u>4,225</u>	<u>91,571</u>
Total	<u>\$ 271,424</u>	<u>\$ 27,611</u>	<u>\$ 299,035</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, 2018**

NOTE 8 - 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>10 - General Fund</u>	<u>31 - Airport Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:				
Special Revenue Fund	\$	\$	\$ 221,883	\$ 221,883
Capital project fund	<u> </u>	<u> </u>	<u>20,153</u>	<u>20,153</u>
Total restricted	<u> 0</u>	<u> 0</u>	<u>242,036</u>	<u>242,036</u>
Unassigned	<u>(47,859)</u>	<u>(26,009)</u>	<u>(6,059)</u>	<u>(79,927)</u>
Total Fund Balances	<u><u>\$ (47,859)</u></u>	<u><u>\$ (26,009)</u></u>	<u><u>\$ 235,977</u></u>	<u><u>\$ 162,109</u></u>

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 - PERA 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 after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

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

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 - PERA PENSION PLAN - (CONT-D)

Contributions. See PERA's compressive annual financial report for Contribution provided description.

PERA Contribution Rates and Pension Factors as of July 1, 2017						
Coverage Plan	Employee Contribution %		Employer Contribution %	Pension Factor per year of Service		Pension Maximums as % of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.00%	2.50%	90.00%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1(plan open to new employers)	7.00%	8.50%	7.40%	2.00%	2.00%	90%
Municipal Plan 2(plan open to new employers)	9.15%	10.65%	9.55%	2.50%	2.00%	90%
Municipal Plan 3(plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.00%	2.50%	90%
Municipal Plan 4(plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.00%	2.50%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.00%	2.00%	90%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.50%	2.00%	90%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.50%	2.00%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.00%	2.50%	90%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.50%	3.00%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.00%	2.00%	90%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.50%	2.00%	90%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.50%	2.00%	90%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	3.00%	2.50%	90%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.50%	3.00%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.00%	3.00%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.00%	3.00%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.00%	3.00%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.00%	3.00%	90%

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 - PERA PENSION 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll forward liabilities as of June 30, 2017. 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, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

PERA Fund Division - General. At June 30, 2018, the Town reported a liability of \$572,993 for its proportionate share of the net pension liability at June 30, 2017. At June 30, 2017, the Town's proportion was 0.0417%, which was slightly higher than its 0.0413% proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized PERA Fund - General pension expense of approximately \$84,150.

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>
Changes in Assumption	\$ 26,424	\$ 5,921
Changes in Proportion	26,259	
Differences Between Expected and Actual Experience	22,514	29,347
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	47,011	
Post Measurement Date Employer Contributions	<u>32,479</u>	<u> </u>
Totals	<u>\$ 154,687</u>	<u>\$ 35,268</u>

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 - PERA PENSION PLAN - (CONT-D)

For the General Division, \$32,479 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2017 and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ 31,067
2020	60,244
2021	9,368
2022	(13,739)
Total	\$ 86,940

PERA Fund Division - Police. At June 30, 2018, the Town reported a liability of \$130,003 for its proportionate share of the net pension liability at June 30, 2017. As of June 30, 2017, the Town's proportion was 0.0234%, which was higher than its 0.0194% proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized PERA Fund - Police pension expense of approximately \$24,246.

At June 30, 2017, the Town reported PERA Fund Division - Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumption	\$ 7,735	\$ 3,023
Changes in Proportion	26,919	13,166
Differences Between Expected and Actual Experience	7,895	24,290
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	10,470	-
Post Measurement Date Employer Contributions	8,580	-
Totals	\$ 61,599	\$ 40,479

For the Police Division, \$8,580 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2017 and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 - PERA PENSION PLAN - (CONT-D)

Year Ended June 30,	Amount
2019	\$ 7,764
2020	7,505
2021	333
2022	(3,062)
Total	\$ 12,540

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

PERA

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial Assumptions:	-
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
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 9 years, 2.75% all other 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

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 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:

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 - PERA PENSION PLAN - (CONT-D)

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.50 %	7.39%
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	<u>20.00</u>	7.35
Total	<u>100.00 %</u>	

Discount rate: A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

Proportionate Share of Net Pension Liability	1% Decrease (6.51 %)	Current Discount Rate (7.51%)	1% Increase (8.51%)
General	\$ 898,070	\$ 572,993	\$ 302,647
Police	<u>207,318</u>	<u>130,003</u>	<u>66,554</u>
Total	<u>\$ 1,105,388</u>	<u>\$ 702,996</u>	<u>\$ 369,201</u>

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

Payables to the pension plan. At June 30, 2018, the Town had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2018.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 - POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

General Information about the OPEB

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

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

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

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 10 - POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN -
(CONT'D)**

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

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
	160,035
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	97,349

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are nonrefundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Town were \$13,327 for the year ended June 30, 2018.

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

At June 30, 2018, the Town reported a liability of \$456,339 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the Town’s proportion was 0.01007 percent.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 10 - POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN -
(CONT'D)**

For the year ended June 30, 2018, the Town recognized OPEB expense of \$18,143. At June 30, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$	\$ 17,512
Changes of assumptions		79,785
Net difference between actual and projected earnings on OPEB plan investments		6,565
Contributions made after the measurement date	<u>13,327</u>	
Total	<u>\$ 13,327</u>	<u>\$ 103,862</u>

Deferred outflows of resources totaling \$13,327 represent Town contributions to the fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2019	\$ (22,082)
2020	(22,082)
2021	(22,082)
2022	(22,082)
2023	<u>(15,534)</u>
Total	<u>\$ (103,862)</u>

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

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TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 10 - POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN -
(CONT'D)**

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions	
Inflation	2.5% for ERB; 2.25% for PERA
Projected payroll increases	3.5%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for non-medicare medical plan costs and 7.5% graded down to 4.5% over 12 for medicare medical plan costs.

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

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

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 - POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN - (CONT'D)

Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

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

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<u>(2.81)%</u>	<u>(3.81)%</u>	<u>(4.81)%</u>
\$ 553,533	\$ 456,339	\$ 380,083

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

<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
\$ 388,148	\$ 456,339	\$ 509,512

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

Payable Changes in the Net OPEB Liability. The Town doesn't have any amount due to the plan as on June 30, 2018.

NOTE 11 - RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General Fund</u>
Change in fund balance (Non-GAAP Basis)	\$ (29,882)
To adjust applicable revenue accruals and deferrals	140,216
To adjust applicable expenditure accruals	<u>(347,213)</u>
Change in fund balance (GAAP basis)	<u>\$ (236,879)</u>

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 - NET POSITION RESTATEMENT OF GOVERNMENTAL ACTIVITIES

A prior period adjustment of \$542,062 has been reflected in the Town's governmental financial statements to record the net OPEB asset/liability, deferred outflows/inflows, and adjusted OPEB expense and net position in accordance to GASB 75.

Beginning net position as previously reported at June 30, 2017	\$ 7,560,277
Prior period adjustment - Implementation GASB 75:	
Net OPEB liability (measurement date)	(550,705)
Deferred outflows - Town's contributions made during fiscal year 2017	8,643
Total prior period adjustment	(542,062)
Net position as restated, July 1, 2017	\$ 7,018,215

Additionally, during the fiscal year ended June 30, 2018, the Town determined that changes to the beginning of year net position and fund balances were necessary due to incorrect interfund balances in the prior years. As a result, prior year financial statements have been restated to show the effects of the change, where necessary. The adjustment resulted in a prior period adjustment of \$16,965 to its fund and government wide financial statements

NOTE 13. DEFICIT FUND BALANCE AND EXCESS OF EXPENDITURES OVER BUDGET

Generally Accepted Accounting Principles require disclosures of certain information concerning individual funds including:

A. Deficit fund balances of individual funds are the following:

Fund Name	Amount
General Fund	\$ (47,859)
Airport Construction Fund	\$ (26,009)
Dam Project Rehabilitation	\$ (6,059)

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 - COMPONENT UNIT - HOUSING AUTHORITY

A. CASH

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposit of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand, interest-bearing accounts shall be set by the state Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States Treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer’s investment pool, or in securities that are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments.

Cash Deposited with Financial Institutions

The Authority maintains cash in one financial institution within Springer, New Mexico. The Authority’s deposits are carried at cost.

As of June 30, 2018, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	<u>Per Financial Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
International Bank	\$ <u>162,585</u>	\$ <u>-</u>	\$ <u>162,585</u>

The amounts reported as cash for the Authority within the financial statements is displayed as:

Statement of Net Position:

Cash	149,708
Restricted cash	<u>12,877</u>
Total cash reported on the financial statements	<u>\$ 162,585</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Authority. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Authority carrying value of the deposits (demand and certificates of deposit).

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)

Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	International Bank
Total deposits in bank	\$ 162,585
Less FDIC insurance	(162,585)
Uninsured public funds	-
Pledged collateral held by pledging bank's agent, but not in the Authority's name	-
Uninsured and uncollateralized public funds	\$ -
Total pledged collateral	\$ -
50% pledged collateral requirement per state statute	-
Pledged collateral (under) over the requirement	\$ -

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2018, none of the Authority's bank balance was exposed to custodial credit risk.

B. RECEIVABLES, NET

Receivables at June 30, 2018, consisted of the following:

Accounts:	
Tenants' rent	\$ 670
Less allowance for doubtful accounts	(402)
	268
Interest	65
	\$ 333

The Authority's policy is to provide for uncollectible accounts based upon expected defaults.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)

C. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2018:

	<u>Balance June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 41,101	\$ -	\$ -	\$ 41,101
Construction in progress	<u>124,944</u>	<u>-</u>	<u>(124,944)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>166,045</u>	<u>-</u>	<u>(124,944)</u>	<u>41,101</u>
Other capital assets, being depreciated:				
Buildings	2,640,504	140,482	-	2,780,986
Non-dwelling structures	233,192	-	-	233,192
Furniture and equipment - administration	<u>147,885</u>	<u>-</u>	<u>-</u>	<u>147,885</u>
Total other capital assets, being depreciated	<u>3,021,581</u>	<u>140,482</u>	<u>-</u>	<u>3,162,063</u>
Less accumulated depreciation for:				
Buildings	(2,411,150)	(51,253)	-	(2,462,403)
Non-dwelling structures	(164,813)	(10,359)	-	(175,172)
Furniture and equipment - administration	<u>(119,437)</u>	<u>(8,911)</u>	<u>-</u>	<u>(128,348)</u>
Total accumulated depreciation	<u>(2,695,400)</u>	<u>(70,523)</u>	<u>-</u>	<u>(2,765,923)</u>
Other capital assets, net	<u>326,181</u>	<u>69,959</u>	<u>-</u>	<u>396,140</u>
Total capital assets, net	<u>\$ 492,226</u>	<u>\$ 69,959</u>	<u>\$ (124,944)</u>	<u>\$ 437,241</u>

D. ACCRUED COMPENSATED ABSENCES

Changes in accrued compensated absences during the year ended June 30, 2018, were as follows:

	<u>Balance 06/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/18</u>	<u>Amount Due Within One Year</u>
Accrued compensated absences	<u>\$ 12,230</u>	<u>\$ 5,133</u>	<u>\$ (2,109)</u>	<u>\$ 15,254</u>	<u>\$ 1,853</u>

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)

E. RESTATEMENT OF NET POSITION

The Authority discovered an error in the beginning of year net position balance. The Authority implemented GASB 75 during the fiscal year. As a result, the following restatements have been made to the beginning net position:

	Low Rent Fund
Low Rent Fund:	
Beginning net position was understated	(101)
GASB 75 implementation	148,567
	\$ 148,466

F. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information About the Pension Plan

Plan description - The 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/Audit 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 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), 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 PERA Fund, unless specifically excluded.

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

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 - COMPONENT UNIT - HOUSING AUTHORITY - (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 by .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions - See PERA's compressive annual financial report for contribution provided description.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)

PERA Contribution Rates and Pension Factors as of July 1, 2017						
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						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
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 PLANS 1 - 5						
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 PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	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						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the Authority reported a liability of \$192,372 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017.

The Authority’s proportion of the net pension liability was based on a projection of the Authority’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

PERA Fund Municipal General Division

At June 30, 2017, the Authority’s proportion was 0.0140%, which was a decrease of 0.0017%, from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Authority recognized pension expense of \$26,790. At June 30, 2018, the Authority reported 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	\$ 7,559	\$ 9,853
Changes of assumptions	8,871	1,988
Net difference between projected and actual earnings on pension plan investments	15,783	-
Changes in proportion and differences between Town of Springer Housing Authority contributions and proportionate share of contributions	14,449	2,112
Town of Springer's Housing Authority contributions subsequent to the measurement date	<u>11,322</u>	<u>-</u>
	<u>\$ 57,984</u>	<u>\$ 13,953</u>

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)

\$11,322 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2019	\$ 8,968
2020	21,412
2021	6,941
2022	<u>(4,612)</u>
	<u>\$ 32,709</u>

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

PERA Fund

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial Assumptions:	
• Investment rate of return	7.51% annual rate, net of investment expense
• Projected benefit payment	100 years
• Payroll growth	2.75% for first 9 years, then 3.25% annual rate
• Projected salary increases	2.75% to 14.00% annual rate
• Includes inflation at	2.25% annual rate, first 9 years
	2.75% all other years
• Mortality Assumption	RP-2000 Mortality Tables (combined table for healthy post-retirees, 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 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 actuarial valuation.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)

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:

<u>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 to Include Real Estate Equity	20.00 %	7.35 %
Total	<u>100 %</u>	

Discount rate – A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

<u>PERA Fund</u>	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.51%)</u>
Municipal General Division			
Town of Springer Housing Authority's proportionate share of the net pension liability	\$ <u>301,510</u>	\$ <u>192,372</u>	\$ <u>101,608</u>

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

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)

G. OPEB

General Information about the OPEB

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

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

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

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

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

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on the actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Authority were \$2,371 for the year ended June 30, 2018.

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

At June 30, 2018, the Authority reported a liability of \$125,074 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation of that date. The Authority’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ended June 30, 2017. At June 30, 2017, the Authority’s proportion was 0.00276 percent.

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$4,973. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 4,800
Change of assumptions		21,868
Net difference between projected and actual earnings on OPEB plan investments		1,799
Employer contributions subsequent to the measurement date	<u>2,371</u>	
Total	<u>\$ 2,371</u>	<u>\$ 28,467</u>

Deferred outflows of resources totaling \$2,371 represent the Authority’s contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2019	\$ (6,052)
2020	(6,052)
2021	(6,052)
2022	(6,052)
2023	<u>(4,259)</u>
Total	<u>\$ (28,467)</u>

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)

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

Valuation Date	June 30, 2017
Actuarial cost method	Entry age, normal, level percent of pay, calculated on individual employee basis.
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50 for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for non-medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for medicare medical plan costs

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

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

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	4.10%
U.S. equity - large cap	9.10%
Non U.S. -emerging markets	12.20%
Non U.S. - development equities	9.80%
Private equity	13.80%
Credit and structured finance	7.30%
Real estate	6.90%
Absolute return	6.10%
U.S. equity - small/mid cap	9.10%

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)

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

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

1% Decrease	Current Discount Rate	1% Increase
<u>(2.81)%</u>	<u>(3.81)%</u>	<u>(4.81)%</u>
\$ 151,713	\$ 125,074	\$ 104,174

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

1% Decrease	Current Trend Rate	1% Increase
<u>\$ 106,384</u>	<u>\$ 125,074</u>	<u>\$ 139,648</u>

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

Payable changes in the net OPEB liability - At June 30, 2018, the Authority reported a payable of \$148 for outstanding contributions due to NMRCHA for the year ended June 30, 2018.

H . RISK MANAGEMENT

The Authority 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 Authority has purchased commercial insurance to provide for these contingencies. The Authority pays an annual premium for its general insurance coverage and risk of loss is transferred.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)

I. CONTINGENT LIABILITIES

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

J. INTERFUND TRANSFERS

The capital fund program fund has transferred \$12,036 to the low rent fund. The capital fund program fund is responsible for collecting revenues that are used for the operations and thus those funds were transferred for use in the low rent fund. The capital fund program fund has transferred \$52,382 to the low rent fund. The capital fund program fund is responsible for collecting grant revenues for property and equipment upgrades throughout the Authority. Once a project has been completed, the capital fund program fund transfers the assets to the low rent fund.

K. RECONCILIATION OF SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION

The financial data schedule presented as supplemental federal financial information is additional financial information required by the U.S. Department of Housing and Urban Development (HUD). The schedule, although prepared in accordance with accounting principles generally accepted in the United States of America, requires reporting of the various grants awarded to the Authority as separate funds. These grants are combined by program within the financial statements. The financial data schedules require classifications and terminology that differ from those used in the financial statements. Therefore, the presentation may differ from that used in the financial statements. A reconciliation of the financial statements and financial data schedule is presented below:

	Financial Statements	Differences	Financial Data Schedule
Assets	\$ 619,574	\$ -	\$ 619,574
Deferred outflows of resources	<u>60,355</u>	<u>-</u>	<u>60,355</u>
Total assets and deferred outflows of resources	<u>\$ 679,929</u>	<u>\$ -</u>	<u>\$ 679,929</u>
Liabilities	\$ 358,103	\$ -	\$ 358,103
Deferred inflows of resources	42,699	-	42,699
Net position	<u>279,127</u>	<u>-</u>	<u>279,127</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 679,929</u>	<u>\$ -</u>	<u>\$ 679,929</u>
Revenues	\$ 276,317	\$ -	\$ 276,317
Expenses	<u>(349,331)</u>	<u>-</u>	<u>(349,331)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (73,014)</u>	<u>\$ -</u>	<u>\$ (73,014)</u>

NON-MAJOR FUNDS

STATE OF NEW MEXICO
TOWN OF SPRINGER
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
For the Year Ended June 30, 2018

NON-MAJOR SPECIAL REVENUE FUNDS

ALL FUNDS - All funds were created by management directive.

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

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).

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.

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).

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).

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).

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 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.

NON-MAJOR CAPITAL PROJECT FUNDS

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 - To account for federal grants and bond proceeds used for water system improvements.

STATE OF NEW MEXICO
TOWN OF SPRINGER
Non-Major Funds
Combining Balance Sheet
June 30, 2018

Statement B-1

	<u>21 - Corrections Fund</u>	<u>22 - Fire Fund</u>	<u>23 - Law Enforcement Protection Fund</u>	<u>24 - Library Fund</u>
ASSETS				
Cash	\$ 24,155	\$ 28,858	\$ 4,782	\$ 13,220
Accounts receivable	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>24,155</u>	<u>28,858</u>	<u>4,782</u>	<u>13,220</u>
LIABILITIES				
Cash deficit	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE				
Restricted for:				
Special Revenue Fund	24,155	28,858	4,782	13,220
Capital Project Fund	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Unassigned:				
Capital Project Fund	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>24,155</u>	<u>28,858</u>	<u>4,782</u>	<u>13,220</u>
Total liabilities and fund balances	<u>\$ 24,155</u>	<u>\$ 28,858</u>	<u>\$ 4,782</u>	<u>\$ 13,220</u>

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, 2018

Statement B-1

	<u>25 - Lodgers Tax Fund</u>	<u>26 - EMS Fund</u>	<u>27 - Streets</u>
ASSETS			
Cash	\$ 8,387	\$ 1,660	\$ 129,652
Accounts receivable	<u>521</u>	<u> </u>	<u> </u>
Total assets	<u>8,908</u>	<u>1,660</u>	<u>129,652</u>
LIABILITIES			
Cash deficit	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE			
Restricted for:			
Special Revenue Fund	8,908	1,660	129,652
Capital Project Fund			
Unassigned:			
Capital Project Fund	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>8,908</u>	<u>1,660</u>	<u>129,652</u>
Total liabilities and fund balances	<u>\$ 8,908</u>	<u>\$ 1,660</u>	<u>\$ 129,652</u>

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, 2018

Statement B-1

	<u>28 - Fire Discretionary Fund</u>	<u>30 - Dam Project Rehabilitation</u>	<u>34 - Water Improvement s</u>	<u>Total</u>
ASSETS				
Cash	\$ 10,648	\$	\$ 20,153	\$ 241,515
Accounts receivable	<u> </u>	<u> </u>	<u> </u>	<u> 521</u>
Total assets	<u>10,648</u>	<u>0</u>	<u>20,153</u>	<u>242,036</u>
LIABILITIES				
Cash deficit	<u> </u>	<u>6,059</u>	<u> </u>	<u>6,059</u>
Total liabilities	<u>0</u>	<u>6,059</u>	<u>0</u>	<u>6,059</u>
FUND BALANCE				
Restricted for:				
Special Revenue Fund	10,648			221,883
Capital Project Fund			20,153	20,153
Unassigned:				
Capital Project Fund	<u> </u>	<u>(6,059)</u>	<u> </u>	<u>(6,059)</u>
Total fund balances	<u>10,648</u>	<u>(6,059)</u>	<u>20,153</u>	<u>235,977</u>
Total liabilities and fund balances	<u>\$ 10,648</u>	<u>\$ 0</u>	<u>\$ 20,153</u>	<u>\$ 242,036</u>

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

For the year ended June 30, 2018

	<u>21 - Corrections Fund</u>	<u>22 - Fire Fund</u>	<u>23 - Law Enforcement Protection Fund</u>
REVENUES			
Lodger's tax	\$	\$	\$
Charges for services		10,460	100
Licenses and permits	10,856		
Local sources			
State sources		50,745	9,958
Miscellaneous revenue			
Interest income		<u>94</u>	<u>99</u>
Total revenues	<u>10,856</u>	<u>61,299</u>	<u>10,157</u>
EXPENDITURES			
Current:			
General government			
Public safety		32,545	5,435
Culture and recreation			
Capital outlay			
Debt service-Principal			
Debt service-Interest			
Total expenditures	<u>0</u>	<u>32,545</u>	<u>5,435</u>
Excess (deficiency) of revenues over expenditures	<u>10,856</u>	<u>28,754</u>	<u>4,722</u>
Net change in fund balance	10,856	28,754	4,722
Fund balance - beginning of year	<u>13,299</u>	<u>104</u>	<u>60</u>
Fund balance - end of year	<u><u>\$ 24,155</u></u>	<u><u>\$ 28,858</u></u>	<u><u>\$ 4,782</u></u>

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

For the year ended June 30, 2018

	<u>24 - Library Fund</u>	<u>25 - Lodgers Tax Fund</u>	<u>26 - EMS Fund</u>
REVENUES			
Lodger's tax	\$	\$ 7,524	\$
Charges for services			1,660
Licenses and permits			
Local sources			
State sources	13,730		
Miscellaneous revenue	1,814		
Interest income			
	<hr/>	<hr/>	<hr/>
Total revenues	<u>15,544</u>	<u>7,524</u>	<u>1,660</u>
EXPENDITURES			
Current:			
General government			
Public safety			
Culture and recreation	1,474	7,468	
Capital outlay			
Debt service-Principal			
Debt service-Interest	850		
	<hr/>	<hr/>	<hr/>
Total expenditures	<u>2,324</u>	<u>7,468</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>13,220</u>	<u>56</u>	<u>1,660</u>
Net change in fund balance	13,220	56	1,660
Fund balance - beginning of year	<u>0</u>	<u>8,852</u>	<u>0</u>
Fund balance - end of year	<u>\$ 13,220</u>	<u>\$ 8,908</u>	<u>\$ 1,660</u>

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

For the year ended June 30, 2018

	<u>27 - Streets</u>	<u>28 - Fire Discretionary Fund</u>	<u>30 - Dam Project Rehabilitation</u>
REVENUES			
Lodger's tax	\$	\$	\$
Charges for services		213	
Licenses and permits			
Local sources	153,635		
State sources			84,871
Miscellaneous revenue	5		
Interest income			
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>153,640</u>	<u>213</u>	<u>84,871</u>
EXPENDITURES			
Current:			
General government		2,889	
Public safety			83,913
Culture and recreation	23,988		
Capital outlay			958
Debt service-Principal			6,059
Debt service-Interest			
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>23,988</u>	<u>2,889</u>	<u>90,930</u>
Excess (deficiency) of revenues over expenditures	<u>129,652</u>	<u>(2,676)</u>	<u>(6,059)</u>
Net change in fund balance	129,652	(2,676)	(6,059)
Fund balance - beginning of year	<u>0</u>	<u>13,324</u>	<u>0</u>
Fund balance - end of year	<u>\$ 129,652</u>	<u>\$ 10,648</u>	<u>\$ (6,059)</u>

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

For the year ended June 30, 2018

	<u>34 - Water Improvements</u>	<u>Total</u>
REVENUES		
Lodger's tax	\$	\$ 7,524
Charges for services		12,433
Licenses and permits		10,856
Local sources	20,153	173,788
State sources		159,304
Miscellaneous revenue		1,819
Interest income		<u>193</u>
Total revenues	<u>20,153</u>	<u>365,917</u>
EXPENDITURES		
Current:		
General government		2,889
Public safety		121,893
Culture and recreation		32,930
Capital outlay		958
Debt service-Principal		6,059
Debt service-Interest		<u>850</u>
Total expenditures	<u>0</u>	<u>165,579</u>
Excess (deficiency) of revenues over expenditures	<u>20,153</u>	<u>200,338</u>
Net change in fund balance	20,153	200,338
Fund balance - beginning of year	<u>0</u>	<u>35,639</u>
Fund balance - end of year	<u><u>\$ 20,153</u></u>	<u><u>\$ 235,977</u></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, 2018

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.

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

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.

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, 2018

Statement D-1

	51 - Solid Waste Fund	54 - Cementary Fund	55 - Museum Fund	Total
ASSETS				
Current Assets				
Cash	\$ 10,065	\$ 7,640	\$ 15	\$ 17,720
Accounts receivable (net)	10,991			10,991
Total current assets	21,056	7,640	15	28,711
Capital Assets				
Land improvements		34,622		34,622
Buildings and improvements			107,496	107,496
Heavy equipment	60,500			60,500
Accumulated depreciation	(60,500)	(34,622)	(40,790)	(135,912)
Total capital assets, net	0	0	66,706	66,706
Total assets	21,056	7,640	66,721	95,417
LIABILITIES				
Current liabilities				
Accrued payroll and benefits	1,416			1,416
Compensated absences payable	12,114			12,114
Total current liabilities	13,530			13,530
Total liabilities	13,530	0	0	13,530
NET POSITION				
Net investment in capital assets			66,706	66,706
Unrestricted	7,526	7,640	15	15,181
Total net position	7,526	7,640	66,721	81,887
Total liabilities and net position	\$ 21,056	\$ 7,640	\$ 66,721	\$ 95,417

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, 2018

	51 - Solid Waste Fund	54 - Cementary Fund	55 - Museum Fund	Total
OPERATING REVENUES				
Taxes	\$ 13,724	\$	\$	\$ 13,724
Licenses, fines & fees	2,466			2,466
Charges for services	105,459			105,459
Miscellaneous	<u> </u>	<u>600</u>	<u>15</u>	<u>615</u>
Total operating revenue	<u>121,649</u>	<u>600</u>	<u>15</u>	<u>122,264</u>
OPERATING EXPENSES				
Personal services	63,092			63,092
Maintenance and operations	60,834	3,225		64,059
Depreciation	<u> </u>	<u> </u>	<u>2,756</u>	<u>2,756</u>
Total operating expenses	<u>123,926</u>	<u>3,225</u>	<u>2,756</u>	<u>129,907</u>
Operating income (loss)	<u>(2,277)</u>	<u>(2,625)</u>	<u>(2,741)</u>	<u>(7,643)</u>
NON-OPERATING REVENUE (EXPENSE)				
Interest income	<u>141</u>	<u> </u>	<u> </u>	<u>141</u>
Total Non-Operating Revenue (Expense)	<u>141</u>	<u>0</u>	<u>0</u>	<u>141</u>
Change in Net Position	(2,136)	(2,625)	(2,741)	(7,502)
Net position, beginning of year	<u>9,662</u>	<u>10,265</u>	<u>69,462</u>	<u>89,389</u>
Net position, end of year	<u>\$ 7,526</u>	<u>\$ 7,640</u>	<u>\$ 66,721</u>	<u>\$ 81,887</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, 2018

Statement D-3

	Solid Waste Fund	Cemetery Fund	Museum Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 104,420	\$ 600	\$ 15	\$ 105,035
Cash received from state shared taxes	16,190			16,190
Cash payments to employees and to suppliers for goods and services	<u>(116,487)</u>	<u>(3,225)</u>		<u>(119,712)</u>
Net cash provided by operating activities	<u>4,123</u>	<u>(2,625)</u>	<u>15</u>	<u>1,513</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	<u>141</u>			<u>141</u>
Net cash provided by investing activities	<u>141</u>			<u>141</u>
Net increase (decrease) in cash	4,264	(2,625)	15	1,654
Cash, beginning of year	<u>5,801</u>	<u>10,265</u>		<u>16,066</u>
Cash, end of year	<u>\$ 10,065</u>	<u>\$ 7,640</u>	<u>\$ 15</u>	<u>\$ 17,720</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (2,277)	\$ (2,625)	\$ (2,741)	\$ (7,643)
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	(1,039)			(1,039)
Increase (decrease) in accounts payable	1,416			1,416
Increase (decrease) in compensated absences	6,023			6,023
Increase in allowance for doubtful accounts				
Net cash provided (used) by operating activities	<u>\$ 4,123</u>	<u>\$ (2,625)</u>	<u>\$ 15</u>	<u>\$ 1,513</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>	<u>2018</u>
Town of Springer proportion of the net pension liability (asset)	0.0360 %	0.0385 %	0.0413 %	0.0417 %
Town of Springer proportionate share of the net pension liability (asset)	\$ 280,839	\$ 392,541	\$ 659,835	\$ 572,993
Town of Springer covered-employee payroll	\$ 325,956	\$ 340,988	\$ 347,009	\$ 408,860
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 %	140.14 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %	69.18 %	73.74 %

*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.

TOWN OF SPRINGER

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>	<u>2018</u>
Town of Springer proportion of the net pension liability (asset)	0.0168 %	0.0249 %	0.0194 %	0.0234 %
Town of Springer proportionate share of the net pension liability (asset)	\$ 54,766	\$ 119,733	\$ 143,139	\$ 130,003
Town of Springer covered-employee payroll	\$ 92,512	\$ 66,451	\$ 91,669	\$ 108,008
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 %	120.36 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %	69.18 %	73.74 %

*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

Schedule III

TOWN OF SPRINGER

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
 Public Employees Retirement Association (PERA) Plan
 PERA Municipal General Division
 Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 29,590	\$ 32,564	\$ 33,168	\$ 32,479
Contributions in relation to the contractually required contribution	<u>(29,590)</u>	<u>(32,564)</u>	<u>(33,168)</u>	<u>(32,479)</u>
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

* 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
Last 10 Fiscal Years*

Schedule IV

	2015	2016	2017	2018
Contractually required contribution	\$ 9,370	\$ 6,911	\$ 8,762	\$ 8,580
Contributions in relation to the contractually required contribution	<u>(9,370)</u>	<u>(6,911)</u>	<u>(8,762)</u>	<u>(8,580)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

* 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 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Last 10 Fiscal Years*

Schedule V

	2018*
Employer's proportion of the net OPEB liability	0.01007%
Employer's proportionate share of the net OPEB liability	456,339
Employer covered-employee payroll	419,481
Employer's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

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

STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS - OPEB
Last 10 Fiscal Years*

Schedule VI

	2018*
Contractually required contribution	\$ 31,977
Contributions in relation to the contractually required contribution	16,049
Contribution deficiency (excess)	15,928
Employer's covered-employee payroll	\$ 419,481
Contributions as a percentage of covered-employee payroll	3.83%

*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 will present information for available years.

STATE OF NEW MEXICO
TOWN OF SPRINGER

Schedule VII

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Town of Springer Housing Authority's proportionate of the net pension liability (asset)	0.0129 %	0.0124 %	0.0123 %	0.0140 %
Town of Springer Housing Authority's proportionate share of the net pension liability (asset)	\$ 100,634	\$ 126,429	\$ 196,513	\$ 192,372
Town of Springer Housing Authority's covered-employee payroll	\$ 107,476	\$ 104,480	\$ 105,361	\$ 125,332
Town of Springer Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	93.63 %	121.01 %	186.51 %	153.49 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	81.31 %	69.18 %	73.74 %

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

STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Fund Division - Municipal General
Last 10 Fiscal Years*

Schedule VIII

Housing Authority

	2015	2016	2017	2018
Statutory required	\$ 9,814	\$ 10,062	\$ 11,322	\$ 11,322
Contributions in relation to the statutorily required contributions	<u>(9,814)</u>	<u>(10,062)</u>	<u>(11,322)</u>	<u>(11,322)</u>
Annual contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO
TOWN OF SPRINGER
Notes to Required Supplementary Information
June 30, 2018

Schedule IX

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

Changes of assumption - The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation Report as of June 30, 2017, is available at <https://www.nmpera.org>.

Changes in benefit provisions - There were no modifications to the benefit provisions as this is the first year of adoption of the OPEB accounting standard.

Changes in assumptions and methods - There were no modifications to the assumption and methods as this is the first year of adoption of the OPEB accounting standard.

STATE OF NEW MEXICO
TOWN OF SPRINGER

Schedule X

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Last 10 Fiscal Years*

Housing Authority

	<u>2018*</u>
Authority's proportionate of the net OPEB liability	0.00276 %
Authority's proportionate share of the net OPEB liability	\$ 125,074
Authority's covered-employee payroll	\$ 114,972
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	108.79 %
Plan fiduciary net position as a percentage of the total OPEB liability	11.34 %

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

**STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS - OPEB**

Schedule XI

Last 10 Fiscal Years*

Housing Authority

	<u>2018*</u>
Contractually required contribution	\$ 8,764
Contributions in relation to the contractually required contribution	<u>4,399</u>
Contribution deficiency (excess)	<u><u>\$ 4,365</u></u>
Employer's covered-employee payroll	\$ 114,972
Contributions as a percentage of covered-employee payroll	3.83 %

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

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

Schedule XII

TOWN OF SPRINGER

Schedule of Changes in Assets and Liabilities -

Agency Funds

June 30, 2018

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS				
Cash	\$ <u>31,889</u>	\$ <u>4,337</u>	\$ <u>7,946</u>	\$ <u>28,280</u>
Total assets	<u>31,889</u>	<u>4,337</u>	<u>7,946</u>	<u>28,280</u>
LIABILITIES				
Due to General Fund	16,965		16,965	
Due to bond holders	529			529
Due to other agencies	<u>14,395</u>	<u>13,356</u>		<u>27,751</u>
Total liabilities	<u>\$ 31,889</u>	<u>\$ 13,356</u>	<u>\$ 16,965</u>	<u>\$ 28,280</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, 2018

Schedule XIII

	Total
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from tenants	\$ 148,906
Cash payments to suppliers for goods and services	(85,217)
Cash payments to employees for services	(195,302)
Net cash provided/(used) by operating activities	(131,613)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash received from intergovernmental sources	126,723
Cash received from miscellaneous sources	663
Net change in tenant deposits	(150)
Net cash provided/(used) by noncapital and related financing activities	127,236
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash received from intergovernmental sources	13,592
Acquisition and construction of capital assets	(15,538)
Net cash provided/(used) by capital and related financing activities	(1,946)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from maturities of investments	73,316
Purchase of investments	(55,513)
Investment income	66
Net cash provided by investing activities	17,869
Net increase (decrease) in cash	11,546
Cash and cash equivalents, beginning of year	151,039
Cash and cash equivalents, end of year	\$ 162,585
Displayed as:	
Cash	\$ 149,708
Restricted cash	12,877
	\$ 162,585

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, 2018

Schedule XIII

	Total
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (200,466)
Adjustments to reconcile operating income/(loss) to net cash provided/(used) by operating activities:	
Depreciation	70,525
Changes in assets and liabilities:	
(Increase) in accounts receivable	(203)
Decrease in inventories	333
Decrease in prepaid expenses	(54)
Increase in accounts payable	424
Increase in accrued salaries	372
(Decrease) in accrued payroll liabilities	(5,813)
Increase in compensated absences	3,025
Increase in unearned revenues	244
Total adjustments	(1,672)
Net cash provided (used) by operating activities	\$ (131,613)

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

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 2018, 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 December 14, 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 2018-006, 2018-007, 2018-008, 2018-009 and 2018-010 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 non compliance 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 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, HA-2018-001 and HA-2018-002.

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
December 14, 2018

**STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS

2018-001 DFA Report Incorrect - Repeated (Other Non-Compliance) - (PY Finding 2009-003)

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:

Due to a change in staff during the fiscal year the audited cash balances had not been recorded into the financial program. Upon approval of this Fiscal year audit the ending balances will be put in the system as adjustments to reflect the correct audited balances.

Estimated Completion Date:

June 30, 2019

Responsible Party:

The Clerk and Finance Admin will ensure the process is completed.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

**SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS-
(CONTINUED)**

2018-002 Water Meter Deposits - Repeated (Other Non-Compliance) - (PY Finding 2015-005)

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:

Management has created and will review a water meter deposit spreadsheet to identify Water Meter deposits and each month the bank account will be reconciled to the water meter listing to ensure the account balance reconciles on a monthly basis. Upon the approval of the Governing Body the remaining Water Meter funds that have no record of Utility deposits will then be transferred to the Water Utility account. If prior Utility customers provide supporting documentation of payment they will be refunded from the Water Account. This will ensure a reconciliation process for the Water Meter Deposit Account to the Utility System Software.

Estimated Completion Date:

May 31, 2019

Responsible Party:

Utility Clerk, Clerk-Treasurer, Mayor, Governing Body

**STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

**SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS-
(CONTINUED)**

**2018-003 Court Reports Prepared and Submitted Late-Repeated (Other Non-Compliance) -PY
Finding 2016-002)**

Condition:

The court reports for the month of October 2017 was not submitted with payment on time. The total amount required for Automatic Fees and Education fees was \$276 for October. The Town did make 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:

Management will utilize the Caselle program and is generating a monthly report which will be compared and verified to the reporting system. Management will ensure distributions are listed and fees paid monthly. The Utility/Court Clerk will sign-off on verification prior to submitting the report for secondary verification and approval by the Clerk/Deputy Clerk.

Estimated Completion Date:

June 30, 2019

Responsible Party:

The Utility/Court Clerk and the Clerk Treasurer.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

**SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS-
(CONTINUED)**

**2018-004 Gross Receipts Taxes not Remitted Correctly-Repeated (Other Non-Compliance) - (PY
Finding 2016-007)**

Condition:

The Town was assessed \$240 in penalties and interest for late filing of CRS 1 reports. The Town did make 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:

Management will correctly review and submit CRS1 reports in a timely manner by the 25th of the following month while verifying completion via documentation of oversight.

Estimated Completion Date:

June 30, 2019

Responsible Party:

Clerk Treasurer and Finance Admin will ensure the reports are submitted.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

**SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS-
(CONTINUED)**

2018-005 Tax Exempt Entities Unclear Repeated (Other Non-Compliance) (PY Finding 2016- 008)

Condition:

Management is charging gross receipts tax on themselves and the State Highway Department. The total amount overpaid for these entities is \$51.

The Town made 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 \$51 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 FY19.

Estimated Completion Date:

June 30, 2019

Responsible Party:

Utility Clerk and Clerk Treasurer will ensure all accounts are correctly classified for tax and tax exempt.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

**SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS-
(CONTINUED)**

2018 -006 Journal Entries Repeated (Significant Deficiency) (PY Finding 2017- 001)

Condition:

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

This finding remains essentially the same as the prior year.

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:

Management is in compliance with the input of Journal entries. However, the previous process simply lacked a verification document signed form of all journal entries. Previously the journal entries had been reviewed by the Clerk and confirmed by the Finance Admin. Management has created a double signature form and implemented it into practice to ensure review and approval of journal entries.

Estimated Completion Date:

June 30, 2019

Responsible Party:

Clerk Treasurer and Finance Admin will ensure this process is completed on a monthly basis.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

**SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS-
(CONTINUED)**

2018- 007 Bank reconciliations Repeated (Significant Deficiency) (PY Finding 2017- 003)

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. This finding remains essentially the same as the prior year.

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:

Management has created a form for the bank reconciliations that includes double signature lines to ensure oversight verification. Management will also make all bank reconciliations available to the Governing Body for monthly review. The Clerk-Treasurer will also present the bank statements and reconciliations for the Governing Body to review and Mayor or Mayor Pro Tem will initial the form as verification of review. Although oversight document was not yet created, review of reconciliations was being conducted.

Estimated Completion Date:

June 30, 2019 for the bank reconciliation double signatures

December 2018 for the verification of review of the bank reconciliations

Responsible Party:

Clerk-Treasurer will provide these documents to the Governing Body on a monthly basis for review and approval during the monthly meeting.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

**SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS-
(CONTINUED)**

**2018-008 Internal Control over Cash Disbursement Repeated and Modified (Significant Deficiency)
(PY Finding 2017- 005)**

Condition:

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

- All purchase orders are being requested and authorized by the same person.
- For 2 out of 60 samples totaling \$528, the PO was approved after the invoice.
- For 2 out of 60 samples totaling \$17,621 the PO was not signed prior to payment to the vendor.

The Town did not make progress in this area.

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:

Management has created language in the Town Procurement Policy to have detailed language of segregation of duties, process of making a purchase, and disciplinary action to be taken for failure to comply with procurement policy guidelines.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

**SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS-
(CONTINUED)**

**2018-008 Internal Control over Cash Disbursement Repeated and Modified (Significant Deficiency)
(PY Finding 2017- 005) - (CONTINUED)**

Estimated Completion Date:

June 30, 2019

Responsible Party:

Deputy Clerk and Clerk Treasurer will ensure this procedure is being followed.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

**SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS-
(CONTINUED)**

2018-009-Preparation of Accounts Payable-Repeated (Significant Deficiency) - (PY Finding 2017-006)

Condition:

During the performance audit procedures relating to accounts payable, we noted that the Town did not include 24 items totaling \$22,393 as accounts payable at year end.

The Town has made progress in this area.

Criteria:

Proper cutoff procedures should be in place to ensure accounts payable is complete at year-end.

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:

A Purchase Order is being created for reoccurring transactions as well as daily operations. Management has issued a cut-off date of June 15 for all payables to assist in the close out of the fiscal year. Management will ensure all invoices received for payable accounts are paid by June 30 of each fiscal year and record the outstanding transactions.

Estimated Completion Date:

June 30, 2019

Responsible Party:

Deputy Clerk and the Clerk Treasurer will ensure this process is accomplished.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

**SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS-
(CONTINUED)**

2018-010 - Improper Mileage Reimbursement (Significant Deficiency)

Condition:

Our testing of travel and per diem, we noted that 9 out of 20 instances totaling \$90, where the wrong mileage rate was used. We noted that the Town has not been updating their mileage reimbursement rate yearly.

Criteria:

The Per Diem and Mileages Act, NMAC 2.42.2.11 (C) states that public officers and employees of local public bodies may be reimbursed for mileage accrued in the use of a private conveyance in the discharge of official duties, at the statutory rates unless such rates have been reduced by the governing bodies of the local public body pursuant to Section 10-8-5 (D) NMSA 1978.

Cause:

The Town personnel did not follow state guidelines in regards to mileage reimbursement rates.

Effect:

The Town underpaid mileage reimbursement during fiscal 2018.

Recommendation:

We recommend that management review state guidelines and ensure that Town personnel are properly trained and knowledgeable of applicable statutes, and that the Town change its policy in order to ensure compliance with those statutes.

Management's Response:

Management will process a Resolution for the designation of the current year IRS rate to be used and reimbursement to follow New Mexico State statute. The IRS rates changes on a yearly basis and the Town will use the current year rate.

Estimated Completion Date:

December 30, 2018

Responsible Party:

Deputy Clerk and the Clerk Treasurer will ensure this process is completed.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

FINDING	PRIOR YEAR AUDIT FINDINGS	STATUS
FS 2005-008	Budget Overruns - Compliance Matter	Resolved
FS 2009-003	DFA Report Incorrect - Other Matter	Repeated
FS 2015-005	Water Meter Deposits - Other Matter	Repeated
FS 2015-015	Court Fees Not Distributed Correctly - Other Matter	Resolved
FS 2016-002	Court Reports Prepared and Submitted Late - Compliance Matter	Repeated
FS 2016-005	Failure to Deposit Monies Timely - Compliance Matter	Resolved
FS 2016-006	Request for Documents - Other Matter	Resolved
FS 2016-007	Gross Receipts Taxes not Remitted Correctly - Compliance Matter	Repeated
FS-2016-008	Tax Exempt Entities Unclear - Compliance Matter	Repeated
FS-2016-009	Waste of Public Monies - Other Matter	Resolved
FS-2016-011	Late Audit Report - Compliance Matter	Resolved
FS-2017-001	Journal Entries - Significant Deficiency	Repeated
FS-2017-002	Annual Inventory Certification - Significant Deficiency	Resolved
FS-2017-003	Bank Reconciliations - Significant Deficiency	Repeated
FS-2017-004	Late IPA recommendation and Audit Contract - Compliance and Other Matter	Resolved
FS 2017-005	Internal Control over Cash Disbursement - Significant Deficiency	Repeated and Modified
FS 2017-006	Preparation of Accounts Payable - Significant Deficiency	Repeated

**STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

COMPONENT UNIT AUDIT FINDINGS

FINANCIAL STATEMENT FINDINGS

Item HA-2018-001 – Other Non-Compliance – FY 2016 – 2017 Audit Report Discussion

Statement of Condition – During the review of the Board of Commissioners’ board minutes, it was discovered that the audit report for the fiscal year ended June 30, 2017 was presented during the February 21, 2018 meeting; however, there were no auditing firm personnel present at the meeting to present the audit report.

Criteria – New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies Section 2.2.2.10 M (4)* states, ‘Once the audit report is officially released to the agency the by State Auditor (by a release letter) and the required waiting period of five calendar days has passed, unless waived by the agency in writing, the audit report shall be presented by the IPA, to a quorum of the governing authority of the agency at a meeting held in accordance with the Open Meetings Act, if applicable.’

Effect – By the auditing firm not being present during the presentation of the audit report, to the Board of Commissioners, during a public meeting, the insight to the audit report as well as the discussion of any audit findings and recommendations are not communicated to those charged with governance. Discussing the audit findings with the Board, and answering any questions the Commissioners or staff may have, can help ensure creation and implementation of a corrective action plan; thus, a less likelihood of repeat findings in subsequent years. Finally, Authority officials and personnel are subject to penalties and fines as defined in the New Mexico Administrative Code 2.2.2 and the New Mexico State Statutes.

Cause – The Board of Commissioners and the executive director were unaware of the requirements of the Administrative Code and the State Auditor’s office concerning the presentation of the audit report by the auditing firm, in a public meeting, after the report has been released by the State Auditor’s Office.

Recommendation – We recommend Authority officials and staff review the New Mexico Administrative Code 2.2.2 and establish procedures to provide assurance of compliance with laws and regulations.

View of Responsible Officials and Planned Corrective Actions – The Springer Housing Authority officials and staff ensure that they will review the New Mexico Administrative Code 2.2.2 and establish procedures to provide assurance of compliance with laws and regulations by June 30, 2019.

Estimated Completion Date: June 30, 2019

Responsible Party: Executive Director

**STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

COMPONENT UNIT AUDIT FINDINGS - CONTINUED

FINANCIAL STATEMENT FINDINGS - CONTINUED

Item HA-2018-002 – Other Non-Compliance – Tenant Files

Statement of Condition – During the course of our audit, we performed audit tests of the tenant files retained by the Authority. We selected twelve tenant files to test. Our tests revealed the following matters:

- Eleven instances where the applicant did not fill out the Community Service/Self Sufficiency Policy.
- Two instances where the tenant was not re-examined on a timely basis.
- Two instances where the property had not been inspected during the fiscal year.
- Two instances where the property had been inspected during the fiscal year, but not countersigned by the tenant.
- One instance where the Release of Information/Federal Privacy form was not signed by a tenant.

Criteria – The Authority has established policies and procedures regarding the retention of tenant information in order to substantiate eligibility as required by the U.S. Department of Housing and Urban Development (24 CFR sections 5.230, 5.601, 5.609, 960.253, 960.255, and 960.259).

24 CFR section 5.230 states that ‘as a condition of admission or continued occupancy, the Authority require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility’.

24 CFR section 5.601 et seq. states that the Authority ‘*determine income eligibility and calculate the tenant’s rent payment using the documentation from third party verification*’. Furthermore, 24 CFR sections 960.253, 960.257, and 960.259 states that the Authority ‘*reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third party verification*’.

Finally, the Quality Housing and Work Responsibility Act of 1998 requires that ‘*all non-exempt public housing adult residents (18 or older) contribute eight (8) hours per month of community service (volunteer work) or participate in eight (8) hours of training, counseling, classes, and other activities which help an individual toward self-sufficiency and economic independence. This is a requirement of the Public Housing Lease.*’

Effect – Not complying with rules and regulations established by the U.S. Department of Housing and Urban Development could jeopardize funding from the federal agency. Further, the agency may have penalties regarding noncompliance with their rules and regulations.

Cause – The Authority’s executive director failed to maintain the tenant files as per HUD regulations.

Recommendation – The Authority needs to review its procedures concerning their tenant files and documentation retention. All tenant files need to be reviewed to determine what documentation is missing or out of date, if applicable, and the Authority needs to take the appropriate steps to complete the tenant files.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

COMPONENT UNIT AUDIT FINDINGS - CONTINUED

FINANCIAL STATEMENT FINDINGS - CONTINUED

Item HA -2018-002 – Tenant Files - Continued

Views of Responsible Officials and Planned Corrective Actions – The Springer Housing Authority’s Executive Director ensures that they will review its procedures concerning tenant files and documentation retention. All files will be reviewed to determine what documentation is missing or out of date and will take appropriate steps to complete the tenant files by June 30, 2019.

Estimated Completion Date:

June 30, 2019

Responsible Party:

Executive Director

**STATE OF NEW MEXICO
TOWN OF SPRINGER
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

COMPONENT UNIT AUDIT FINDINGS - CONTINUED

Status of Prior Year Findings

No matters were reported in the prior year.

**STATE OF NEW MEXICO
TOWN OF SPRINGER
FINANCIAL STATEMENT PREPARATION AND EXIT CONFERENCE
JUNE 30, 2018**

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2018 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 November 30, 2018, and attended by the following people:

Town of Springer Officials

Boe Lopez
Rebecca Ramirez
Samuel Blea
Anthony Abeyta

Mayor
Mayor Pro Tem
Deputy Clerk
Utility Billings Clerk

Harshwal & Company LLP

Sanwar Harshwal, CPA - Managing Partner via phone
Mariem Tall, Audit Manager
Albert Hwu, CPA Senior Auditor
Ken K Lukusa, Staff Auditor