

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2019**

**HARSHWAL**   
& COMPANY LLP  
CERTIFIED PUBLIC ACCOUNTANTS

## **INTRODUCTORY SECTION**

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TOWN OF SPRINGER  
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STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Official Roster  
June 30, 2019

<u>Name</u>	<u>Town Council</u>	<u>Title</u>
Boe Lopez		Mayor
Rebecca Ramirez		Trustee
Louella Smith		Trustee
Anna Phillips		Trustee
Joe A. Apodaca		Trustee
	<u>Administrative Officials</u>	
Sarah Arias		Clerk
	<u>Municipal Court</u>	
Lance D. Lacey		Judge

**FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

Mr. Brian S.Colón,  
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 and major special revenue fund of the Town of Springer, as of and for the year ended June 30, 2019, 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 2018 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 \$586,235 as of June 30, 2019, and net operating revenues of (\$206,726) 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 financial 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, 2019, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the general fund and major special revenue 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 77 - 87 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 09, 2019 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*

**Albuquerque, New Mexico  
December 09, 2019**

## **BASIC FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Statement of Net Position  
June 30, 2019

Statement 1

	Governmental Activities	Business-Type Activities	Housing Authority (Component Unit)
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 570,182	\$ 1,767,690	\$ 166,484
Accounts receivable (net of uncollectible accounts)	1,185	144,538	1,100
Prepaid expenses	-	-	10,300
Inventory	-	-	10,813
Total current assets	571,367	1,912,228	188,697
Non-current assets			
Restricted assets (cash)	-	-	12,827
Customer meter deposits	-	57,643	-
Total non-current assets	-	57,643	12,827
Capital assets	11,615,714	6,988,261	3,210,459
Less: accumulated depreciation	(4,007,982)	(4,403,926)	(2,825,748)
Total capital assets (net of accumulated depreciation)	7,607,732	2,584,335	384,711
Deferred outflows of resources:			
Deferred outflows of resources - Pension	228,433	-	63,330
Deferred outflows of resources - OPEB	8,225	-	3,378
Total deferred outflows of resources	236,658	-	66,708
Total assets and deferred outflows of resources	\$ 8,415,757	\$ 4,554,206	\$ 652,943
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 136,830	\$ 7,850	\$ 3,287
Accrued payroll and benefits	-	-	8,542
Current portion compensated absences	42,042	37,016	4,899
Current portion revenue bonds / NMFA loans payable	47,791	65,907	-
Customer meter deposits payable from restricted assets	-	57,643	-
Tenant deposits	-	-	12,869
Unearned revenues	-	-	673
Total current liabilities	226,663	168,416	30,270

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Statement of Net Position  
June 30, 2019

Statement 1

	Governmental Activities	Business-Type Activities	Housing Authority (Component Unit)
Non-current liabilities			
Compensated absences payable	-	-	8,830
Revenue bonds / NMFA loans payable	310,162	2,174,253	-
Net pension liability	784,402	-	215,240
Net OPEB liability	428,748	-	120,884
Total non-current liabilities	1,523,312	2,174,253	344,954
Total liabilities	1,749,975	2,342,669	375,224
Deferred inflows of resources:			
Deferred inflows of resources - Pension	77,089	-	12,071
Deferred inflows of resources - OPEB	120,421	-	31,235
Total deferred inflows of resources	197,510	-	43,306
NET POSITION			
Net investment in capital assets	7,249,779	1,581,944	384,711
Restricted for:			
Special revenue fund	347,641	-	-
Capital project fund	97,475	-	-
Debt service	-	65,907	-
Unrestricted	(1,226,623)	563,686	(150,298)
Total net position	6,468,272	2,211,537	234,413
Total liabilities, deferred inflows of resources and net position	\$ 8,415,757	\$ 4,554,206	\$ 652,943

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, 2019

Statement 2

Functions/ Programs	Expenses	Program Revenues		
		Charges for services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 653,712	\$ 55,589	\$ 140,955	\$ -
Public safety	140,908	6,762	25,600	-
Public works	1,056,694	260,496	-	-
Culture and recreation	200,890	309,603	-	-
Depreciation - unallocated	<u>410,745</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total government activities	<u>2,462,949</u>	<u>632,450</u>	<u>166,555</u>	<u>-</u>
Business-type Activities:				
Joint Utilities	<u>1,852,986</u>	<u>1,558,306</u>	<u>-</u>	<u>-</u>
Total Business type activities	<u>1,852,986</u>	<u>1,558,306</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 4,315,935</u>	<u>\$ 2,190,756</u>	<u>\$ 166,555</u>	<u>\$ -</u>
Component Unit:				
Housing Authority	<u>\$ 355,671</u>	<u>\$ 148,945</u>	<u>\$ 153,316</u>	<u>\$ 7,000</u>
General Revenue:				
Property taxes				
Gross receipts taxes				
Gas tax				
Franchise taxes				
Lodgers taxes				
State aid not restricted to special purpose				
General				
Transfers				
Interest income				
Other revenue				
Gain/(loss) on disposal of assets				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position - end of year				

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Statement of Activities  
For the year ended June 30, 2019

Statement 2

<u>Functions/ Programs</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
<b>Primary Government</b>				
Governmental activities:				
General government	\$ (457,168)	\$ -	\$ (457,168)	\$ -
Public safety	(108,546)	-	(108,546)	-
Public works	(796,198)	-	(796,198)	-
Culture and recreation	108,713	-	108,713	-
Depreciation - unallocated	(410,745)	-	(410,745)	-
Total government activities	<u>(1,663,944)</u>	<u>-</u>	<u>(1,663,944)</u>	<u>-</u>
Business-type Activities:				
Joint Utilities	<u>-</u>	<u>(294,680)</u>	<u>(294,680)</u>	<u>-</u>
Total Business type activities	<u>-</u>	<u>(294,680)</u>	<u>(294,680)</u>	<u>-</u>
Total primary government	<u>(1,663,944)</u>	<u>(294,680)</u>	<u>(1,958,624)</u>	<u>-</u>
Component Unit:				
Housing Authority	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,410)</u>
General Revenue:				
Property taxes	66,268	-	66,268	-
Gross receipts taxes	441,140	83,402	524,542	-
Gas tax	30,751	-	30,751	-
Franchise taxes	12,241	-	12,241	-
Lodgers taxes	6,955	-	6,955	-
State aid not restricted to special purpose				
General	80,914	-	80,914	-
Transfers	521,203	(521,203)	-	-
Interest income	2,175	20,041	22,216	1,696
Other revenue	228,344	39,925	268,269	-
Gain/(loss) on disposal of assets	(2,254)	-	(2,254)	-
Total general revenues and transfers	<u>1,387,737</u>	<u>(377,835)</u>	<u>1,009,902</u>	<u>1,696</u>
Change in net position	(276,207)	(672,515)	(948,722)	(44,714)
Net position, beginning of year	<u>6,744,479</u>	<u>2,884,052</u>	<u>9,628,531</u>	<u>279,127</u>
Net position - end of year	<u>\$ 6,468,272</u>	<u>\$ 2,211,537</u>	<u>\$ 8,679,809</u>	<u>\$ 234,413</u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER

Statement 3

Balance Sheet  
Governmental Funds  
June 30, 2019

	10 - General Fund	27 - Streets	30 - Dam Project Rehabilitation
<b>ASSETS</b>			
Cash and cash equivalents	\$ 408,679	\$ 243,295	\$ -
Accounts receivable, net	<u>664</u>	<u>-</u>	<u>-</u>
Total assets	<u>409,343</u>	<u>243,295</u>	<u>-</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Cash deficit	-	-	115,395
Accounts payable	<u>136,830</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>136,830</u>	<u>-</u>	<u>115,395</u>
<b>FUND BALANCES</b>			
Restricted for:			
Special revenue fund	-	243,295	-
Capital project fund	-	-	-
Unassigned	<u>272,513</u>	<u>-</u>	<u>(115,395)</u>
Total fund balances	<u>272,513</u>	<u>243,295</u>	<u>(115,395)</u>
Total liabilities and fund balances	<u>\$ 409,343</u>	<u>\$ 243,295</u>	<u>\$ -</u>

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



STATE OF NEW MEXICO  
TOWN OF SPRINGER

Statement 3

Balance Sheet  
Governmental Funds  
June 30, 2019

	31 - Airport Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 201,300	\$ 853,274
Accounts receivable, net	<u>-</u>	<u>521</u>	<u>1,185</u>
Total assets	<u>-</u>	<u>201,821</u>	<u>854,459</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Cash deficit	167,697	-	283,092
Accounts payable	<u>-</u>	<u>-</u>	<u>136,830</u>
Total liabilities	<u>167,697</u>	<u>-</u>	<u>419,922</u>
<b>FUND BALANCES</b>			
Restricted for:			
Special revenue fund	-	104,346	347,641
Capital project fund	-	97,475	97,475
Unassigned	<u>(167,697)</u>	<u>-</u>	<u>(10,579)</u>
Total fund balances	<u>(167,697)</u>	<u>201,821</u>	<u>434,537</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 201,821</u>	<u>\$ 854,459</u>

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

## STATE OF NEW MEXICO

Statement 4

## TOWN OF SPRINGER

Reconciliation of the Balance Sheet -  
 Governmental Funds to the Statement of Net Position  
 June 30, 2019

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

Total fund balances - governmental funds	\$ 434,537
--	------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

The cost of capital assets	11,615,714	
Accumulated depreciation	<u>(4,007,982)</u>	
		7,607,732

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	(42,042)	
Loans payable	<u>(357,953)</u>	
		(399,995)

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	(784,402)
Net OPEB liability	(428,748)

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	228,433
Deferred outflows of resources - OPEB	8,225
Deferred inflows of resources - Pension	(77,089)
Deferred inflows of resources - OPEB	<u>(120,421)</u>

Net position of governmental activities	<u>\$ 6,468,272</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, 2019

	10 - General Fund	27 - Streets	30 - Dam Project Rehabilitation
<b>REVENUES</b>			
Taxes	\$ 519,649	\$ -	\$ -
Gas taxes	30,751	-	-
Lodger's tax	-	-	-
Charges for services	25,364	-	-
Licenses, fines & fees	30,225	-	-
State Sources	1,883	-	-
Local sources	-	302,093	-
Small cities distribution	139,072	-	-
Interest income	848	-	-
Miscellaneous	<u>227,692</u>	<u>-</u>	<u>-</u>
Total revenues	<u>975,484</u>	<u>302,093</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current:			
General government	579,177	-	-
Public safety	69,320	-	-
Public works	-	-	630,539
Culture and recreation	-	188,450	-
Capital outlay	-	-	-
Debt service - Principal	6,562	-	-
Debt service - Interest and fees	<u>53</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>655,112</u>	<u>188,450</u>	<u>630,539</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>320,372</u>	<u>113,643</u>	<u>(630,539)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan proceeds	-	-	-
Transfers in	<u>-</u>	<u>-</u>	<u>521,203</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>521,203</u>
Net change in fund balance	320,372	113,643	(109,336)
Fund balance - beginning of year	<u>(47,859)</u>	<u>129,652</u>	<u>(6,059)</u>
Fund balance - end of year	<u>\$ 272,513</u>	<u>\$ 243,295</u>	<u>\$ (115,395)</u>

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, 2019

	31 - Airport Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ 519,649
Gas taxes	-	-	30,751
Lodger's tax	-	6,955	6,955
Charges for services	-	-	25,364
Licenses, fines & fees	-	6,762	36,987
State Sources	260,496	114,024	376,403
Local sources	-	-	302,093
Small cities distribution	-	-	139,072
Interest income	-	1,327	2,175
Miscellaneous	-	652	228,344
	<u>260,496</u>	<u>129,720</u>	<u>1,667,793</u>
<b>EXPENDITURES</b>			
Current:			
General government	-	-	579,177
Public safety	-	64,665	133,985
Public works	402,184	23,026	1,055,749
Culture and recreation	-	11,102	199,552
Capital outlay	-	25,375	25,375
Debt service - Principal	-	32,855	39,417
Debt service - Interest and fees	-	9,206	9,259
	<u>402,184</u>	<u>166,229</u>	<u>2,042,514</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(141,688)</u>	<u>(36,509)</u>	<u>(374,721)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan proceeds	-	125,946	125,946
Transfers in	-	-	521,203
	<u>-</u>	<u>125,946</u>	<u>647,149</u>
Net change in fund balance	(141,688)	89,437	272,428
Fund balance - beginning of year	<u>(26,009)</u>	<u>112,384</u>	<u>162,109</u>
Fund balance - end of year	<u>\$ (167,697)</u>	<u>\$ 201,821</u>	<u>\$ 434,537</u>

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

## STATE OF NEW MEXICO

Statement 6

## TOWN OF SPRINGER

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the year ended June 30, 2019

Net change in fund balances - total governmental funds \$ 272,428

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	25,375	
Depreciation expense	(410,745)	
Gain/(loss) on disposal of assets	<u>(2,254)</u>	
		(387,624)

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		(70,601)
Net OPEB expense		5,930

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		(9,811)
------------------------------	--	---------

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	(125,946)	
Repayment of long-term debt	<u>39,417</u>	<u>(86,529)</u>

Change in net position of governmental activities		\$ <u><u>(276,207)</u></u>
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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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variances Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 398,000	\$ 398,000	\$ 524,095	\$ 126,095
Gas taxes	64,000	63,700	30,751	(32,949)
Charges for services	20,150	21,250	37,521	16,271
Licenses, fines & fees	41,700	22,000	22,219	219
State sources	190,000	190,000	1,275	(188,725)
Small Cities Distribution	150,000	150,000	139,072	(10,928)
Miscellaneous	<u>45,000</u>	<u>135,904</u>	<u>225,921</u>	<u>90,017</u>
Total revenues	<u>908,850</u>	<u>980,854</u>	<u>980,854</u>	<u>-</u>
<b>EXPENDITURES</b>				
General government	645,000	954,993	998,978	(43,985)
Public safety	130,500	142,350	106,862	35,488
Debt Services	<u>20,000</u>	<u>20,000</u>	<u>11,502</u>	<u>8,498</u>
Total expenditures	<u>795,500</u>	<u>1,117,343</u>	<u>1,117,342</u>	<u>1</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	10,000	10,000	-	(10,000)
Operating transfers out	<u>(29,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>
Total other financing sources	<u>\$ (19,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in fund balance (Non-GAAP Basis)	<u>\$ 94,350</u>	<u>\$ (136,489)</u>	<u>(136,488)</u>	<u>1</u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Streets Fund

Statement 7

Statement of Revenues and Expenditures -Budget and Actual (Non-GAAP Budgetary Basis)  
For the year ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variances Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Local Sources	\$ <u>          -</u>	\$ <u>  294,930</u>	\$ <u>  294,930</u>	\$ <u>          -</u>
Total revenues	<u>          -</u>	<u>  294,930</u>	<u>  294,930</u>	<u>          -</u>
<b>EXPENDITURES</b>				
Culture and recreation	<u>          -</u>	<u>  181,287</u>	<u>  181,287</u>	<u>          -</u>
Total expenditures	<u>          -</u>	<u>  181,287</u>	<u>  181,287</u>	<u>          -</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers out	<u>          -</u>	<u>      (2,204)</u>	<u>          -</u>	<u>      2,204</u>
Total other financing sources	<u>          -</u>	<u>      (2,204)</u>	<u>          -</u>	<u>      2,204</u>
Change in fund balance (Non-GAAP Basis)	<u>          -</u>	<u>  111,439</u>	<u>  113,643</u>	<u>      2,204</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, 2019

Statement 8

	Water/Sewer Fund	53 - Electric Fund	Total Nonmajor Enterprise Funds
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 276,473	\$ 1,474,718	\$ 16,499
Accounts receivable, net	67,863	65,707	10,968
Total current assets	344,336	1,540,425	27,467
Non-current assets			
Customer meter deposits	57,643	-	-
Total non-current assets	57,643	-	-
Capital assets			
Land improvements	-	-	34,622
Plant/Infrastructure	6,500,784	-	-
Heavy equipment	59,000	-	32,000
Buildings and improvements	254,359	-	107,496
Accumulated depreciation	(4,293,757)	-	(110,169)
Total capital assets, net	2,520,386	-	63,949
Total assets	2,922,365	1,540,425	91,416
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	-	7,850	-
Current portion compensated absences	32,604	-	4,412
Current portion revenue bonds payable	31,402	31,354	-
Current portion loan payable	3,151	-	-
Customer meter deposits payable from restricted assets	57,643	-	-
Total current liabilities	124,800	39,204	4,412
Long-term liabilities			
Revenue bonds payable	922,884	1,206,415	-
NMFA loan payable	44,954	-	-
Total long-term liabilities	967,838	1,206,415	-
Total liabilities	1,092,638	1,245,619	4,412
<b>NET POSITION</b>			
Net investment in capital assets	1,517,995	-	63,949
Restricted for debt service	34,553	31,354	-
Unrestricted	277,179	263,452	23,055
Total net position	1,829,727	294,806	87,004
Total liabilities and net position	\$ 2,922,365	\$ 1,540,425	\$ 91,416

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, 2019

Statement 8

	<u>Total Enterprise Funds</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,767,690
Accounts receivable, net	<u>144,538</u>
Total current assets	<u>1,912,228</u>
Non-current assets	
Customer meter deposits	<u>57,643</u>
Total non-current assets	<u>57,643</u>
Capital assets	
Land improvements	34,622
Plant/Infrastructure	6,500,784
Heavy equipment	91,000
Buildings and improvements	361,855
Accumulated depreciation	<u>(4,403,926)</u>
Total capital assets, net	<u>2,584,335</u>
Total assets	<u>4,554,206</u>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	7,850
Current portion compensated absences	37,016
Current portion revenue bonds payable	62,756
Current portion loan payable	3,151
Customer meter deposits payable from restricted assets	<u>57,643</u>
Total current liabilities	<u>168,416</u>
Long-term liabilities	
Revenue bonds payable	2,129,299
NMFA loan payable	<u>44,954</u>
Total long-term liabilities	<u>2,174,253</u>
Total liabilities	<u>2,342,669</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,581,944
Restricted for debt service	65,907
Unrestricted	<u>563,686</u>
Total net position	<u>2,211,537</u>
Total liabilities and net position	<u>\$ 4,554,206</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, 2019

	Water/Sewer Fund	53 - Electric Fund	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES</b>			
Taxes	\$ 18,703	\$ 51,076	\$ 13,623
Charges for services	579,718	797,592	106,378
Licenses, fines & fees	70,030	-	4,588
Miscellaneous	<u>2,860</u>	<u>35,514</u>	<u>1,551</u>
Total operating revenues	<u>671,311</u>	<u>884,182</u>	<u>126,140</u>
<b>OPERATING EXPENSES</b>			
Personal Services	198,935	-	43,178
Maintenance and operations	353,345	214,838	75,098
Cost of energy	-	762,872	-
Depreciation	<u>136,645</u>	<u>-</u>	<u>2,757</u>
Total operating expenses	<u>688,925</u>	<u>977,710</u>	<u>121,033</u>
Operating income (loss)	<u>(17,614)</u>	<u>(93,528)</u>	<u>5,107</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	1,507	18,524	10
Interest and fees	(28,998)	(36,320)	-
Transfers in	50,620	-	-
Transfers (out)	<u>(33,747)</u>	<u>(538,076)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(10,618)</u>	<u>(555,872)</u>	<u>10</u>
Change in net position	(28,232)	(649,400)	5,117
Net position, beginning of year	<u>1,857,959</u>	<u>944,206</u>	<u>81,887</u>
Net position, end of year	<u><u>\$ 1,829,727</u></u>	<u><u>\$ 294,806</u></u>	<u><u>\$ 87,004</u></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, 2019

	<u>Total Enterprise Funds</u>
<b>OPERATING REVENUES</b>	
Taxes	\$ 83,402
Charges for services	1,483,688
Licenses, fines & fees	74,618
Miscellaneous	<u>39,925</u>
Total operating revenues	<u>1,681,633</u>
<b>OPERATING EXPENSES</b>	
Personal Services	242,113
Maintenance and operations	643,281
Cost of energy	762,872
Depreciation	<u>139,402</u>
Total operating expenses	<u>1,787,668</u>
Operating income (loss)	<u>(106,035)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	20,041
Interest and fees	(65,318)
Transfers in	50,620
Transfers (out)	<u>(571,823)</u>
Total non-operating revenues (expenses)	<u>(566,480)</u>
Change in net position	(672,515)
Net position, beginning of year	<u>2,884,052</u>
Net position, end of year	<u>\$ 2,211,537</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, 2019

Statement 10

	Water/Sewer Fund	Electric Fund	Other Enterprise Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 569,385	\$ 841,443	\$ 107,953	\$ 1,518,781
Cash received from state shared taxes	88,733	51,076	18,211	158,020
Cash payments to employees and to suppliers for goods and services	<u>(569,134)</u>	<u>(977,710)</u>	<u>(127,395)</u>	<u>(1,674,239)</u>
Net cash provided/(used) by operating activities	<u>\$ 88,984</u>	<u>\$ (85,191)</u>	<u>\$ (1,231)</u>	<u>\$ 2,562</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Principal paid	(34,223)	(30,900)		(65,123)
Interest expense	<u>(28,998)</u>	<u>(36,320)</u>		<u>(65,318)</u>
Net cash provided/(used) by capital and related financing activities	<u>(63,221)</u>	<u>(67,220)</u>		<u>(130,441)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating transfers from other funds	50,620			50,620
Operating transfers to other funds	<u>(33,747)</u>	<u>(538,076)</u>		<u>(571,823)</u>
Net cash provided/(used) by noncapital financing activities	<u>16,873</u>	<u>(538,076)</u>		<u>(521,203)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	<u>1,507</u>	<u>18,524</u>	<u>10</u>	<u>20,041</u>
Net cash provided/(used) by investing activities	<u>1,507</u>	<u>18,524</u>	<u>10</u>	<u>20,041</u>
Net increase/(decrease) in cash	44,143	(671,963)	(1,221)	(629,041)
Cash, beginning of year	<u>232,330</u>	<u>2,146,681</u>	<u>17,720</u>	<u>2,396,731</u>
Cash, end of year	<u>\$ 276,473</u>	<u>\$ 1,474,718</u>	<u>\$ 16,499</u>	<u>\$ 1,767,690</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, 2019

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)	\$ (17,614)	\$ (93,528)	\$ 5,107	\$ (106,035)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	136,645		2,757	139,402
Changes in assets and liabilities:				
(Increase)/decrease in receivables	(13,193)	8,337	24	(4,832)
Increase/(decrease) in accounts payable	(8,227)		(1,416)	(9,643)
Increase/(decrease) in compensated absences	<u>(8,627)</u>	<u>          </u>	<u>(7,703)</u>	<u>(16,330)</u>
Net cash provided/(used) by operating activities	<u>\$ 88,984</u>	<u>\$ (85,191)</u>	<u>\$ (1,231)</u>	<u>\$ 2,562</u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER

Statement 11

Statement of Fiduciary Assets and Liabilities - Agency Funds  
June 30, 2019

ASSETS	
Cash	\$ <u>24,369</u>
Total assets	<u>24,369</u>
LIABILITIES	
Due to other agencies	<u>24,369</u>
Total liabilities	\$ <u><u>24,369</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, 2019**

**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, 2019**

**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. 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.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

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.

*Streets fund (Special Revenue Fund)* - To account for the receipts and expenditures of cooperative grant agreement projects to include the Town of Springer's match of 15%.

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

*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, 2019**

**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, 2019**

**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, and OPEB 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, 2019**

**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.

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JUNE 30, 2019**

**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  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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  
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JUNE 30, 2019**

**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  
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JUNE 30, 2019**

**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	\$ 4,496
Wells Fargo Bank	Checking	General	1,437,309
International Bank	Checking	Meter Deposit	57,503
Xpress bill pay			<u>7,535</u>
	Total		<u>1,506,843</u>
NM Finance Authority			<u>990,732</u>
Total amount on deposit			<u>\$ 2,497,575</u>
Deposit in transit			5,362
Outstanding Checks			(76,491)
Unreconciled line items			<u>(6,562)</u>
	Total per financial statements		<u>\$ 2,419,884</u>

**STATE OF NEW MEXICO  
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JUNE 30, 2019**

**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	\$ 1,437,309	\$ 61,999
Less: FDIC	<u>(250,000)</u>	<u>(61,999)</u>
Uninsured funds	1,187,309	-
Funds needing collateralization at 50% (required by State Law)	593,655	-
Pledged collateral at June 30	<u>711,309</u>	<u>-</u>
(Excess) deficiency of Pledged Collateral	<u>\$ (117,654)</u>	<u>\$ -</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, 2019, \$1,187,309 of the Town's bank balance of \$1,499,308 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$ 476,000
B. Uninsured and collateralized with securities held by the pledging banks trust department, but not in the Town's name	<u>711,309</u>
Total	<u>\$ 1,187,309</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	\$ 469,888
FNMA #3138NYK95	12-01-42	160,526
FNMA #3140J8YD9	10-01-25	<u>80,895</u>
		<u>\$ 711,309</u>

**STATE OF NEW MEXICO  
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JUNE 30, 2019**

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

The amount held at the New Mexico Finance Authority totaling \$990,732 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	\$ 173,893
Less: allowance for uncollectible accounts	0	(29,355)
Total	\$ 1,185	\$ 144,538

**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.

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

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

Hydrant Meter deposits	\$ 57,643
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**STATE OF NEW MEXICO  
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JUNE 30, 2019**

**NOTE 6 - TRANSFERS**

The Town's interfund transfers during the year ended June 30, 2019 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Dam Project Rehabilitation Fund	\$ 521,203	\$ -
Water/Sewer Fund	50,620	33,747
Electric Fund	<u>-</u>	<u>538,076</u>
Total	<u>\$ 571,823</u>	<u>\$ 571,823</u>

**NOTE 7 - CAPITAL ASSETS**

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

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 119,375	\$ -	\$ -	\$ 119,375
Total capital assets, not being depreciated	<u>119,375</u>	<u>0</u>	<u>0</u>	<u>119,375</u>
Capital assets being depreciated:				
Buildings & improvements	1,358,002			1,358,002
Airport	615,606			615,606
Vehicles	382,134	5,111		387,245
Equipment	170,109	5,236		175,345
Heavy equipment	1,338,127	15,028	(27,568)	1,325,587
Infrastructure	<u>7,634,554</u>			<u>7,634,554</u>
Total capital assets being depreciated	<u>11,498,532</u>	<u>25,375</u>	<u>(27,568)</u>	<u>11,496,339</u>
Less Accumulated Depreciation for:				
Buildings & improvements	(779,847)	(24,007)		(803,854)
Airport	(143,509)	(24,624)		(168,133)
Vehicles	(310,610)	(21,143)		(331,753)
Equipment	(103,877)	(12,588)		(116,465)
Heavy equipment	(1,071,343)	(63,625)	25,314	(1,109,654)
Infrastructure	<u>(1,213,365)</u>	<u>(264,758)</u>		<u>(1,478,123)</u>
Total accumulated depreciation	<u>(3,622,551)</u>	<u>(410,745)</u>	<u>25,314</u>	<u>(4,007,982)</u>
Governmental activities capital assets, net	<u>\$ 7,995,356</u>	<u>\$ (385,370)</u>	<u>\$ (2,254)</u>	<u>\$ 7,607,732</u>

**STATE OF NEW MEXICO  
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**NOTE 7 - CAPITAL ASSETS - (CONT'D)**

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

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets being depreciated:				
Land improvement	\$ 34,622	\$	\$	\$ 34,622
Buildings & improvements	361,855			361,855
Heavy equipment	119,500		(28,500)	91,000
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>(28,500)</u>	<u>6,988,261</u>
Less accumulated depreciation for:				
Land improvement	(34,622)			(34,622)
Buildings & improvements	(210,363)	(7,843)		(218,206)
Heavy equipment	(84,100)	(5,900)	28,500	(61,500)
Plant	<u>(3,963,939)</u>	<u>(125,659)</u>		<u>(4,089,598)</u>
Total accumulated depreciation	<u>(4,293,024)</u>	<u>(139,402)</u>	<u>28,500</u>	<u>(4,403,926)</u>
Business-type activities capital assets, net	<u>\$ 2,723,737</u>	<u>\$ (139,402)</u>	<u>\$ 0</u>	<u>\$ 2,584,335</u>

**NOTE 8 - LONG-TERM LIABILITIES**

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

**Enterprise Fund**

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

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year
Revenue bonds payable	\$ 2,254,036	\$	\$ (61,981)	\$ 2,192,055	\$ 62,756
Loan payable to New Mexico Finance Authority	51,247		(3,142)	48,105	3,151
Compensated absences payable	<u>53,345</u>	<u>19,303</u>	<u>(35,632)</u>	<u>37,016</u>	<u>37,016</u>
Total	<u>\$ 2,358,628</u>	<u>\$ 19,303</u>	<u>\$ (100,755)</u>	<u>\$ 2,277,176</u>	<u>\$ 102,923</u>

**STATE OF NEW MEXICO  
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**NOTE 8 - LONG-TERM LIABILITIES - (CONT'D)**

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

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, 2019</u>
Refunding of series 1997, 2003 and 2007	09/01/2041	1,012,367	3.36 %	\$ 954,286
4255-PP	05/01/2047	1,276,798	3.17	1,237,769
NMFA	06/01/2034	63,720	0.25 %	<u>48,105</u>
	Total			<u>\$ 2,240,160</u>

The annual requirements to amortize the business-type bonds and NMFA Loans as of 6/30/2019 including interest payments are as follows:

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	69,961	60,448	130,409
2025-2029	371,441	279,994	651,435
2030-2034	422,108	228,165	650,273
2035-2039	476,483	156,414	632,897
2040-2044	442,567	70,891	513,458
2045-2047	<u>188,392</u>	<u>13,269</u>	<u>201,661</u>
Total	<u>\$ 2,240,160</u>	<u>\$ 1,061,952</u>	<u>\$ 3,302,112</u>

**STATE OF NEW MEXICO  
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JUNE 30, 2019**

**NOTE 8 - 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, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due within</u> <u>One Year</u>
Loan payable to New Mexico Finance Authority	\$ 271,424	\$ 125,946	\$ (39,417)	\$ 357,953	\$ 47,791
Compensated absences	<u>32,231</u>	<u>17,920</u>	<u>(8,109)</u>	<u>42,042</u>	<u>42,042</u>
Total	<u>\$ 303,655</u>	<u>\$ 143,866</u>	<u>\$ (47,526)</u>	<u>\$ 399,995</u>	<u>\$ 89,833</u>

The Town had the following NMFA loans outstanding during the fiscal year ending June 30, 2019.

<u>Series</u>	<u>Maturity Date</u>	<u>Original</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Balance</u> <u>June 30, 2019</u>
NMFA	05/1/2021	75,567	2.02 %	\$ 22,810
NMFA	05/01/2026	267,960	3.52 %	146,936
NMFA	05/01/2026	60,454	0.10 %	46,117
NMFA	05/1/2023	20,152	0.10 %	16,144
NMFA	05/1/2034	125,946	1.96 %	<u>125,946</u>
Total				<u>\$ 357,953</u>

The annual requirements to amortize the governmental NMFA loans as of 6/30/2019 including interest payments are as follows:

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	47,791	8,229	56,020
2021	49,028	6,993	56,021
2022	38,313	5,866	44,179
2023	39,166	5,013	44,179
2024	36,006	4,128	40,134
2025-2029	101,057	9,433	110,490
2030-2034	<u>46,592</u>	<u>2,364</u>	<u>48,956</u>
Total	<u>\$ 357,953</u>	<u>\$ 42,026</u>	<u>\$ 399,979</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  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 - FUND BALANCES CLASSIFIED**

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

<u>Fund Balances</u>	<u>10 - General Fund</u>	<u>27 - Streets</u>	<u>30 - Dam Project Rehabilitation</u>	<u>31 - Airport Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Restricted for:						
Special revenue fund	\$ -	\$ 243,295	\$ -	\$ -	\$ 104,346	\$ 347,641
Capital project fund	-	-	-	-	97,475	97,475
Total restricted	-	243,295	-	-	201,821	445,116
Unassigned	272,513	-	(115,395)	(167,697)	-	(10,579)
Total fund balances	<u>\$ 272,513</u>	<u>\$ 243,295</u>	<u>\$ (115,395)</u>	<u>\$ (167,697)</u>	<u>\$ 201,821</u>	<u>\$ 434,537</u>

**NOTE 10 - PERA PENSION PLAN**

**General Information about the Pension Plan**

Plan description

*Public Employees Retirement Fund* is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the 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.

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



**STATE OF NEW MEXICO  
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**NOTE 10 - PERA PENSION PLAN - (CONT'D)**

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 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 0.50%, employee Contribution increased 1.50% and effective July 1, 2014 employer contributions were raised .05%. 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  
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**NOTE 10 - PERA PENSION PLAN - (CONT'D)**

Contributions:

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

**PERA Contribution Rates and Pension Factors in effect during FY18**

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	
<b>STATE PLAN</b>						
State Plan 3	7.42%	8.92%	16.99%	3.00%	2.50%	90.00%
<b>MUNICIPAL PLANS 1 - 4</b>						
Municipal Plan 1 (plan open to new employers)	7.00%	8.50%	7.40%	2.00%	2.00%	90.00%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.50%	2.00%	90.00%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.00%	2.50%	90.00%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.00%	2.50%	90.00%

**STATE OF NEW MEXICO  
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**NOTE 10 - PERA PENSION PLAN - (CONT'D)**

**PERA Contribution Rates and Pension Factors in effect during FY18**

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	
<b>MUNICIPAL PLANS 1 - 5</b>						
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.00%	2.00%	90.00%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.50%	2.00%	90.00%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.50%	2.00%	90.00%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.00%	2.50%	90.00%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.50%	3.00%	90.00%
<b>MUNICIPAL FIRE PLANS 1 - 5</b>						
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.00%	2.00%	90.00%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.50%	2.00%	90.00%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.50%	2.00%	90.00%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	3.00%	2.50%	90.00%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.50%	3.00%	90.00%
<b>MUNICIPAL DETENTION OFFICER PLAN 1</b>						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.00%	3.00%	90.00%
<b>STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.</b>						
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.00%	3.00%	90.00%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.00%	3.00%	90.00%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.00%	3.00%	90.00%

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll forward liabilities as of June 30, 2018. The 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.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
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**NOTE 10 - PERA PENSION PLAN - (CONT'D)**

At June 30, 2019, 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, 2019, the Town reported a liability of \$609,050 for its proportionate share of the net pension liability at June 30, 2018. At June 30, 2018, the Town's proportion was 0.0382%, which was lower than its 0.0417% proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized PERA Fund - General pension expense of approximately \$77,755.

At June 30, 2018, 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	\$ 55,219	\$ 3,502
Changes in Proportion	11,498	32,277
Differences Between Expected and Actual Experience	17,603	15,990
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	45,170	
Post Measurement Date Employer Contributions	<u>27,171</u>	
Totals	<u>\$ 156,661</u>	<u>\$ 51,769</u>

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 10 - PERA PENSION PLAN - (CONT'D)**

For the General Division, \$27,171 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2018 and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. 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
2020	\$ 63,816
2021	16,527
2022	(4,781)
2023	2,159
Total	\$ 77,721

PERA Fund Division - Police. At June 30, 2019, the Town reported a liability of \$175,352 for its proportionate share of the net pension liability at June 30, 2018. As of June 30, 2018, the Town's proportion was 0.0257%, which was higher than its 0.0234% proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized PERA Fund - Police pension expense of approximately \$29,094.

At June 30, 2018, 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	\$ 20,008	\$ 1,072
Changes in Proportion	22,036	6,866
Differences Between Expected and Actual Experience	8,584	17,382
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	12,067	-
Post Measurement Date Employer Contributions	9,077	-
Totals	\$ 71,772	\$ 25,320

For the Police Division, \$9,077 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2018 and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. 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, 2019**

**NOTE 10 - PERA PENSION PLAN - (CONT'D)**

Year Ended June 30,	Amount
2020	\$ 18,785
2021	10,620
2022	7,306
2023	664
Total	\$ 37,375

Actuarial assumptions

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

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

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
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JUNE 30, 2019**

**NOTE 10 - PERA PENSION PLAN - (CONT'D)**

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

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

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate Equity	20.00%	6.48%
Total	<u>100%</u>	

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
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**NOTE 10 - PERA PENSION PLAN - (CONT'D)**

Discount rate

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

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

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate

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

<u>Proportionate Share of Net Pension Liability</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
General	\$ 938,505	\$ 609,050	\$ 336,703
Police	<u>269,619</u>	<u>175,352</u>	<u>98,501</u>
Total	<u>\$ 1,208,124</u>	<u>\$ 784,402</u>	<u>\$ 435,204</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan

The Town doesn't have any amount due to the plan at June 30, 2019.



**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 - 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  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

Employees covered by benefit terms – At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

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

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Town were \$8,225 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2019, the Town reported a liability of \$428,748 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The Town’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the Town’s proportion was 0.00986 percent.

For the year ended June 30, 2019, the Town recognized OPEB income of \$5,930. At June 30, 2019 the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 25,385
Change of assumptions	-	80,045
Net difference between projected and actual investments earnings on OPEB plan investments	-	5,351
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	9,640
Town contributions subsequent to the measurement date	8,225	
Total	\$ 8,225	\$ 120,421

Deferred outflows of resources totaling \$8,225 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2020	\$ (30,189)
2021	(30,189)
2022	(30,189)
2023	(23,779)
2024	(6,075)
Total	\$ (120,421)

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

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.25% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation

**STATE OF NEW MEXICO  
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JUNE 30, 2019**

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

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
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

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

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

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

Discount Rate - The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
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JUNE 30, 2019**

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

*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 (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
\$ 518,886	\$ 428,748	\$ 357,699

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:

1% Decrease	Current Trend Rates	1% Increase
\$ 362,442	\$ 428,748	\$ 480,733

*OPEB plan fiduciary net position* - Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2018.

*Payable Changes in the Net OPEB Liability* - At June 30, 2019, the Town reported a payable of \$- for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

**NOTE 12 - RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS**

	General Fund	Streets Fund
Change in fund balance (Non-GAAP Basis)	\$ (136,488)	\$ 113,643
To adjust applicable revenue accruals and deferrals	(5,370)	7,163
To adjust applicable expenditure accruals	462,230	(7,163)
Change in fund balance (GAAP basis)	\$ 320,372	\$ 113,643

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 13. DEFICIT FUND BALANCE AND LEGAL COMPLIANCE WITH BUDGET**

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

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

<u>Fund Name</u>	<u>Amount</u>
Dam Project Rehabilitation	\$ 115,395
Airport Construction Fund	\$ 167,697

- B. The Town was in compliance with Section 6-6-6 of the New Mexico State Statues regarding legal compliance with approved budgets for the year ended June 30, 2019.

**NOTE 14. GASBS 77 TAX ABATEMENT DISCLOSURES**

The Town was not part of any tax abatement agreements subject to GASBS 77 Tax Abatement Disclosures during the year ended June 30, 2019. As a result, they make no such disclosures related to GASBS 77.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 15 - 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, 2019, 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:

	Per Financial Institution	Reconciling Items	Per Financial Statements
INBANK	\$ 179,465	\$ (154)	\$ 179,311

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

Statement of Net Position:

Cash	166,484
Restricted cash	12,827
Total cash reported on the financial statements	\$ 179,311

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  
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**NOTE 15 - 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.

	<u>INBANK</u>
Total deposits in bank	\$ 179,465
Less FDIC insurance	<u>(179,465)</u>
Uninsured public funds	<u>-</u>
Pledged collateral held by pledging bank's agent, but not in the Authority's name	<u>-</u>
Uninsured and uncollateralized public funds	<u>\$ -</u>
Total pledged collateral	\$ -
50% pledged collateral requirement per state statute	<u>-</u>
Pledged collateral (under) over the requirement	<u>\$ -</u>

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, 2019, none of the Authority's bank balance was exposed to custodial credit risk.

**B. RECEIVABLES, NET**

Receivables at June 30, 2019, consisted of the following:

Accounts:	
Tenants' rent	\$ 1,759
Less allowance for doubtful accounts	<u>(759)</u>
	<u>1,000</u>
Interest	<u>100</u>
	<u>\$ 1,100</u>

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



**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
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JUNE 30, 2019**

**NOTE 15 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

**C. CAPITAL ASSETS**

Capital assets for the fiscal year ended June 30, 2019:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 41,101	\$ -	\$ -	\$ 41,101
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>41,101</u>	<u>-</u>	<u>-</u>	<u>41,101</u>
Other capital assets, being depreciated:				
Buildings	2,780,986	-	-	2,780,986
Non-dwelling structures	233,192	-	-	233,192
Furniture and equipment - administration	<u>147,885</u>	<u>7,295</u>	<u>-</u>	<u>155,180</u>
Total other capital assets, being depreciated	<u>3,162,063</u>	<u>7,295</u>	<u>-</u>	<u>3,169,358</u>
Less accumulated depreciation for:				
Buildings	(2,462,403)	(42,558)	-	(2,504,961)
Non-dwelling structures	(175,172)	(10,359)	-	(185,531)
Furniture and equipment - administration	<u>(128,348)</u>	<u>(6,908)</u>	<u>-</u>	<u>(135,256)</u>
Total accumulated depreciation	<u>(2,765,923)</u>	<u>(59,825)</u>	<u>-</u>	<u>(2,825,748)</u>
Other capital assets, net	<u>396,140</u>	<u>(52,530)</u>	<u>-</u>	<u>343,610</u>
Total capital assets, net	<u>\$ 437,241</u>	<u>\$ (52,530)</u>	<u>\$ -</u>	<u>\$ 384,711</u>

**D. ACCRUED COMPENSATED ABSENCES**

Changes in accrued compensated absences during the year ended June 30, 2019, were as follows:

	Balance 06/30/18	Additions	Deletions	Balance 06/30/19	Amount Due Within One Year
Accrued compensated absences	<u>\$ 15,254</u>	<u>\$ 6,091</u>	<u>\$ (7,616)</u>	<u>\$ 13,729</u>	<u>\$ 4,899</u>

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**NOTE 15 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

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

**General Information About the Pension Plan**

**Plan description** - The Public Employees Retirement Fund 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 Public Employees Retirement Fund 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.

**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.

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**NOTE 15 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

The computation of final average salary increased as the average of salary for 60 consecutive months.

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

**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	
<b>STATE PLAN</b>						
State Plan 3	7.42%	8.92%	16.99%	3.00%	2.50%	90.00%
<b>MUNICIPAL PLANS 1 - 4</b>						
Municipal Plan 1 (plan open to new employers)	7.00%	8.50%	7.40%	2.00%	2.00%	90.00%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.50%	2.00%	90.00%
Municipal Plan 3 (plan closed to new employers on 6/95)	13.15%	14.65%	9.55%	3.00%	2.50%	90.00%
Municipal Plan 4 (plan closed to new employers on 6/00)	15.65%	17.15%	12.05%	3.00%	2.50%	90.00%
<b>MUNICIPAL POLICE PLANS 1 - 5</b>						
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.00%	2.00%	90.00%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.50%	2.00%	90.00%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.50%	2.00%	90.00%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.00%	2.50%	90.00%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.50%	3.00%	90.00%
<b>MUNICIPAL FIRE PLANS 1 - 5</b>						
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.00%	2.00%	90.00%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.50%	2.00%	90.00%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.50%	2.00%	90.00%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	3.00%	2.50%	90.00%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.50%	3.00%	90.00%

**STATE OF NEW MEXICO  
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**NOTE 15 - 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	

**MUNICIPAL DETENTION OFFICER PLAN 1**

Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.00%	3.00%	90.00%
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**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%	90.00%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.00%	3.00%	90.00%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.00%	3.00%	90.00%

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2019, the Authority reported a liability of \$215,240 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The Authority’s proportion of the net pension liability was based on a projection of the Authority’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Authority’s proportion was 0.0135%, which was a decrease of 0.0005%, from its proportion measured as of June 30, 2017.

*PERA Fund Municipal General Division*

For the year ended June 30, 2019, the Authority recognized pension expense of \$27,408. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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**NOTE 15 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,221	\$ 5,651
Changes of assumptions	19,515	1,238
Net difference between projected and actual investment earnings on pension plan investments	15,963	-
Changes in proportion and differences between contributions and proportionate share of contributions	9,415	5,182
Employer contributions subsequent to the measurement date	<u>12,216</u>	<u>-</u>
	<u>\$ 63,330</u>	<u>\$ 12,071</u>

\$12,216 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2020	\$ 25,823
2021	11,865
2022	568
2023	787
2024	-
Thereafter	-

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

**PERA Fund**

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	

**Actuarial Assumptions:**

- Investment rate of return                      7.25% annual rate, net of investment expense
- Projected benefit payment                      100 years

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**NOTE 15 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

- Payroll growth 3.00%
- Projected salary increases 3.25% to 13.50% annual rate
- Includes inflation at 2.50%  
2.75% all other years
- Mortality Assumption The mortality assumptions are based on the PRH-2014 Blue Collar Mortality Table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
- Experience Study Dates July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50 %	7.48 %
Risk Reduction & Mitigation	21.50 %	2.37 %
Credit Oriented Fixed Income	15.00 %	5.47 %
Real Assets to Include Real Estate Equity	20.00 %	6.48 %
Total	<u>100 %</u>	

**Discount rate** – A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense.

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**NOTE 15 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

PERA Fund Municipal General Division	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
The Authority's proportionate share of the net pension liability	\$ <u>331,670</u>	\$ <u>215,240</u>	\$ <u>118,991</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.

**F. 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.

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**NOTE 15 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

**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 contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

**Employees covered by benefit terms** – At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	<u>93,349</u>
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal Fire	2,290
Educational Retirement Board	<u>48,756</u>
	<u>93,349</u>

**Contributions** – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on 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 \$2,460 for the year ended June 30, 2019.

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

At June 30, 2019, the Authority reported a liability of \$120,884 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The Authority’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ended June 30, 2018. At June 30, 2018, the Authority’s proportion was 0.00278 percent.

For the year ended June 30, 2019, the Authority recognized OPEB expense of \$34. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



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**NOTE 15 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,157
Net difference between projected and actual investment earnings on OPEB plan investments	-	1,509
Change of assumptions	-	22,569
Changes in proportion and differences between employer contributions and proportionate share of contributions	918	-
Employer contributions subsequent to the measurement date	2,460	-
Total	\$ 3,378	\$ 31,235

Deferred outflows of resources totaling \$2,460 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:

Year ended June 30:	Amount
2020	\$ (7,742)
2021	(7,742)
2022	(7,742)
2023	(5,935)
2024	(1,156)
Total	\$ (30,317)

**STATE OF NEW MEXICO  
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**NOTE 15 - 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	3.25% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for non-medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest region Teacher Mortality Table (females)PERA members: RP-2000 Combined Healthy Mortality

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

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

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**NOTE 15 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. Core fixed income	2.10%
U.S. Equity - large cap	7.10%
Non U.S. - Emerging markets	10.20%
Non U.S. - Development equities	7.80%
Private equity	11.80%
Credit and structured finance	5.30%
Real estate	4.90%
Absolute return	4.10%
U.S. Equity - small/mid cap	7.10%

**Discount rate** - The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ended June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for a 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

**Sensitivity of the net OPEB liability 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 (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

1% Decrease <u>(3.08%)</u>	Current Discount Rate <u>(4.08%)</u>	1% Increase <u>(5.08%)</u>
\$ 146,298	\$ 120,884	\$ 100,852

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% <u>Decrease</u>	Current Trend Rate <u>Rate</u>	1% Increase
\$ 102,190	\$ 120,884	\$ 135,541

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**NOTE 15 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

*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, 2018.

*Payable changes in the net OPEB liability* - At June 30, 2019, the Authority reported a payable of \$148 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

**G . 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.

**H . 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.

**I . INTERFUND TRANSFERS**

The capital fund program fund has transferred \$21,137 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 \$90,098 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.

**J . 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:

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**NOTE 15 - COMPONENT UNIT - HOUSING AUTHORITY - (CONT'D)**

	<u>Financial Statements</u>	<u>Differences</u>	<u>Financial Data Schedule</u>
Assets	\$ 586,235	\$ -	\$ 586,235
Deferred outflows of resources	<u>66,708</u>	<u>-</u>	<u>66,708</u>
Total assets and deferred outflows of resources	<u>\$ 652,943</u>	<u>\$ -</u>	<u>\$ 652,943</u>
Liabilities	\$ 375,224	\$ -	\$ 375,224
Deferred inflows of resources	43,306	-	43,306
Net position	<u>234,413</u>	<u>-</u>	<u>234,413</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 652,943</u>	<u>\$ -</u>	<u>\$ 652,943</u>
Revenues	\$ 303,957	\$ -	\$ 303,957
Expenses	<u>355,671</u>	<u>-</u>	<u>355,671</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (51,714)</u>	<u>\$ -</u>	<u>\$ (51,714)</u>

**K. SUBSEQUENT EVENTS**

Subsequent events were evaluated through November 22, 2019, which is the date of the independent auditor's report.

**REQUIRED SUPPLEMENTARY INFORMATION**

## STATE OF NEW MEXICO

Schedule I

**TOWN OF SPRINGER**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>	<u>2019</u>
Town of Springer proportion of the net pension liability (asset)	0.0360 %	0.0385 %	0.0413 %	0.0417 %	0.0382 %
Town of Springer proportionate share of the net pension liability (asset)	\$ 280,839	\$ 392,541	\$ 659,835	\$ 572,993	\$ 609,050
Town of Springer covered-employee payroll	\$ 325,956	\$ 340,988	\$ 347,009	\$ 408,860	\$ 302,478
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 %	201.35 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %	69.18 %	73.74 %	71.13 %

\*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.

See Independent Auditor's Report  
See notes to required supplementary information

STATE OF NEW MEXICO  
**TOWN OF SPRINGER**

Schedule II

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Town of Springer proportion of the net pension liability (asset)	0.0168 %	0.0249 %	0.0194 %	0.0234 %	0.0257 %
Town of Springer proportionate share of the net pension liability (asset)	\$ 54,766	\$ 119,733	\$ 143,139	\$ 130,003	\$ 175,352
Town of Springer covered-employee payroll	\$ 92,512	\$ 66,451	\$ 91,669	\$ 108,008	\$ 101,042
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 %	173.54 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %	69.18 %	73.74 %	71.13 %

\*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>	<u>2019</u>
Contractually required contribution	\$ 29,590	\$ 32,564	\$ 33,168	\$ 32,479	\$ 27,171
Contributions in relation to the contractually required contribution	<u>(29,590)</u>	<u>(32,564)</u>	<u>(33,168)</u>	<u>(32,479)</u>	<u>(27,171)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<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.

See Independent Auditor's Report  
 See notes to required supplementary information

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	2019
Contractually required contribution	\$ 9,370	\$ 6,911	\$ 8,762	\$ 8,580	\$ 9,077
Contributions in relation to the contractually required contribution	<u>(9,370)</u>	<u>(6,911)</u>	<u>(8,762)</u>	<u>(8,580)</u>	<u>(9,077)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<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	2019
Employer's proportion of the net OPEB liability	0.01007%	0.00986%
Employer's proportionate share of the net OPEB liability	456,339	428,748
Employer covered-employee payroll	419,481	423,055
Employer's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	108.79%	101.35%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%	13.14%

\* 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

	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 31,977	\$ 15,408
Contributions in relation to the contractually required contribution	<u>16,049</u>	<u>15,220</u>
Contribution deficiency (excess)	<u>15,928</u>	<u>188</u>
Employer's covered-employee payroll	\$ 419,481	\$ 423,055
Contributions as a percentage of covered-employee payroll	3.83%	3.60%

\*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.

## TOWN OF SPRINGER

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Town of Springer Housing Authority's proportionate of the net pension liability (asset)	0.0129 %	0.0124 %	0.0123 %	0.0140 %	0.0135 %
Town of Springer Housing Authority's proportionate share of the net pension liability (asset)	\$ 100,634	\$ 126,429	\$ 196,513	\$ 192,372	\$ 215,240
Town of Springer Housing Authority's covered-employee payroll	\$ 107,476	\$ 104,480	\$ 105,361	\$ 125,332	\$ 125,860
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 %	171.01 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	81.31 %	69.18 %	73.74 %	71.13 %

\**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the 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	2019
Statutory required	\$ 9,814	\$ 10,062	\$ 11,322	\$ 11,322	\$ 12,216
Contributions in relation to the statutorily required contributions	<u>(9,814)</u>	<u>(10,062)</u>	<u>(11,322)</u>	<u>(11,322)</u>	<u>(12,216)</u>
Annual contribution deficiency (excess)	<u>\$ 0</u>	<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, 2019**

**Schedule IX**

**PERA PLAN**

*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, 2018, is available at <https://www.nmpera.org>.

**RHCA PLAN**

*Changes in benefit provisions* - There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018

*Changes in assumptions and methods* - There were no modifications to the assumptions and methods since the June 30, 2017 GASB 74 modifications.

**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**

	2018*	2019
Authority's proportionate of the net OPEB liability	0.00276 %	0.00278 %
Authority's proportionate share of the net OPEB liability	\$ 125,074	\$ 120,884
Authority's covered-employee payroll	\$ 114,972	\$ 119,279
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	108.79 %	101.35 %
Plan fiduciary net position as a percentage of the total OPEB liability	11.34 %	13.14 %

\*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**

	2018*	2019*
Contractually required contribution	\$ 8,764	\$ 4,344
Contributions in relation to the contractually required contribution	4,399	4,291
Contribution deficiency (excess)	\$ 4,365	\$ 53
Employer's covered-employee payroll	\$ 114,972	\$ 119,279
Contributions as a percentage of covered-employee payroll	3.83 %	3.60 %

\*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**

**NON-MAJOR FUNDS**

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION  
For the Year Ended June 30, 2019

**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).

**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**

**AMBULANCE BUILDING PROJECT FUND** - To account for state grants and bond proceeds used for constructing a building to house an ambulance.

**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 Governmental Funds  
Combining Balance Sheet  
June 30, 2019

Statement A-1

	<u>21 - Corrections Fund</u>	<u>22 - Fire Fund</u>	<u>23 - Law Enforcement Protection Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 30,917	\$ 33,200	\$ 3,769
Accounts receivable, net	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>30,917</u>	<u>33,200</u>	<u>3,769</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
<b>FUND BALANCES</b>			
Restricted for:			
Special revenue fund	30,917	33,200	3,769
Capital project fund	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>30,917</u>	<u>33,200</u>	<u>3,769</u>
Total liabilities and fund balances	<u>\$ 30,917</u>	<u>\$ 33,200</u>	<u>\$ 3,769</u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Non-Major Governmental Funds  
Combining Balance Sheet  
June 30, 2019

Statement A-1

	24 - Library Fund	25 - Lodgers Tax Fund	26 - EMS Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,836	\$ 7,795	\$ 1,660
Accounts receivable, net	-	521	-
Total assets	15,836	8,316	1,660
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
<b>FUND BALANCES</b>			
Restricted for:			
Special revenue fund	15,836	8,316	1,660
Capital project fund	-	-	-
Total fund balances	15,836	8,316	1,660
Total liabilities and fund balances	\$ 15,836	\$ 8,316	\$ 1,660

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Non-Major Governmental Funds  
Combining Balance Sheet  
June 30, 2019

Statement A-1

	<u>28 - Fire Discretionary Fund</u>	<u>33 - Ambulance Building Project Fund</u>	<u>34 - Water Improvements</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,648	\$ 97,475	\$ -
Accounts receivable, net	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>10,648</u>	<u>97,475</u>	<u>-</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
<b>FUND BALANCES</b>			
Restricted for:			
Special revenue fund	10,648	-	-
Capital project fund	<u>-</u>	<u>97,475</u>	<u>-</u>
Total fund balances	<u>10,648</u>	<u>97,475</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 10,648</u>	<u>\$ 97,475</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Non-Major Governmental Funds  
Combining Balance Sheet  
June 30, 2019

Statement A-1

	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 201,300
Accounts receivable, net	<u>521</u>
Total assets	<u>201,821</u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
<b>FUND BALANCES</b>	
Restricted for:	
Special revenue fund	104,346
Capital project fund	<u>97,475</u>
Total fund balances	<u>201,821</u>
Total liabilities and fund balances	<u>\$ 201,821</u>

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



STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Non-Major Governmental Funds  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
For the year ended June 30, 2019

Statement A-2

	<u>21 - Corrections Fund</u>	<u>22 - Fire Fund</u>	<u>23 - Law Enforcement Protection Fund</u>
<b>REVENUES</b>			
Lodger's tax	\$ -	\$ -	\$ -
Licenses, fines & fees	6,762	-	-
State Sources	-	85,914	20,600
Interest income	-	373	232
Miscellaneous	<u>-</u>	<u>652</u>	<u>-</u>
Total revenues	<u>6,762</u>	<u>86,939</u>	<u>20,832</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	-	58,706	5,959
Public works	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service - Principal	-	17,804	15,051
Debt service - Interest and fees	<u>-</u>	<u>6,087</u>	<u>835</u>
Total expenditures	<u>-</u>	<u>82,597</u>	<u>21,845</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>6,762</u>	<u>4,342</u>	<u>(1,013)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	6,762	4,342	(1,013)
Fund balance - beginning of year	<u>24,155</u>	<u>28,858</u>	<u>4,782</u>
Fund balance - end of year	<u>\$ 30,917</u>	<u>\$ 33,200</u>	<u>\$ 3,769</u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Non-Major Governmental Funds  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
For the year ended June 30, 2019

Statement A-2

	24 - Library Fund	25 - Lodgers Tax Fund	26 - EMS Fund
<b>REVENUES</b>			
Lodger's tax	\$ -	\$ 6,955	\$ -
Licenses, fines & fees	-	-	-
State Sources	7,510	-	-
Interest income	-	-	-
Miscellaneous	-	-	-
Total revenues	7,510	6,955	-
<b>EXPENDITURES</b>			
Current:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	3,555	7,547	-
Capital outlay	-	-	-
Debt service - Principal	-	-	-
Debt service - Interest and fees	1,339	-	-
Total expenditures	4,894	7,547	-
<i>Excess (deficiency) of revenues over expenditures</i>	2,616	(592)	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan proceeds	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	2,616	(592)	-
Fund balance - beginning of year	13,220	8,908	1,660
Fund balance - end of year	\$ 15,836	\$ 8,316	\$ 1,660

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Non-Major Governmental Funds  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
For the year ended June 30, 2019

Statement A-2

	<u>28 - Fire Discretionary Fund</u>	<u>33 - Ambulance Building Project Fund</u>	<u>34 - Water Improvements</u>
<b>REVENUES</b>			
Lodger's tax	\$ -	\$ -	\$ -
Licenses, fines & fees	-	-	-
State Sources	-	-	-
Interest income	-	722	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>722</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	-	-	-
Public works	-	2,873	20,153
Culture and recreation	-	-	-
Capital outlay	-	25,375	-
Debt service - Principal	-	-	-
Debt service - Interest and fees	<u>-</u>	<u>945</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>29,193</u>	<u>20,153</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(28,471)</u>	<u>(20,153)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan proceeds	<u>-</u>	<u>125,946</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>125,946</u>	<u>-</u>
Net change in fund balance	-	97,475	(20,153)
Fund balance - beginning of year	<u>10,648</u>	<u>-</u>	<u>20,153</u>
Fund balance - end of year	<u><u>\$ 10,648</u></u>	<u><u>\$ 97,475</u></u>	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Non-Major Governmental Funds  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
For the year ended June 30, 2019

Statement A-2

	Total Nonmajor Governmental Funds
REVENUES	
Lodger's tax	\$ 6,955
Licenses, fines & fees	6,762
State Sources	114,024
Interest income	1,327
Miscellaneous	<u>652</u>
Total revenues	<u>129,720</u>
EXPENDITURES	
Current:	
Public safety	64,665
Public works	23,026
Culture and recreation	11,102
Capital outlay	25,375
Debt service - Principal	32,855
Debt service - Interest and fees	<u>9,206</u>
Total expenditures	<u>166,229</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(36,509)</u>
OTHER FINANCING SOURCES (USES)	
Loan proceeds	<u>125,946</u>
Total other financing sources (uses)	<u>125,946</u>
Net change in fund balance	89,437
Fund balance - beginning of year	<u>112,384</u>
Fund balance - end of year	<u>\$ 201,821</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, 2019

**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, 2019

Statement B-1

	51 - Solid Waste Fund	54 - Cemetery Fund	55 - Museum Fund
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 15,341	\$ 1,143	\$ 15
Accounts receivable, net	10,968	-	-
Total current assets	26,309	1,143	15
Capital assets			
Land improvements	-	34,622	-
Heavy equipment	32,000	-	-
Buildings and improvements	-	-	107,496
Accumulated depreciation	(32,000)	(34,622)	(43,547)
Total capital assets, net	-	-	63,949
Total assets	26,309	1,143	63,964
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Current liabilities			
Compensated absences payable	4,412	-	-
Total current liabilities	4,412	-	-
Total liabilities	4,412	-	-
<b>NET POSITION</b>			
Net investment in capital assets	-	-	63,949
Unrestricted	21,897	1,143	15
Total net position	21,897	1,143	63,964
Total liabilities and net position	\$ 26,309	\$ 1,143	\$ 63,964

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER  
Non-Major Proprietary Funds  
Statement of Net Position  
June 30, 2019

Statement B-1

	<u>Total Nonmajor Enterprise Funds</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 16,499
Accounts receivable, net	<u>10,968</u>
Total current assets	<u>27,467</u>
Capital assets	
Land improvements	34,622
Heavy equipment	32,000
Buildings and improvements	107,496
Accumulated depreciation	<u>(110,169)</u>
Total capital assets, net	<u>63,949</u>
Total assets	<u>91,416</u>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Current liabilities	
Compensated absences payable	<u>4,412</u>
Total current liabilities	<u>4,412</u>
Total liabilities	<u>4,412</u>
<b>NET POSITION</b>	
Net investment in capital assets	63,949
Unrestricted	<u>23,055</u>
Total net position	<u>87,004</u>
Total liabilities and net position	<u>\$ 91,416</u>

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



## STATE OF NEW MEXICO

Statement B-2

## TOWN OF SPRINGER

## Non-Major Proprietary Funds

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

For the Year Ended June 30, 2019

	51 - Solid Waste Fund	54 - Cemetery Fund	55 - Museum Fund
<b>OPERATING REVENUES</b>			
Taxes	\$ 13,623	\$ -	\$ -
Charges for services	106,378	-	-
Licenses, fines & fees	4,588	-	-
Miscellaneous	<u>-</u>	<u>1,551</u>	<u>-</u>
Total operating revenues	<u>124,589</u>	<u>1,551</u>	<u>-</u>
<b>OPERATING EXPENSES</b>			
Personal Services	43,178	-	-
Maintenance and operations	67,050	8,048	-
Depreciation	<u>-</u>	<u>-</u>	<u>2,757</u>
Total operating expenses	<u>110,228</u>	<u>8,048</u>	<u>2,757</u>
Operating income (loss)	<u>14,361</u>	<u>(6,497)</u>	<u>(2,757)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	<u>10</u>	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>10</u>	<u>-</u>	<u>-</u>
Change in net position	14,371	(6,497)	(2,757)
Net position, beginning of year	<u>7,526</u>	<u>7,640</u>	<u>66,721</u>
Net position, end of year	<u>\$ 21,897</u>	<u>\$ 1,143</u>	<u>\$ 63,964</u>

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

STATE OF NEW MEXICO  
TOWN OF SPRINGER

Statement B-2

Non-Major Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Position

For the Year Ended June 30, 2019

	<u>Total Nonmajor Enterprise Funds</u>
<b>OPERATING REVENUES</b>	
Taxes	\$ 13,623
Charges for services	106,378
Licenses, fines & fees	4,588
Miscellaneous	<u>1,551</u>
Total operating revenues	<u>126,140</u>
<b>OPERATING EXPENSES</b>	
Personal Services	43,178
Maintenance and operations	75,098
Depreciation	<u>2,757</u>
Total operating expenses	<u>121,033</u>
Operating income (loss)	<u>5,107</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	<u>10</u>
Total non-operating revenues (expenses)	<u>10</u>
Change in net position	5,117
Net position, beginning of year	<u>81,887</u>
Net position, end of year	<u><u>\$ 87,004</u></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, 2019

Statement B-3

	Solid Waste Fund	Cemetery Fund	Museum Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 106,402	\$ 1,551	\$ -	\$ 107,953
Cash received from state shared taxes	18,211	-	-	18,211
Cash payments to employees and to suppliers for goods and services	<u>(119,347)</u>	<u>(8,048)</u>	<u>-</u>	<u>(127,395)</u>
Net cash provided/(used) by operating activities	<u>5,266</u>	<u>(6,497)</u>	<u>-</u>	<u>(1,231)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>
Net cash provided/(used) by investing activities	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>
Net increase/(decrease) in cash	5,276	(6,497)	-	(1,221)
Cash, beginning of year	<u>10,065</u>	<u>7,640</u>	<u>15</u>	<u>17,720</u>
Cash, end of year	<u>\$ 15,341</u>	<u>\$ 1,143</u>	<u>\$ 15</u>	<u>\$ 16,499</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income/(loss)	\$ 14,361	\$ (6,497)	\$ (2,757)	\$ 5,107
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	-	2,757	2,757
Changes in assets and liabilities:				
(Increase)/decrease in receivables	24	-	-	24
Increase/(decrease) in accounts payable	(1,416)	-	-	(1,416)
Increase/(decrease) in compensated absences	<u>(7,703)</u>	<u>-</u>	<u>-</u>	<u>(7,703)</u>
Net cash provided/(used) by operating activities	<u>\$ 5,266</u>	<u>\$ (6,497)</u>	<u>\$ -</u>	<u>\$ (1,231)</u>

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

## STATE OF NEW MEXICO

Statement B-4

## TOWN OF SPRINGER

## Schedule of Changes in Assets and Liabilities -

Agency Funds

June 30, 2019

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>ASSETS</b>				
Cash	\$ <u>28,280</u>	\$ <u>4,439</u>	\$ <u>8,350</u>	\$ <u>24,369</u>
Total assets	<u>28,280</u>	<u>4,439</u>	<u>8,350</u>	<u>24,369</u>
<b>LIABILITIES</b>				
Due to bond holders	529	-	529	-
Due to other agencies	<u>27,751</u>	<u>4,439</u>	<u>7,821</u>	<u>24,369</u>
Total liabilities	<u>\$ 28,280</u>	<u>\$ 4,439</u>	<u>\$ 8,350</u>	<u>\$ 24,369</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, 2019

Statement C-1

	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from tenants	\$ 149,283
Cash payments to suppliers for goods and services	(97,889)
Cash payments to employees for services	(202,386)
Net cash provided/(used) by operating activities	(150,992)
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Cash received from intergovernmental sources	153,316
Cash received from miscellaneous sources	
Net change in tenant deposits	50
Net cash provided/(used) by noncapital and related financing activities	153,366
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Cash received from intergovernmental sources	7,000
Acquisition and construction of capital assets	(7,295)
Net cash provided/(used) by capital and related financing activities	(295)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Proceeds from maturities of investments	73,914
Purchase of investments	(60,863)
Investment income	1,596
Net cash provided by investing activities	14,647
Net increase (decrease) in cash	16,726
Cash and cash equivalents, beginning of year	162,585
Cash and cash equivalents, end of year	\$ 179,311
<b>Displayed as:</b>	
Cash	\$ 166,484
Restricted cash	12,827
	\$ 179,311

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, 2019

Statement C-1

	Total
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (206,726)
Adjustments to reconcile operating income/(loss) to net cash provided/(used) by operating activities:	
Depreciation	59,825
Changes in assets and liabilities:	
(Increase) in accounts receivable	(732)
(Increase) in inventories	(1,714)
Decrease in prepaid expenses	16
(Decrease) in accounts payable	(662)
Increase in accrued salaries	162
(Decrease) in accrued payroll liabilities	(30)
(Decrease) in compensated absences	(1,525)
Increase in unearned revenues	394
Total adjustments	55,734
Net cash provided (used) by operating activities	\$ (150,992)

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. Brian S.Colón,  
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 States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business type activities, each major fund, the aggregate remaining fund information, the budgetary comparison of the general fund and major special revenue 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 09, 2019.

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 have not been 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 2019-003 and 2019-004 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 2019-001, 2019-002 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*

Albuquerque, New Mexico  
December 09, 2019



**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**SECTION I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- |   |   |  |
|---|---|--|
| • Material weakness(es) identified?   | <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No |
| • Significant deficiency(ies) identified that are not considered to be material weakness? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> None reported |
| • Noncompliance material to the financial statements noted?                               | <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No |
| • Other noncompliance/other matters?  | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No            |

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS**

**2019-001 DFA Report Incorrect - Repeated (Other Non-Compliance) - (PY Finding 2018-001)**

**Condition:**

The Town has cash balances per the prior audit report that are not reflected on the DFA report.

The Town made 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 prior year audited financial balances were not reflected in the DFA report.

**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:**

Management will ensure the effort of oversight is done on a monthly basis for the review and updating of all financial information and that all financial end of the month procedures are being implemented for close out and balancing.

**Estimated Completion Date:**

June 30, 2020

**Responsible Party:**

Clerk-Treasurer

Office Admin.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - (CONT'D)**

**2019-002 Gross Receipts Taxes not Remitted Correctly - Repeated (Other Non-Compliance) - (PY Finding 2018-004)**

**Condition:**

The Town was assessed \$138 in penalties and interest for a late payment of one CRS 1 report for which payment was not submitted in conjunction with the report.

The Town made 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:**

The Town did submit all the CRS 1 reports on time, but one of the payments was submitted subsequent to the report being timely submitted.

**Effect:**

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

**Recommendation:**

Management should continue to submit all the reports on time and ensure that payments are made in conjunction with the reports.

**Management's Response:**

Current management is ensuring every CRS report is being posted and payments are being submitted with them on a timely basis. This finding has been resolved.

**Estimated Completion Date:**

June 30, 2020

**Responsible Party:**

Clerk-Treasurer

Office Admin.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - (CONT'D)**

**2019-003 Bank Reconciliations - Repeated and Modified (Significant Deficiency) (PY Finding 2018-007)**

**Condition:**

The Town made progress in resolving this finding by implementing a process to have the bank reconciliations reviewed on a monthly basis however during our Testwork it was noted that there was a difference of \$6,562 between the reconciled bank balance from General Checking account of Wells Fargo Bank and the Town's cash balance per the general ledger.

**Criteria:**

Good accounting practices require to properly reconciled cash and investment accounts.

**Cause:**

The unreconciled balance was not corrected and posted to the correct period.

**Effect:**

There is a difference between the bank balance and the general ledger in the amount of \$6,562.

**Recommendation:**

The Town already implement procedures that require all reconciliations to be reviewed by someone other than the person performing the reconciliation function however they need to ensure that any variance noted will be corrected in the period it occurred.

**Management's Response:**

Due to a system error of updating- the cash module affected the balance. The difference is due to Caselle posting Journal Entries in July 2019 that should have been done in June of 2019. This issue is in the Finance Program as the combined Cash Bank Account Reconciliations are balanced every month.

**Estimated Completion Date:**

June 30, 2020

**Responsible Party:**

Clerk-Treasurer  
Office Admin

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - (CONT'D)**

**2019-004 - Travel and Per Diem (Significant Deficiency)**

**Condition:**

During our testing of travel and per diem, we noted that in thirteen instances, the amount of per diem paid out was incorrect. This resulted in a total overpayment of \$774.

**Criteria:**

Section 2.42.2.9C(5) of the Travel and Per Diem regulations states, “*On the last day of travel when overnight lodging is no longer required, partial day reimbursement shall be made. To calculate the number of hours in the partial day, begin with the time the traveler initially departed. Divide the number of hours traveled by 24. The hours remaining constitute the partial day which shall be reimbursed as follows:*

- 1 *For less than 2 hours, none;*
- 2 *For 2 hours, but less than 6 hours, \$12.00;*
- 3 *For 6 hours or more, but less than 12 hours, \$20.00;*
- 4 *For 12 hours or more, \$30.00.*
- 5 *No reimbursement for actual expenses will be granted in lieu of partial day per diem rates.”*

**Cause:**

The Town personnel did not follow state guidelines in regards to per diem rates.

**Effect:**

The Town overpaid for per diem for travel taken during fiscal year 2019.

**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:**

The Deputy Clerk is diligently working to implement an oversight process of mileage and per diem to ensure the correct amounts are being paid and all receipts are collected for actuals. The employee, Deputy Clerk, and Clerk/Mayor all sign each transaction for travel. The process and forms used by the Deputy Clerk has improved the accountability for all travel and has implemented the procedures for correct compliance. The Finance Clerk and Clerk have attended training for the Mileage and Per Diem Act, and is currently implementing the current rates and formulas for both per diem rates as well as actuals. Annually the IRS rate Resolution will be submitted to the Governing Body for consideration of approval.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - (CONT'D)**

**2019-004 - Travel and Per Diem (Significant Deficiency) - (Cont'd)**

**Estimated Completion Date:**

June 30, 2020

**Responsible Party:**

Deputy Clerk and the Clerk Treasurer

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

<b>FINDING</b>	<b>PRIOR YEAR AUDIT FINDINGS</b>	<b>STATUS</b>
2018-001	DFA Report Incorrect - (Other Non-Compliance)	Repeated
2018-002	Water Meter Deposits - (Other Non-Compliance)	Resolved
2018-003	Court Reports Prepared and Submitted Late - (Other Non-Compliance)	Resolved
2018-004	Gross Receipts Taxes not Remitted Correctly - (Other Non-Compliance)	Repeated
2018-005	Tax Exempt Entities Unclear - (Other Non-Compliance)	Resolved
2018 -006	Journal Entries - (Significant Deficiency)	Resolved
2018- 007	Bank reconciliations - (Significant Deficiency)	Repeated and Modified
2018-008	Internal Control over Cash Disbursement - (Significant Deficiency)	Resolved
2018-009	Preparation of Accounts Payable - (Significant Deficiency)	Resolved
2018-010	Improper Mileage Reimbursement - (Significant Deficiency)	Resolved

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**COMPONENT UNIT AUDIT FINDINGS**

**FINANCIAL STATEMENT FINDINGS**

*Item 2018-002 – Tenant Files (Other Non-Compliance)*

**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:

- Six instances where the applicant did not fill out the Community Service/Self Sufficiency Policy.
  - Three instances where the property had not been inspected during the fiscal year.
  - One instances where the property had been inspected during the fiscal year, but not countersigned by the tenant.
- Six instances where the Release of Information/Federal Privacy form was not signed by a tenant.

This is a repeated audit finding from the prior year. During the current year, the Authority did not make any significant improvements to resolve these issues.

**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, 2019**

**COMPONENT UNIT AUDIT FINDINGS - CONTINUED**

**FINANCIAL STATEMENT FINDINGS - CONTINUED**

*Item 2018-002 – Tenant Files - Continued*

**View 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 our out of date, and will take appropriate steps to complete tenant files.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**COMPONENT UNIT AUDIT FINDINGS - CONTINUED**

**FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Status of Prior Year Findings**

*Item 2018-001 – Other Non-Compliance – FY2016-2017 Audit Report Discussion* - In the prior year's audit report, it was noted that the auditors were not present to present the FY 2016-2017 audit report to the Board of Commissioners during a public meeting. During the current year, the auditors presented the FY 2017-2018 audit report to the Board of Commissioners during a public meeting. The audit finding has been resolved.

*Item 2018-002 – Other Non-Compliance – Tenant Files* – In the prior year's audit report, it was discovered that the Authority failed to comply with HUD requirements for tenant files. During the current year, the Authority failed to make any improvements in respect to the tenant files. The audit finding has not been resolved and is repeated.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
FINANCIAL STATEMENT PREPARATION AND EXIT CONFERENCE  
JUNE 30, 2019**

**FINANCIAL STATEMENT PREPARATION**

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2019 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 December 06, 2019, and attended by the following people:

**Town of Springer Officials**

Rebecca Ramirez, Trustee  
Samuel Blea, Deputy Clerk  
Sarah Arias, Clerk

**Harshwal & Company LLP**

Mariem Tall, Audit Manager  
Albert Hwu, CPA Senior Auditor