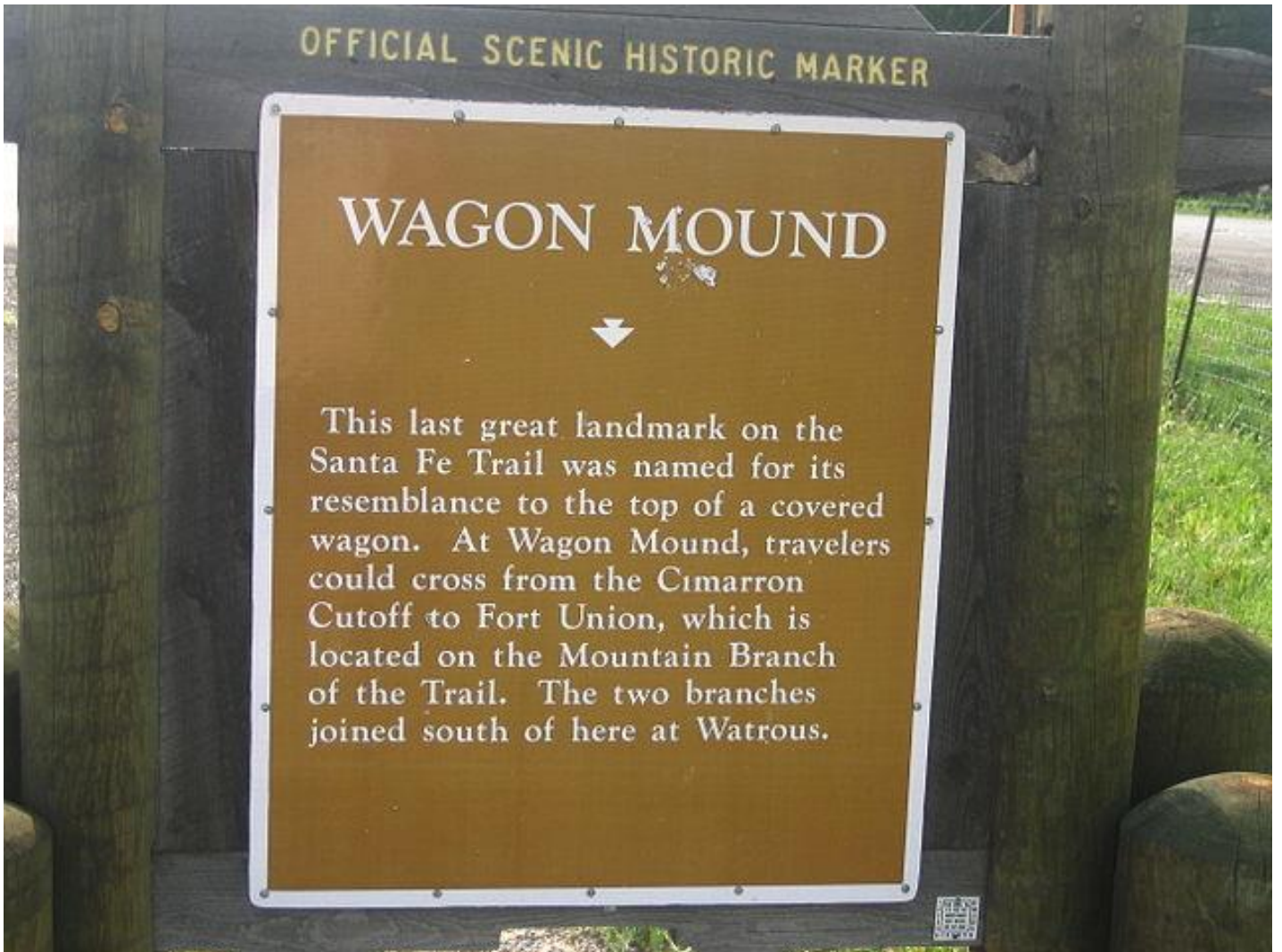


**STATE OF NEW MEXICO VILLAGE OF
WAGON MOUND**

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018



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Village of Wagon Mound
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**STATE OF NEW MEXICO
Village of Wagon Mound
Official Roster
June 30, 2018**

VILLAGE COUNCIL

Laudente T. Quintana.....Mayor
Andres MartinezMayor Pro Tem
Paul A, MieraCouncilor
Adrian A. ClouthierCouncilor
Timothy CruzCouncilor

VILLAGE OFFICIALS

Nora Sanchez.....Clerk/Treasurer
Colleen Engelhart.....Deputy Clerk

FINANCIAL SECTION



Auditors~Consultants~CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico
and

To the Honorable Mayor and Board of Trustees
Village of Wagon Mound
Wagon Mound, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of the Village of Wagon Mound (the Village), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Village's basic financial statements as listed in the table of contents.

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 responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Village of Wagon Mound Public Housing Authority (the Authority), a component unit of the Village which represents 100 percent of the balances and activity reported for the discretely presented component unit. Those 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 Authority, is based solely on the report of the other auditors. 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 Governmental 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, and accordingly, no such opinion is expressed.

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

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

Opinion

In our opinion, based on our audit and the 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, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of the Village, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require Schedules I, Schedule II and the Notes to the Schedule of Required Supplementary Information on pages 54-56, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on financial statements that collectively comprise the Village's basic financial statements. The Supporting Schedules III and IV required by Section 2.2.2 NMAC and Schedule V, required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Supporting Schedule V, required by the U.S. Department of Housing and Urban Development, is the responsibility of management and was furnished to us by other auditors and our opinion, insofar as it relates to Schedule V, is based solely on the report of the other auditors. Based on the report supplied to us from other auditors Schedule V was derived from and relates directly to the underlying accounting and other records used by the other auditors to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied by the other auditors in their audit of the Authority's basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In the opinion of the other auditors, Schedule V, required by the U.S. Department of Housing and Urban Development, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2018 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Village's internal control over financial reporting and compliance.

Southwest Accounting Solutions, LLC

Southwest Accounting Solutions, LLC
Albuquerque, New Mexico
December 7, 2018

BASIC FINANCIAL STATEMENTS

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STATE OF NEW MEXICO
Village of Wagon Mound
Statement of Net Position
June 30, 2018

Exhibit A-1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit Activities</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 486,473	\$ 243,271	\$ 729,744	\$ 39,373
Investment In land held for sale	-	-	-	-
Restricted cash	-	9,029	9,029	5,270
Property taxes receivable	2,625	-	2,625	-
Gross receipt taxes receivable	15,747	-	15,747	-
Other receivables	131,434	-	131,434	-
Prepaid Insurance	-	-	-	2,485
Inventory	-	-	-	6,111
Customer receivables	-	20,333	20,333	5,907
Total current assets	<u>636,279</u>	<u>272,633</u>	<u>908,912</u>	<u>59,146</u>
Noncurrent assets				
Capital assets	5,597,241	3,424,984	9,022,225	971,385
Less: Accumulated Depreciation	(2,485,699)	(1,988,468)	(4,474,167)	(841,136)
Total noncurrent assets	<u>3,111,542</u>	<u>1,436,516</u>	<u>4,548,058</u>	<u>130,249</u>
Deferred outflows of resources				
Deferred outflows of resources related to pension	32,651	20,885	53,536	-
Total deferred outflows of resources	<u>32,651</u>	<u>20,885</u>	<u>53,536</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 3,780,472</u>	<u>\$ 1,730,034</u>	<u>\$ 5,510,506</u>	<u>\$ 189,395</u>
Liabilities				
Current Liabilities				
Accounts payable	\$ 19,489	\$ 4,337	\$ 23,826	\$ 3,323
Accrued salaries and benefits	4,332	3,967	8,299	1,285
Compensated absences	1,996	2,083	4,079	2,326
Notes payable	22,496	5,125	27,621	-
Total current liabilities	<u>48,313</u>	<u>15,512</u>	<u>63,825</u>	<u>6,934</u>
Noncurrent liabilities				
Customer deposits	-	7,936	7,936	4,164
Notes payable	119,305	61,504	180,809	-
Compensated absences	2,870	1,946	4,816	-
Net pension liability	85,743	57,161	142,904	-
Total noncurrent liabilities	<u>207,918</u>	<u>128,547</u>	<u>336,465</u>	<u>4,164</u>
Total Liabilities	<u>256,231</u>	<u>144,059</u>	<u>400,290</u>	<u>11,098</u>
Deferred inflows of resources				
Deferred inflows of resources related to pension	6,814	3,051	9,865	-
Unearned Revenues	-	-	-	88
Total deferred inflows of resources	<u>6,814</u>	<u>3,051</u>	<u>9,865</u>	<u>88</u>
Net Position				
Net investment in capital assets	3,111,542	1,436,516	4,548,058	130,249
Restricted for:				
Special revenue	279,926	-	279,926	-
Unrestricted	125,959	146,408	272,367	47,960
Total Net Position	<u>3,517,427</u>	<u>1,582,924</u>	<u>5,100,351</u>	<u>178,209</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,780,472</u>	<u>\$ 1,730,034</u>	<u>\$ 5,510,506</u>	<u>\$ 189,395</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Village of Wagon Mound
Statement of Activities
For the Year Ended June 30, 2018

<u>Functions and Programs</u>	<u>Program Revenues</u>			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$300,537	\$ 20,983	\$ 129,678	\$ -
Public safety	51,851	-	134,026	-
Public Works	-	-	-	299,264
Interest on long-term debt	3,504	-	-	-
Total Governmental Activities	355,892	20,983	263,704	299,264
Business-Type Activities				
Joint Utility	301,842	210,628	-	-
Total Business-Type Activities	301,842	210,628	-	-
Total primary government	\$657,734	\$ 231,611	\$ 263,704	\$ 299,264
Component Unit	\$110,421	\$ 38,990	\$ 67,758	\$ 51,316
General Revenues:				
Taxes:				
Property taxes levied for general purpose				
Gross receipt taxes				
Gas tax				
Interest income				
Miscellaneous income				
Transfers				
Subtotal, General Revenues				
Change in Net Position				
Net Position - beginning				
Net position - ending				

See Independent Auditors' Report and Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Government Activities	Business- Type Activities	Total	Housing Authority
\$ (149,876)	\$ -	\$ (149,876)	\$ -
82,175	-	82,175	-
299,264	-	299,264	-
(3,504)	-	(3,504)	-
<u>228,059</u>	<u>-</u>	<u>228,059</u>	<u>-</u>
-	(91,214)	(91,214)	-
-	(91,214)	(91,214)	-
<u>228,059</u>	<u>(91,214)</u>	<u>136,845</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>29,671</u>
30,282	-	30,282	-
32,807	-	32,807	-
33,540	-	33,540	-
15	-	15	42
972	-	972	114
-	-	-	-
<u>97,616</u>	<u>-</u>	<u>97,616</u>	<u>156</u>
325,675	(91,214)	234,461	29,827
<u>3,191,752</u>	<u>1,674,138</u>	<u>4,865,890</u>	<u>148,382</u>
<u>\$ 3,517,427</u>	<u>\$ 1,582,924</u>	<u>\$ 5,100,351</u>	<u>\$ 178,209</u>

STATE OF NEW MEXICO
Village of Wagon Mound
Balance Sheet
Governmental Funds
June 30, 2018

Exhibit B-1
Page 1 of 2

	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Law Enforcement</u>	<u>Capital Projects</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 224,133	\$ 238,693	\$ 23,647	\$ -	\$ 486,473
Gross receipt taxes receivable	15,747	-	-	-	15,747
Other receivables	2,625	-	-	131,434	134,059
Due from other funds	132,105	-	-	-	132,105
Total assets	<u>\$ 374,610</u>	<u>\$ 238,693</u>	<u>\$ 23,647</u>	<u>\$ 131,434</u>	<u>\$ 768,384</u>
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 8,894	\$ 1,311	\$ -	\$ 9,284	\$ 19,489
Accrued salaries and benefits	4,332	-	-	-	4,332
Due to other funds	-	-	-	\$ 132,105	132,105
Total liabilities	<u>13,226</u>	<u>1,311</u>	<u>-</u>	<u>141,389</u>	<u>155,926</u>
Fund balance					
Restricted for:					
Special revenue	-	237,382	23,647	-	261,029
Minimum Fund Balance	18,897	-	-	-	18,897
Unassigned	342,487	-	-	(9,955)	332,532
Total fund balance	<u>361,384</u>	<u>237,382</u>	<u>23,647</u>	<u>(9,955)</u>	<u>612,458</u>
Total liabilities and fund balance	<u>\$ 374,610</u>	<u>\$ 238,693</u>	<u>\$ 23,647</u>	<u>\$ 131,434</u>	<u>\$ 768,384</u>

STATE OF NEW MEXICO
Village of Wagon Mound
Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position
June 30, 2018

Exhibit B-1
Page 2 of 2

Total Fund Balance - Governmental Funds \$ 612,458

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

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

Capital Assets	5,597,241
Less: Accumulated Depreciation	(2,485,699)

Deferred outflows and inflows relating to pension liabilities are not payable / collectable in the current period and therefore are not reported in the fund financial statements.

Deferred Outflows	32,651
Deferred Inflows	(6,814)

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:

Accrued compensated absences	(4,866)
Notes payable	(141,801)
Net pension liability	(85,743)
	(232,410)

Total net position of governmental activities \$ 3,517,427

STATE OF NEW MEXICO
Village of Wagon Mound
Statement of Revenues, Expenses, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

Exhibit B-2
Page 1 of 2

	<u>General Fund</u>	<u>Fire protection Fund</u>	<u>Law Enforcement</u>	<u>Capital projects</u>	<u>Total</u>
Revenues					
Property taxes	\$ 30,282	\$ -	\$ -	\$ -	\$ 30,282
Gross receipt taxes	32,807	-	-	-	32,807
Gas tax	33,540	-	-	-	33,540
Charges for services	20,983	-	-	-	20,983
State operating grants	129,678	114,026	20,000	-	263,704
State capital grants	20,235	-	-	279,029	299,264
Miscellaneous income	972	-	-	-	972
Interest income	15	-	-	-	15
Total Revenues	<u>268,512</u>	<u>114,026</u>	<u>20,000</u>	<u>279,029</u>	<u>681,567</u>
Expenditures					
Current:					
General government	226,759	-	-	-	226,759
Public safety	-	39,122	-	-	39,122
Capital outlay	-	-	-	308,894	308,894
Debt service:					
Principal	-	22,196	-	-	22,196
Interest	-	3,504	-	-	3,504
Total expenditures	<u>226,759</u>	<u>64,822</u>	<u>-</u>	<u>308,894</u>	<u>600,475</u>
Excess (deficiency) of revenues over expenditures	<u>41,753</u>	<u>49,204</u>	<u>20,000</u>	<u>(29,865)</u>	<u>81,092</u>
Other financing sources (uses)					
Transfers in	-	-	-	19,910	19,910
Transfers out	(19,910)	-	-	-	(19,910)
Total other financing sources (uses)	<u>(19,910)</u>	<u>-</u>	<u>-</u>	<u>19,910</u>	<u>-</u>
Net change in fund balance	21,843	49,204	20,000	(9,955)	81,092
Fund balance-Beginning of Year	339,541	188,178	3,647	-	531,366
Fund balance - end of year	<u>\$ 361,384</u>	<u>\$ 237,382</u>	<u>\$ 23,647</u>	<u>\$ (9,955)</u>	<u>\$ 612,458</u>

STATE OF NEW MEXICO
Village of Wagon Mound
Reconciliation of the Statement or Revenues, Expenses and Changes in Fund
Balances - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Exhibit B-2
Page 2 of 2

Net Change in Fund Balance - Governmental Funds **\$ 81,092**

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures recorded in capital outlay	308,894
Depreciation expense	(75,239)

Expenses reported in the statement of activities that do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Change in pension liability	(11,040)
-----------------------------	----------

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Increase in accrued compensated absences	(228)
Principal payments on bonds and loans payable	22,196
	22,196

Change in Net Position of Governmental Activities **\$325,675**

**STATE OF NEW MEXICO
Village of Wagon Mound
General Fund**

Exhibit C-1

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to actual</u>
Revenues				
Taxes:				
Property taxes	\$ 27,000	\$ 32,000	\$ 30,537	\$ (1,463)
Gross receipts	45,000	45,000	43,997	(1,003)
Other	30,150	30,150	972	(29,178)
Franchise tax	31,000	31,000	30,679	(321)
Intergovernmental income:				
State operating grants	130,000	130,000	129,678	(322)
State capital grants	-	-	20,235	20,235
Charges for services	5,000	5,000	20,983	15,983
Licenses and fees	800	800	-	(800)
Interest income (loss)	800	800	15	(785)
Miscellaneous	-	-	-	-
Total revenue	<u>269,750</u>	<u>274,750</u>	<u>277,096</u>	<u>2,346</u>
Expenditures				
Current				
General government	213,847	236,447	228,800	7,647
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>213,847</u>	<u>236,447</u>	<u>228,800</u>	<u>7,647</u>
Excess (deficiency) of revenues over expenditures	<u>55,903</u>	<u>38,303</u>	<u>48,296</u>	<u>9,993</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	(55,903)	(38,303)	-	-
Transfers in	-	-	-	-
Transfers out	(20,000)	(20,000)	(19,910)	90
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(19,910)</u>	<u>90</u>
Net Change in fund balance	35,903	18,303	28,386	10,083
Fund balance - beginning of year			<u>339,541</u>	
Fund balance - end of year			<u>\$ 367,927</u>	
Net change in fund balance (non-GAAP budgetary basis)			<u>28,386</u>	
Adjustments to revenue for taxes receivable			(8,762)	
Adjustment to expenditures for accounts payable			2,219	
Net Change in fund balance (GAAP basis)			<u>\$ 21,843</u>	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Village of Wagon Mound
Fire Protection

Exhibit C-2

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
				<u>Final to actual</u>
Revenues				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	109,000	109,000	113,983	4,983
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	<u>109,000</u>	<u>109,000</u>	<u>113,983</u>	<u>4,983</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	80,000	80,000	39,273	40,727
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	21,815	21,815	22,196	(381)
Interest	3,886	3,886	3,504	382
Total expenditures	<u>105,701</u>	<u>105,701</u>	<u>64,973</u>	<u>40,728</u>
Excess (deficiency) of revenues over expenditures	<u>3,299</u>	<u>3,299</u>	<u>49,010</u>	<u>45,711</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	(3,299)	(3,299)		
Transfers in	-	-	-	-
Transfers out	(25,700)	(25,701)	-	-
Total other financing sources (uses)	<u>(25,700)</u>	<u>(25,701)</u>	<u>-</u>	<u>-</u>
Net Change in fund balance	(22,401)	(22,402)	49,010	71,412
Fund balance - beginning of year			<u>188,178</u>	
Fund balance - end of year			<u>\$ 237,188</u>	
Net change in fund balance (non-GAAP budgetary basis)			<u>49,010</u>	
Adjustments to revenue			43	
Adjustment to expenditures			<u>151</u>	
Net Change in fund balance (GAAP basis)			<u>\$ 49,204</u>	

See Independent Auditors' Report and Notes to Financial Statements

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**STATE OF NEW MEXICO
Village of Wagon Mound
Law Enforcement**

Exhibit C-3

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
				<u>Final to actual</u>
Revenues				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	20,000	20,000	20,000	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	23,647	23,647	-	23,647
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>23,647</u>	<u>23,647</u>	<u>-</u>	<u>23,647</u>
Excess (deficiency) of revenues over expenditures	<u>(3,647)</u>	<u>(3,647)</u>	<u>20,000</u>	<u>23,647</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	3,647	3,647		
Transfers in	-	-	-	-
Transfers out	(4,475)	(4,475)	-	-
Total other financing sources (uses)	<u>(4,475)</u>	<u>(4,475)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	20,000	20,000
Fund balance - beginning of year			3,647	
Fund balance - end of year			<u>\$ 23,647</u>	
Net change in fund balance (non-GAAP budgetary basis)			<u>20,000</u>	
Adjustments to revenue			-	
Adjustment to expenditures			-	
Net Change in fund balance (GAAP basis)			<u>\$ 20,000</u>	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Village of Wagon Mound
Statement of Net Position
Proprietary Funds
June 30, 2018

Exhibit D-1

	<u>Joint Utility</u>
Assets	
Cash and cash equivalents	\$ 243,271
Restricted cash	9,029
Accounts receivable	20,333
Total current assets	<u>272,633</u>
Noncurrent assets	
Capital assets	3,424,984
Less: accumulated depreciation	(1,988,468)
Total noncurrent assets	<u>1,436,516</u>
Deferred outflows of resources	
Deferred outflows of resources related to pension	20,885
Total deferred outflows	<u>20,885</u>
Total assets, and deferred outflows of resources	<u>\$ 1,730,034</u>
Liabilities	
Accounts payable	\$ 4,337
Accrued salaries and benefits	3,967
Compensated absences	2,083
Notes payable	5,125
Total current liabilities	<u>15,512</u>
Noncurrent liabilities	
Customer deposits	7,936
Notes payable	61,504
Compensated absences	1,946
Pension liability	57,161
Total noncurrent liabilities	<u>128,547</u>
Deferred inflows of resources	
Deferred inflows of resources related to pension	3,051
Total deferred inflows of resources	<u>3,051</u>
Net position	
Net investment in capital asset	1,436,516
Unrestricted	146,408
Total net position	<u>1,582,924</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,730,034</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Village of Wagon Mound

Exhibit D-2

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	<u>Joint Utility</u>
Operating revenues:	
Charges for services	\$ 210,628
Total operating revenues	<u>210,628</u>
Operating expenses:	
Depreciation and amortization	96,403
Personnel services	113,191
Utilities	7,487
Miscellaneous	84,761
Total operating expense	<u>301,842</u>
Operating income (loss)	<u>(91,214)</u>
Change in Net Position	(91,214)
Net Position - beginning of the year	<u>1,674,138</u>
Net Position - end of the year	<u><u>\$ 1,582,924</u></u>

See Independent Auditors' Report and Notes to Financial Statements

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STATE OF NEW MEXICO
Village of Wagon Mound
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

Exhibit D-3

	Joint Utility
Cash flow from operating activities	
Cash received from customers	\$ 210,538
Cash payments to employees for services	(105,048)
Cash payments to suppliers for goods and services	(92,555)
Net cash provided buy operating activities	12,935
Cash Flows from capital and related financing activities:	
Principal payments	(5,125)
Net cash provided (used) by capital and related financing activities	(5,125)
Net increase (decrease) in cash and cash equivalents	7,810
Cash & cash equivalents - beginning of year	244,490
Cash & cash equivalents - end of year	\$ 252,300
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (91,214)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Pension expense	7,359
Depreciation	96,403
Changes in assets & liabilities:	
Receivables	(567)
Accounts payable	(307)
Accrued salaries and benefits	1,362
Compensated absences	(578)
Customer deposits	477
Net cash provided (used) by operating activities	\$ 12,935

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1. Summary of Significant Accounting Policies

The Village of Wagon Mound (Village) was incorporated in 1918. The Village operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire); highways and streets; water and sewer services; refuse collection; health and social services; culture-recreation; public improvements; planning and zoning; and general administrative services.

The Village is a body politic and corporate under the name and form of government selected by its qualified electors. The Village may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have a common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the Village is presented to assist in the understanding of the Village's financial statements. The financial statements and notes are the representation of the Village's management, who are responsible for their integrity and objectivity.

The financial statements of the Village have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Village's accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, though legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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. 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 Village has one discretely presented component unit.

Village of Wagon Mound Housing Authority (Authority) has been determined to be a component unit of the Village that should be discretely presented in the Village's financial statements pursuant to the criteria described above. The Authority has issued their own separately stated financial statements. Additional information regarding the Authority may be obtained from their administrative office as follows: Wagon Mound Housing Authority, 710 Catron Ave, Wagon Mound, NM 87752.

B. Government-wide and fund financial statements

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

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The Village's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

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 proprietary 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 funds. 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 levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies imposed by the provider are 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. 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. 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Village's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of Village facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Under the requirements of GASB Statement No. 34, the Village is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following, which includes funds that were not required to be presented as major but were at the discretion of management:

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. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Village except for items included in other funds.

The Fire Protection Fund is used to account for the operation and maintenance of the Fire Department. Financing provided by a specific allotment from the State Fire Marshall's Office. Authority is NMSA 59A-53-1.

Law Enforcement Protection Fund accounts for funds allotted by the Law Enforcement Protection Fund. Authority Section 29-13-5, NMSA 1978.

The Village reports the following major enterprise funds:

The Joint Utility accounts for the provision of sewer, water, and solid waste services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund including administration, operations, billing, and maintenance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The Village reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Village does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Cash and Cash Equivalents: The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Village to invest in certificates of deposit, interest-bearing savings accounts, bonds or other obligations of the U.S. Government, which is guaranteed as to principal and interest by the U.S. government and the State Treasurer's Investment Pool.

Receivables and Payables: Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days of year end.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied. Property taxes are considered 100% collectible. The allowance for doubtful accounts for customer receivables is calculated based on the aging of the customer accounts receivable and the Village's historical experience with these receivables.

Inventories in the Housing Authority are recorded at the lower of cost or market on a FIFO basis, and consist of operating supplies held for use in operations and expenditures are incurred when inventories are consumed rather than when purchased.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Property taxes are levied on November 1st based on the assessed value of property as listed on the previous January 1st and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the Village may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements.

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. State law sets a capitalization threshold of \$5,000 for acquisitions of property and equipment (12-10-10 NMSA 1978). 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1980) are included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation. Information technology equipment, including software, is being capitalized in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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. No interest was included as part of the cost of capital assets under construction.

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

<u>Asset</u>	<u>Years</u>
Buildings and Infrastructure	40
Equipment	5-20

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Accrued Expenses: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2018, along with the applicable PERA and Retiree Health Care (RHCA).

Deferred Outflows of Resources Related to Pension: In addition to assets, the Statement of Net Position 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 Village recognized deferred outflows of resources presented on the Statement of Net Position which arise due to the implementation of GASB Statement No. 68 and the related net pension liability in the amount of \$53,536. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become due.

Deferred Inflows of Resources Related to Pension: In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element 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 (measureable 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 liability for deferred inflows of resources. The Village recognized deferred inflows of resources presented on the Statement of Net Position which arise due to the implementation of GASB Statement No. 68 and the related net pension liability in the amount of \$9,865. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions: The Government wide financial statements and proprietary type funds report deferred outflows and deferred inflows for purposes of measuring the net pension liability. Deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, 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.

Compensated Absences: Qualified employees are entitled to accumulate annual leave based on their employment classification and length of employment. The Village allows employees to accumulate unused sick leave up to a maximum of 240 hours. The Village does not allow for any sick leave to be converted to cash payouts. No employee receives a cash payout of their unused sick leave upon termination.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. 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.

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Net Investment in Capital Assets - Net investment in capital assets consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “investment in capital assets, net of related debt.”

Fund Balance: During 2009, GASB adopted Statement No. 54 to clarify the fund balance reporting guidelines of GASB 54. The fund balance reporting established by GASB 54 must be followed by all five of the governmental-type funds used by state and local governments. Based on the requirements of GASB 54, the total fund balance can be conceptually separated into two primary components: 1) Non-spendable fund balance and 2) Spendable fund balance. Fund balance is reported in these five classifications:

Non-spendable – the non-spendable balance includes amounts that cannot be spent because they are not in spendable form or legally, 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.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

Committed – This fund balance amount has spending limitations that are constrained by the government’s highest level of decision-making authority.

At June 30, 2018, the Village has presented restricted fund balances on the governmental funds balance sheet in the amount of \$279,926 for various Village operations as restricted by minimum fund balance in the general fund and enabling legislation in special revenue funds, debt service and for capital projects. The details of these fund balance items are located on the governmental funds balance sheet as detailed on page 16.

Assigned – The assigned fund balance classification is intended to be used for specific purposes such as special revenue funds, capital project funds, debt service funds, and permanent funds.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amount not contained in 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 had been restricted, committed or assigned.

The Village applies restricted resources first when outlays 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.

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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. Significant estimates in the Village’s financial statements consist of depreciation estimated useful lives of capital assets and the allowance for doubtful accounts of the Joint Utility.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets of the Village are prepared prior to June 1 and must be approved by resolution of the Village Councilors, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Village Councilors and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total as the legal level of budgetary control is at the fund level.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The Village is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The Village Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

The accompanying Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2018 is presented as part of the budgetary statements.

NOTE 3. Cash and Cash Equivalents

State statutes authorize the investment of Village funds in a wide variety of instruments including certificates of deposit and other similar obligations, the state investment pool, money market accounts, and United States Government obligations. The Village is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2018.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Village. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 3. Cash and Cash Equivalents (continued)

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.

Excess of funds may be temporarily invested in securities which 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.

All of the Village's accounts at an insured depository institution, including time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978) that require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued to the Village for at least one half the amount in excess of FDIC coverage on deposit with the institution.

At June 30, 2018, \$457,671 of the Village's bank balance of \$757,145 was exposed to custodial credit risk. \$277,119 of the Villages cash deposits were uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Village's name, and \$180,552 of the funds were uninsured and uncollateralized at June 30, 2018.

	Wells Fargo- Demand Deposits	Wells Fargo- Time Deposits	Total
Deposits	\$ 707,671	\$ 49,474	\$ 757,145
Less: FDIC Coverage	(250,000)	(49,474)	(299,474)
Total uninsured public funds	<u>457,671</u>	<u>-</u>	<u>457,671</u>
Collateralized by securities held by pledging institutions or by its trust department or agent other than the Village's name	<u>277,119</u>	<u>-</u>	<u>277,119</u>
Uninsured and uncollateralized	<u>180,552</u>	<u>-</u>	<u>180,552</u>
Collateral requirements (50% of uninsured funds)	228,836	-	228,836
Pledged Collateral	<u>277,119</u>	<u>-</u>	<u>277,119</u>
Over (under) collateralized	<u>\$ 48,284</u>	<u>\$ -</u>	<u>\$ 48,284</u>

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 3. Cash and Cash Equivalents (continued)

The Carrying Amount of deposits and investments shown above are included in the Village's Statement of Net position as follows:

Cash and cash equivalents - Governmental Activities Exhibit A-1	\$	486,473
Cash and cash equivalents - Business-type Activities Exhibit D-1		243,271
Restricted cash - Business-type Activities Exhibit A-1		9,029
		9,029
Total cash and cash equivalents	\$	738,773
Add: outstanding checks		18,836
Less: outstanding deposits		(464)
		757,145
Bank balance of deposits	\$	757,145

NOTE 4. Receivables

Receivables as of June 30, 2018, are as follows:

	Governmental Funds	Proprietary Funds	Total
Property taxes	\$ 2,625	\$ -	\$ 2,625
Gross receipts taxes	15,747	-	15,747
Grants recieveable	131,434	-	131,434
Customer recieveablels	-	20,333	20,333
		20,333	20,333
Total Receivables, Net	\$ 149,806	\$ 20,333	\$ 170,139

The above governmental receivables are deemed 100% collectible. In accordance with GASB 33, property tax revenues receivables not collected within the period of availability was determined to be immaterial to the financial statements and was not reclassified as deferred inflow of resources in the governmental fund financial statements. The Village accrued an allowance for doubtful account in the Joint Utility in the amount of \$549.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 5. Interfund Receivables, Payables and Transfers

The composition of interfund receivables and payables to enable the funds to operate until grant monies are available as of June 30, 2018 was as follows:

Due to	Due From	Amount
General Fund	Capital Projects	\$ 132,105

Net operating transfers were made during the year for supplementing other funding in the normal course of operations. These transfers were as follows:

Transfers From	Transfers To	Amount
General	Capital Projects	\$ 19,910

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows: (Land is not subject to depreciation.)

Governmental Activities:	Balance June 30, 2017	Additions	Balance June 30, 2018
Capital assets not being depreciated:			
Art	\$ 16,000	\$ -	\$ 16,000
Construction in progress	984,812	308,894	1,293,706
Land	575,084	-	575,084
Total capital assets, not depreciated	1,575,896	308,894	1,884,790
Capital assets depreciated:			
Buildings and Infrastructure	2,855,856	-	2,855,856
Equipment	856,595	-	856,595
Total capital assets, depreciated	3,712,451	-	3,712,451
Less accumulated depreciation:			
Buildings	1,935,699	50,778	1,986,477
Equipment	474,761	24,461	499,222
Total accumulated depreciation	2,410,460	75,239	2,485,699
Capital Assets, Net	\$ 2,877,887		\$ 3,111,542

There were no deletions of capital assets in the fiscal year 2018. Depreciation expense for the year ended June 30, 2018 was charged to governmental activities as follows:

General Government	\$ 64,168
Public Safety	11,071
Total depreciation expense, governmental activities	\$ 75,239

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 6. Capital Assets (continued)

A summary of capital assets and changes occurring during the year ended June 30, 2018 in the business Funds is as follows:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Balance June 30, 2018</u>
Capital assets depreciated:			
Buildings and infrastructure	3,056,869	-	3,056,869
Equipment	368,115	-	368,115
Total capital assets, depreciated	<u>3,424,984</u>	<u>-</u>	<u>3,424,984</u>
Less accumulated depreciation:			
Buildings	1,569,379	68,422	1,637,801
Equipment	322,686	27,981	350,667
Total accumulated depreciation	<u>1,892,065</u>	<u>96,403</u>	<u>1,988,468</u>
Capital Assets, Net	<u>\$ 1,532,919</u>		<u>\$ 1,436,516</u>

NOTE 7. Long-term Debt

Governmental Activities

During the year ended June 30, 2018 the following changes occurred in the long term debt reported in the Government-Wide Statement of Net Position:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
NMFA Loans	\$ 163,997	\$ -	\$ 22,196	\$ 141,801	\$ 22,496
Compensated Absences	4,638	3,229	3,001	4,866	1,996
Total Long Term Debt	<u>\$ 168,635</u>	<u>\$ 3,229</u>	<u>\$ 25,197</u>	<u>\$ 146,667</u>	<u>\$ 24,492</u>

On November 1, 2014 the Village entered into a loan agreement with the New Mexico Finance Authority for the purchase of a fire pumper truck. The original amount of the loan was \$226,701, with a term of ten years. Interest on the loan varies from .37% - 2.79%. The Village pledged revenues from the Fire Protection Fund distributions made annually to the Village by the State Fire Marshall to pay the annual principal payments and the semi-annual interest payments on this loan, until paid off at maturity in May 2024. The amount of the pledged revenues for the remaining amount of the loans principal and interest as of June 30, 2018 is \$160,338. This revenue is subject to an intercept agreement. In fiscal year ending June 30, 2018, \$25,700 of For Fire Protection Fund revenues were used for the current year debt service.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 7. Long-term Debt (continued)

Governmental Activities (continued)

The annual requirement to amortize the outstanding loan as of June 30, 2018 including interest payments for Governmental Activities is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 22,496	\$ 3,502	\$ 25,998
2020	22,863	3,353	26,216
2021	23,300	3,204	26,504
2022	23,803	3,021	26,824
2023	24,360	2,838	27,198
2024	24,979	2,619	27,598
	<u>\$ 141,801</u>	<u>\$ 18,537</u>	<u>\$ 160,338</u>

Business-Type Activities

Notes payables for the Business-Type Activities as of June 30, 2018 are comprised of the following:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
NMED Clean Water Loan	\$ 71,754	\$ -	\$ 5,125	\$ 66,629	\$ 5,125
Compensated Absences	4,607	1,607	2,185	4,029	2,083
Total Long Term Debt	<u>\$ 76,361</u>	<u>\$ 1,607</u>	<u>\$ 7,310</u>	<u>\$ 70,658</u>	<u>\$ 7,208</u>

On April 25, 2012 the Village entered into a loan agreement with the New Mexico Environment Department for the purchase of making improvements to the Villages Joint Utility. The original amount of the loan was \$102,506, with a term of twenty years. The loan is a 0% interest loan and the Village did not impute interest due to the amount being immaterial to the financial statements. The Village pledged revenues from the Joint Utility to pay the annual principal payments on this loan, until paid off at maturity in April 2031. The amount of the pledged revenues was for the total amount of the loans principal in the amount of \$66,629.

The annual requirement to amortize the outstanding loan as of June 30, 2018 including interest payments for Business-Type Activities is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 5,125	\$ -	\$ 5,125
2020	5,125	-	5,125
2021	5,125	-	5,125
2022	5,125		
2023	5,125		
2024-2028	25,626	-	25,626
2029-2031	15,378	-	25,626
Total	<u>\$ 66,629</u>	<u>\$ -</u>	<u>\$ 66,629</u>

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 8. Risk Management

The Village is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The Village participates in the New Mexico Self-Insurers' Fund risk pool.

The Village has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Village which exceeds the insurance coverage, the Village would not be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued.

As of June 30, 2018, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. New Mexico Self-Insurers' Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 9. Pension Plan- Public Employees Retirement Association

General Information about the Pension Plan

Plan description:

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

Benefits provided

For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2017 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2017.pdf.

Contributions

The contribution requirements of defined benefit plan members and the Village are established by state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for fiscal year 2017 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures of the PERA fiscal year 2017 annual audit report at: http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2017.pdf.

The PERA coverage options that apply to the Village are: Municipal General. The Municipal Police and The Municipal Fire Division do not apply to the Village. Statutorily required contributions to the pension plan from the Village were \$10,493 for the year ended June 30, 2018. The Village did not pick up any portion of the employees contributions.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

Contributions. In addition See PERA's comprehensive annual financial report for contributions provided descriptions.

PERA Contribution Rates and Pension Factors as of July 1, 2017						
Coverage Plan	Employee Contribution		Employer Contribution Percentage	Pension Factor per		Pension Maximum as a Percentage of the Final
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

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

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

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

For PERA Fund Division Municipal General, at June 30, 2018, the Village reported a liability of \$142,904 for its proportionate share of the net pension liability. At June 30, 2018, the Village's proportion was .0104 percent, which was changed slightly from its proportion measured as of June 30, 2017.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

For the year ended June 30, 2018, the Village recognized PERA Fund Division Municipal General Pension expense of \$18,399. At June 30, 2018, the Village reported PERA Fund Division Municipal 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>
Differences between expected and actual experience	\$ 5,616	\$ 7,319
Changes of assumptions	6,590	1,477
Net difference between projected and actual earnings on pension plan investments	11,724	-
Changes in proportion and differences between Village's contributions and proportionate share of contributions	19,113	1,069
Village's contributions subsequent to the measurement date	<u>10,493</u>	<u>-</u>
Total	<u>\$ 53,536</u>	<u>\$ 9,865</u>

\$10,493 reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date June 30, 2017 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</u>	<u>Amount</u>
2019	\$ 15,936
2020	16,736
2021	3,932
2022	(3,426)
Thereafter	-
Total	<u>\$ 33,178</u>

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Actuarial Assumptions: The total pension liability at June 30, 2018 was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2017	
Actuarial cost method	Entry age normal	
Amortization method	Level percentage of pay, Open	
Asset valuation method	4 year smoothed Market Value	
Actuarial assumptions:	Fair value	
Investment rate of return	7.51% annual rate, net of investment expense	
Projected benefit payment	100 years	
Payroll growth	2.75-3.25% annual rate	
Projected salary increases	2.75% to 14.00% annual rate	
Includes inflation at	2.25%-2.75% annual rate	
Mortality assumption	RP-2000 Mortality Tables	
Experience study dates	July 1, 2008 to June 30, 2013, and July 1.	

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

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.5%	7.39%
Risk Reduction	21.5%	1.79%
Credit Oriented	15.0%	5.77%
Real Assets	20.0%	4.15%
Total	100%	

**STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018**

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.51%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.51% assumed long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Village's net pension liability in each PERA Fund Division that the Village participates in, under the current single rate assumption; as if it were calculated using a discount rate one percentage point lower (6.51%) or one percentage point higher (8.51%) than the single discount rate.

<u>PERA Fund Division Municipal Government</u>	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.51%)</u>
Village's proportionate share of the net pension liability	\$ 223,979	\$ 142,904	\$ 75,480

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

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

The Village has elected not to participate in the Retiree Health Care act of New Mexico program.

NOTE 11. Contingent Liabilities

The Village of Wagon Mound participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Village of Wagon Mound may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Village of Wagon Mound.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 12. Concentrations

The Village depends on financial resources flowing from, or associated with, property taxes, gross receipts taxes, state and federal grants. Because of this dependency, the Village is subject to changes in gross receipts tax rates, collections, tourism, property values and changes in specific flows of intergovernmental revenues based on modifications to State laws and Federal Appropriations.

NOTE 13. Restricted Net Position

The Government Wide Statement of Net Position reports \$269,926 of restricted amounts, all of which is restricted by enabling legislation.

NOTE 14. Subsequent Events

The date to which events occurring after June 30, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 7, 2018, which is the date on which the financial statements were available to be issued.

NOTE 15. GASB 77 Disclosures (Tax Abatements)

Management and Governance of the Village are not aware of any tax abatement agreements that existed as of June 30, 2018.

NOTE 16. Leases

The Village has entered into a number of operating leases, which contain cancellation provisions and are subject to annual appropriations. The rent expenditures for these leases were primarily from the General Fund. Future minimum lease payments are:

Fiscal Year Ending June 30,	Amount
2019	\$ 438
2020	-
2021	-
2022	-
2023	-
	<hr style="border-top: 1px solid black;"/>
	\$ 438

**STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2018**

NOTE 17. Joint Powers Agreements

Law Enforcement Services

Participants:	Mora County Sheriffs Office (MCSO) and the Village of Wagon Mound (the Village)
Responsible Party	MCSO and the Village
Description	MCSO agrees to provide police protection and law enforcement within the Municipality limits of the Village, including the enforcement of all state Laws. The Allocation of manpower and resources will be at the discretion of the MCSO. The money received by the Village from the Law Enforcement Protection Fund shall be made available to MCSO for Purchase and repair of equipment and for officer training.
Period:	February 28, 2018 through June 30, 2020
Project Costs:	The Village will allocate Law Enforcement Protection fund grants to MCSA as presented in the Law Enforcement Fund in these financial statement.
Audit Responsibility:	MCSO and the Village

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REQUIRED SUPPLEMENTARY INFORMATION

Village of Wagon Mound

Schedules of Required Supplementary Information

Schedule of the Village of Wagon Mound Proportionate Share of the Net Pension Liability of PERA Fund Division – Municipal General Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years*

MUNICIPAL GENERAL FUND

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Village's proportion of the net pension liability (asset)	0.0104%	0.0096%	0.0099%	0.0198%
Village's proportionate share of the net pension liability (asset)	\$ 142,904	\$ 153,376	\$ 99,919	\$ 46,026
Village's covered-employee payroll	\$ 110,453	\$ 114,068	\$ 105,640	\$ 46,850
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	129.38%	134.46%	94.58%	98.24%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

*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 Village will present information for those years for which information is available.

STATE OF NEW MEXICO
Village of Wagon Mound
Schedules of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division - Municipal General
Last 10 Years*

Schedule II

MUNICIPAL GENERAL FUND

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 10,493	\$ 8,441	\$ 7,817	\$ 4,474
Contributions in relation to the contractually required contribution	10,493	10,493	7,817	4,450
Contribution deficiency (excess)	\$ 0	\$ (2,052)	\$ -	\$ 24
Village's covered-employee payroll	\$ 110,453	\$ 114,068	\$ 105,640	\$ 46,850
Contributions as a percentage of covered-employee payroll	9.50%	9.20%	7.40%	9.50%

*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 Village will present information for those years for which information is available.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Schedule of Required Supplementary Information (PERA)
For the Year Ended June 30, 2018

Changes of benefit terms.

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY17 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2017.pdf.

Changes of assumptions

Change in assumptions: The PERA salary scale, inflation and payroll assumptions were updated to reflect assumptions used in the PERA June 30, 2016 pension valuation. Assumptions including the following were updated: Per capita costs, future trend for health costs and medical election assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2017 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2017%20PERA%20Valuation%20Report_FINAL.pdf.

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Village of Wagon Mound
Schedule of Deposits
June 30, 2018

Schedule III

	Wells Fargo
General Fund - Operating	\$ 193,355
Fire protection	238,782
Law Enforcement	23,647
Joint Utility - Operating	242,858
Meter Deposit	9,029
Emergency Reserve	49,474
Total Deposits	\$ 757,145
Outstanding Deposits	464
Outstanding checks	(18,836)
Total cash & cash equivalents	738,773
Cash and cash equivalents - Exhibit A-1	729,744
Restricted cash Exhibit A-1	9,029
Total cash & cash equivalents	\$ 738,773

STATE OF NEW MEXICO
Village of Wagon Mound
Schedule of Collateral Pledged by Depository
June 30, 2017

Schedule IV

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Par/FMV Value at June 30, 2017
Wells Fargo	FNMA	3/1/2042	3132GRZP9	\$ 687
Wells Fargo	FNMA	3/1/2043	3138W4Z61	276,432
				\$ 277,119

STATE OF NEW MEXICO
Village of Wagon Mound Housing Authority
Financial Data Schedule
June 30, 2018

Schedule V
Page 1 of 3

Description	Public Housing Low Rent	Public Housing Capital Fund	Total
Cash - unrestricted	\$ 39,373	\$ -	\$ 39,373
Cash - tenant security deposits	5,270	-	5,270
Total Cash	<u>44,643</u>	<u>-</u>	<u>44,643</u>
Accounts receivable -HUD other projects	5,632	-	5,632
Accounts receivable - tenants	430	-	430
Accrued interest	2	-	2
Allowance for doubtful accounts - dwelling rents	(157)	-	(157)
Total Receivables	<u>5,907</u>	<u>-</u>	<u>5,907</u>
Prepaid expenses and other assets	2,485	-	2,485
Inventories	6,790	-	6,790
Allowance for obsolete inventories	(679)	-	(679)
Total Current Assets	<u>59,146</u>	<u>-</u>	<u>59,146</u>
Land	7,227	-	7,227
Buildings	944,094	-	944,094
Furniture equipment and machinery - administration	15,774	-	15,774
Accumulated depreciation	(841,136)	-	(841,136)
Construction in progress	4,290	-	4,290
Total Capital Assets Net of Accumulated Depreciation	<u>130,249</u>	<u>-</u>	<u>130,249</u>
Total Assets and Deferred Outflows	<u>\$ 189,395</u>	<u>\$ -</u>	<u>\$ 189,395</u>
Accounts payable <=90 Days	\$ 3,323	\$ -	\$ 3,323
Accrued liabilities	3,611	-	3,611
Unearned Revenue	88	-	88
Tenant security deposits	4,164	-	4,164
Total Liabilities	<u>11,186</u>	<u>-</u>	<u>11,186</u>
Net investment in capital assets	130,249	-	130,249
Unrestricted net position	47,960	-	47,960
Total Equity/Net Position	<u>178,209</u>	<u>-</u>	<u>178,209</u>
Total Liabilities and Equity/Net Position	<u>\$ 189,395</u>	<u>\$ -</u>	<u>\$ 189,395</u>

STATE OF NEW MEXICO
Village of Wagon Mound Housing Authority
Financial Data Schedule
June 30, 2018

Schedule V
Page 2 of 3

Description	Public Housing Low rent	Public Housing Capital Fund	Total
Net tenant rental revenue	\$ 40,472	\$ -	\$ 40,472
Tenant revenue - other	194	-	194
Total Tenant Revenue	40,666	-	40,666
HUD PHA operating grants	69,203	500	69,703
Capital grants	-	33,668	33,668
Total Fee Revenue	69,203	34,168	103,371
Other revenue	114	-	114
Investment income - unrestricted	42	-	42
Total Revenue	\$ 110,025	\$ 34,168	\$ 144,193
Administrative salaries	\$ 25,671	\$ -	\$ 25,671
Auditing fees	6,439	-	6,439
Bookeeping Fees	4,183	-	4,183
Employee benefits	2,349	-	2,349
Advertising	270	-	270
Office exepense	4,879	-	4,879
Travel	1,453	-	1,453
Other operating - administrative	916	500	1,416
Total Operating - Administrative	46,160	500	46,660
Water	3,359	-	3,359
Electric	2,227	-	2,227
Gas	827	-	827
Sewer	3,893	-	3,893
Total Utilities	10,306	-	10,306
Ordinary maintenance and operation - labor	16,910	-	16,910
Ordinary maintenance and operation - materials	6,116	-	6,116
Ordinary maintenance and operation - contracts	9,468	-	9,468
Employee benefits - maintenance	1,553	-	1,553
Total Maintenance	34,047	-	34,047
Property insurance	4,794	-	4,794
Liability insurance	874	-	874
Workman's compensation	1,103	-	1,103
All other insurance	873	-	873
Total Insurance Premiums	7,644	-	7,644
Bad debt tenant rents	14	-	14
Total Other	14	-	14
Total Operating Expenses	98,171	500	98,671
Excess of Operating Revenues over Operating Expenses	\$ 11,854	\$ 33,668	\$ 45,522
Depreciation expense	11,332	4,363	15,695
Total Expenses	\$ 109,503	\$ 4,863	\$ 114,366
Operating transfers in	-	-	-

STATE OF NEW MEXICO
Village of Wagon Mound Housing Authority
Financial Data Schedule
June 30, 2018

Schedule V
Page 3 of 3

	Public Housing	Public Housing	
Operating transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Excess of Revenue over Expenses	<u>\$ 522</u>	<u>\$ 29,305</u>	<u>\$ 29,827</u>
Beginning equity	<u>\$ 97,066</u>	<u>\$ 51,316</u>	<u>\$ 148,382</u>
Adjustments	-	-	-
Ending Equity	<u>\$ 97,588</u>	<u>\$ 80,621</u>	<u>\$ 178,209</u>

COMPLIANCE SECTION



Auditors~Consultants~CPA

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*

Honorable Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico
and

To the Honorable Mayor and Village Council
Village of Wagon Mound
Wagon Mound, 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, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue funds of the Village of Wagon Mound, New Mexico (the Village), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated December 7, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and Responses as items FSHA 2018-001 and FSHA 2018-002.

Purpose of this Report

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

Southwest Accounting Solutions, LLC

Southwest Accounting Solutions, LLC
Albuquerque, New Mexico
December 7, 2018

**STATE OF NEW MEXICO
Village of Wagon Mound
Schedule of Findings and Responses
June 30, 2018**

SECTION I - SUMMARY OF AUDIT RESULTS

Financials Statements:

1. Type of auditors' report issued-Governmental
Unmodified
2. Type of auditors' report issued-Component Unit
Unmodified
3. Internal control over financial reporting:
 - a. Material weakness identified? **No**
 - b. Significant deficiencies identified? **No**
 - c. Noncompliance material to the financial statements? **No**

SECTION II – PRIOR YEAR AUDIT FINDINGS

Financial Statement – Primary Government

FS 2014-004 — Segregation of Duties – Significant Deficiency - Resolved

FS 2014-012 Fund Accounting – Material Weakness - Resolved

Financial Statement - Component Unit:

None

STATE OF NEW MEXICO
Village of Wagon Mound
Schedule of Findings and Responses
June 30, 2018

SECTION III – AUDIT FINDINGS – Primary Government

None

SECTION IV – AUDIT FINDINGS – Component Unit

FSHA 2018-001 – Other Non-Compliance – FY 2016 – 2017 Audit Report Presentation

Statement of Condition – During the review of the Board of Commissioners’ board minutes, it was discovered that the audit report for the fiscal year ended June 30, 2017 was presented during the February 12, 2018 meeting; however, there were no auditing firm personnel present at the meeting to present the audit report.

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

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

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

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

View of Responsible Officials and Planned Corrective Actions – The Board of Commissioners and the Executive Director were unaware of the requirements of the Administrative Code and the State Auditor’s office concerning the presentation of the audit report by the auditing firm, in a public meeting, after the report has been released by the State Auditor’s office. The Board of Commissioners and the Executive Director will review the New Mexico Administrative Code 2.2.2 and establish procedures to provide assurance of compliance with these laws and regulations by June 30, 2019.

STATE OF NEW MEXICO
Village of Wagon Mound
Schedule of Findings and Responses
June 30, 2018

FSHA 2018-002 – Other Non-Compliance - Tenant Files

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

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

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

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

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

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

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

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

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

STATE OF NEW MEXICO
Village of Wagon Mound
Schedule of Findings and Responses
June 30, 2018

Views of Responsible Officials and Planned Corrective Actions – The Authority’s Executive Director failed to maintain the tenant files as per HUD regulations. The Authority will review its procedures concerning the tenant files and documentation retention. All tenant files will be reviewed to determine what documentation is missing or out of date, if applicable. The Authority’s Executive Director will take the appropriate steps to complete the tenant files by November 30, 2018.

**STATE OF NEW MEXICO
Village of Wagon Mound
Exit Conference
June 30, 2018**

Exit Conference

An exit conference was held on December 7, 2018. In attendance were the following:

Nora Sanchez
Laudente Quintana

Municipal Clerk
Mayor

Representing Southwest Accounting Solutions, LLC

Geoff Mamerow, CFE

Audit Manager

Auditor Prepared Financial Statements

SAS assisted the Village in the preparation of the GAAP-based financial statements and notes to the financial statements. The financial statements were prepared using the original books and records provided by the management of the Village. The responsibility for the financial statements remains with the Village.