

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
TIER 6 AGREED UPON PROCEDURES REPORT
FOR THE YEAR ENDED JUNE 30, 2019

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
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FOR THE YEAR ENDED JUNE 30, 2019

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STATE OF NEW MEXICO
VILLAGE OF DES MOINES
DIRECTORY OF OFFICIALS
JUNE 30, 2019

Village Council

NAME	TITLE
Chris Moehring	Mayor
Sandra Fernandez	Village Councilor
Scott Warner	Village Councilor
Raymond Sisneros	Village Councilor
Stephanie Osborn	Village Councilor

Village Officials

Stephanie King	Village Clerk/Treasurer
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Beasley, Mitchell & Co.

Certified Public Accountants

Christine Wright, CPA, Partner
Brad Beasley, CPA, Partner
Tony Morán, CPA, Partner
Christopher Salcido, CPA, Partner

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Brian S. Colón, State Auditor
and the Mayor and Village Council of the
Village of Des Moines, New Mexico

We have performed the procedures enumerated in the attached schedule of procedures and results, which were agreed to by the Office of the State Auditor and the Village of Des Moines, New Mexico, have specified, listed in the attached schedule, as required by Tier 6 of the Audit Act- Section 12-6-3B(6) NMSA 1978 and Section 2.2.2.16 NMAC for the year ended June 30, 2019. Village of Des Moines, New Mexico's management is responsible for the Village's accounting records. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule of procedures and responses either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are included in the attached schedule.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the subject matter of the Village of Des Moines for the year ending June 30, 2019. Accordingly, the firm does not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Village of Des Moines, the New Mexico State Auditor's Office, Department of Finance Administration Local Government Division, New Mexico Legislature, and is not intended to be and should not be used by anyone other than those specified parties.

Beasley Mitchell & Co LLP
Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
December 15, 2019

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF PROCEDURES AND RESULTS
JUNE 30, 2019

1. Revenue Calculation and Tier Determination

Procedures

Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osa.org under "Tiered System Reporting Main Page."

Results of Procedure

The Village of Des Moines had revenues excluding capital outlay funds, federal or private grants of \$484,916, therefore a Tier 6 agreed upon procedure engagement is required.

2. Cash

Procedures

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
- b) Test at least 30% of the bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division.
- c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Results of Procedure

- a) We obtained the bank statements and corresponding reconciliations for all of the Village's accounts as of June 30, 2019. Bank reconciliations are complete and on hand. However, 32 out of 40 bank reconciliations for the year were completed more than 30 days after month end and thus not considered timely.
- b) It was noted that 27 out of 40 reconciliations tested did not tie to the general ledger with a total difference in cash of \$137,594. It was also noted that 32 out of 40 reconciliation's did not tie to the financial reports submitted to the DFA for a total difference of \$437,789 (see finding 2016-001).

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SCHEDULE OF PROCEDURES AND RESULTS
JUNE 30, 2019

2. Cash (continued)

Results of Procedures (Continued)

- c) No collateral was required because the Village accounts did not exceed the \$250,000 insured by the FDIC.

3. Capital Assets

Procedures

Verify that the local public body performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

Results of Procedure

The Village did not perform an annual count since they did not dispose or purchase any assets. An annual inventory is required nonetheless (see finding 2018-001).

4. Debt

Procedures

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

Results of Procedure

We obtained the annual debt statements and verified that all payments were made during the year. The Village is in compliance with debt service requirements.

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SCHEDULE OF PROCEDURES AND RESULTS
JUNE 30, 2019

5. Revenue

Procedures

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a) Perform an analytical review, test actual revenue compared to budgeted revenue for the year for each type of revenue.

Select a sample of revenues equal to at least 30% of the total dollar amount and test the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

Results of Procedure

- a) Actual revenue compared to budgeted revenue for the fiscal year is reasonable and within expectations. The variance analysis for the budgets to actual may be noted in the budgetary analysis in page 12 - 17.
- b) A sample of 14 revenue items totaling \$211,363 were tested. No exceptions were noted as a result of this procedure. Amounts recorded in the general ledger agreed with supporting documents and with their corresponding bank statement.
- c) A sample of 14 revenue items totaling \$211,363 were tested. No exceptions were noted as a result of this procedure. Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation.

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SCHEDULE OF PROCEDURES AND RESULTS
JUNE 30, 2019

6. Expenditures

Procedures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Results of Procedure

- a) 60 expenditures totaling \$194,305 were tested. It was noted that 12 expenses did not have detail receipts and only statements on the credit accounts were provided.
- b) 60 expenditures totaling \$194,305 were tested. During testwork it was noted that \$1,038 were identified as un-allowed and \$678 were considered unreasonable, see finding 2019-001.
- c) 60 expenditures totaling \$194,305 were tested. No exceptions were noted in this testwork.

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7. Journal Entries

Procedures

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Results of Procedure

- a) There were no non-routine journal entries to test.
- b) There were no non-routine journal entries to test.

8. Budget

Procedures

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- a) Verify, through a review of the minutes and correspondence and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- b) Determine if the total actual expenditures exceeded the final budgets at the legal level of budgetary control; if so, report a compliance finding.
- c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures - budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

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JUNE 30, 2019

8. Budget (Continued)

Results of Procedure

- a) The review of board minutes and letter from the State indicated that the budget and budget adjustments were approved by the board and the DFA.
- b) Total actual expenditures from the general ledger exceeded budgeted amounts by \$68,069 as disclosed in the valiance analysis for budget to actual on pages 12 - 17 (see finding 2005-006).
- c) A schedule of revenue and expenses - budget and actual were prepared from the Village records on cash budgetary basis on pages 12 - 17.

9. Capital Outlay Appropriations

Procedures

The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital outlay appropriations of the New Mexico Legislature that meet Tier 6 criteria. Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year that meet the Tier 6 criteria. Perform the following tests on all state-funded capital outlay expenditures:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process is applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).

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9. Capital Outlay Appropriations (Continued)

Procedures (Continued)

- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

Results of Procedure

- a) No exceptions were noted as a result of this procedure. There were no capital outlay appropriations noted.
- b) No exceptions were noted as a result of this procedure. There were no capital outlay appropriations noted.

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SCHEDULE OF PROCEDURES AND RESULTS
JUNE 30, 2019

9. Capital Outlay Appropriations (Continued)

Results of Procedure (Continued)

- c) No exceptions were noted as a result of this procedure. There were no capital outlay appropriations noted.
- d) No exceptions were noted as a result of this procedure. There were no capital outlay appropriations noted.
- e) No exceptions were noted as a result of this procedure. There were no capital outlay appropriations noted.
- f) No exceptions were noted as a result of this procedure. There were no capital outlay appropriations noted.
- g) No exceptions were noted as a result of this procedure. There were no capital outlay appropriations noted.
- h) No exceptions were noted as a result of this procedure. There were no capital outlay appropriations noted.
- i) No exceptions were noted as a result of this procedure. There were no capital outlay appropriations noted.

10. Other

Procedures

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(1)(3)(C) NMAC.

Results of Procedure

During field work, it was noted that there were multiple instances of questionable purchases made in the Village's account with a local store on behalf of the Village's Senior Center. In response an increase in the sample for step 6 was done that included expenses referenced. Please refer to the schedule of findings and responses on pages 18 - 27.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ 97,850	\$ 113,550	\$ 210,809	\$ 97,259
Intergovernmental income	90,000	90,000	121,740	31,740
Charges for services	-	7,315	18,985	11,670
Miscellaneous revenue	<u>2,000</u>	<u>3,600</u>	<u>2,279</u>	<u>(1,321)</u>
Total revenues	189,850	214,465	353,813	139,348
EXPENDITURES:				
General government	7,149	57,399	105,292	(47,893)
Public safety	<u>187,019</u>	<u>187,019</u>	<u>205,775</u>	<u>(18,756)</u>
Total expenditures	<u>194,168</u>	<u>244,418</u>	<u>311,067</u>	<u>(66,649)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(43,593)</u>	<u>(33,593)</u>
Total other financing uses	<u>(10,000)</u>	<u>(10,000)</u>	<u>(43,593)</u>	<u>(33,593)</u>
Net changes in fund balance	(14,318)	(39,953)	(847)	39,106
Fund balance - beginning of the year	<u>41,950</u>	<u>41,950</u>	<u>41,950</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 27,632</u>	<u>\$ 1,997</u>	<u>\$ 41,103</u>	<u>\$ 39,106</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (847)</u>	
Net change in fund balance GAAP basis			<u>\$ (847)</u>	

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OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SPECIAL REVENUE FUND - FIRE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental income - state	\$ 55,000	\$ 55,000	\$ 47,257	\$ (7,743)
Total revenues	55,000	55,000	47,257	(7,743)
EXPENDITURES:				
Public safety	52,300	59,100	58,155	945
Total expenditures	52,300	59,100	58,155	945
OTHER FINANCING SOURCES				
Transfers in	-	-	35,922	35,922
Total other financing sources	-	-	35,922	35,922
Net changes in fund balance	2,700	(4,100)	25,024	29,124
Fund balance - beginning of the year	40,854	40,854	40,854	-
Fund balance - end of the year	<u>\$ 43,554</u>	<u>\$ 36,754</u>	<u>\$ 65,878</u>	<u>\$ 29,124</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 25,024	
Net change in fund balance GAAP basis			<u>\$ 25,024</u>	

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SPECIAL REVENUE FUND - SENIOR CITIZENS FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
State grants	\$ 53,000	\$ 46,893	\$ 46,974	\$ 81
Total revenues	53,000	46,893	46,974	81
EXPENDITURES:				
Culture and recreation	<u>50,100</u>	<u>50,100</u>	<u>51,563</u>	<u>(1,463)</u>
Total expenditures	<u>50,100</u>	<u>50,100</u>	<u>51,563</u>	<u>(1,463)</u>
Excess of revenues over expenditures	<u>2,900</u>	<u>(3,207)</u>	<u>(4,589)</u>	<u>(1,382)</u>
Net changes in fund balance	2,900	(3,207)	(4,589)	(1,382)
Fund balance - beginning of the year	<u>117</u>	<u>117</u>	<u>117</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 3,017</u>	<u>\$ (3,090)</u>	<u>\$ (4,472)</u>	<u>\$ (1,382)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (4,589)</u>	
Net change in fund balance GAAP basis			<u>\$ (4,589)</u>	

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SPECIAL REVENUE FUND - AMBULANCE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ 35,995</u>	<u>\$ 17,995</u>
Total revenues	18,000	18,000	35,995	17,995
EXPENDITURES:				
Public safety	<u>18,100</u>	<u>18,100</u>	<u>31,926</u>	<u>(13,826)</u>
Total expenditures	<u>18,100</u>	<u>18,100</u>	<u>31,926</u>	<u>(13,826)</u>
OTHER FINANCING USES				
Transfers out	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total other financing uses	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Net changes in fund balance	9,900	9,900	4,069	(5,831)
Fund balance - beginning of the year	<u>815</u>	<u>815</u>	<u>815</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 10,715</u>	<u>\$ 10,715</u>	<u>\$ 4,884</u>	<u>\$ (5,831)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 4,069</u>	
Net change in fund balance GAAP basis			<u>\$ 4,069</u>	

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SPECIAL REVENUE FUND - EMS FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
State grants	\$ 10,233	\$ 10,233	\$ -	\$ (10,233)
Total revenues	10,233	10,233	-	(10,233)
EXPENDITURES:				
Public safety	<u>10,100</u>	<u>10,100</u>	<u>7,303</u>	<u>2,797</u>
Total expenditures	<u>10,100</u>	<u>10,100</u>	<u>7,303</u>	<u>2,797</u>
Excess (deficiency) of revenues over expenditures	<u>133</u>	<u>133</u>	<u>(7,303)</u>	<u>(7,436)</u>
OTHER FINANCING SOURCES				
Transfers out	<u>-</u>	<u>-</u>	<u>7,671</u>	<u>7,671</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>7,671</u>	<u>7,671</u>
Net changes in fund balance	133	133	368	235
Fund balance - beginning of the year	<u>15</u>	<u>15</u>	<u>15</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 148</u>	<u>\$ 148</u>	<u>\$ 383</u>	<u>\$ 7,671</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 368</u>	
Net change in fund balance GAAP basis			<u>\$ 368</u>	

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
PROPRIETARY FUNDS- JOINT UTILITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Charges for services	\$ 44,200	\$ 44,200	\$ 31,437	\$ (12,763)
Total revenues	<u>44,200</u>	<u>44,200</u>	<u>31,437</u>	<u>(12,763)</u>
EXPENDITURES:				
Public works	<u>46,725</u>	<u>46,725</u>	<u>36,598</u>	<u>10,127</u>
Total expenditures	<u>46,725</u>	<u>46,725</u>	<u>36,598</u>	<u>10,127</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>11,000</u>	<u>11,000</u>	<u>-</u>	<u>(11,000)</u>
Total other financing sources (uses)	<u>11,000</u>	<u>11,000</u>	<u>-</u>	<u>(11,000)</u>
Net changes in fund balance	8,475	8,475	(5,161)	(13,636)
Fund balance - beginning of the year	<u>(423)</u>	<u>(423)</u>	<u>(423)</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 8,052</u>	<u>\$ 8,052</u>	<u>\$ (5,584)</u>	<u>\$ (13,636)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (5,161)</u>	
Net change in fund balance GAAP basis			<u>\$ (5,161)</u>	

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

PRIOR YEAR FINDINGS:

2005-002	Segregation of Duties - Significant Deficiency	Repeated
2005-004	Policies - Significant Deficiency	Revised and Repeated
2005-006	Budgetary Control - Other	Repeated
2015-005	Lack of Procurement Officer - Significant Deficiency	Repeated
2016-001	Cash - Significant Deficiency	Repeated
2018-001	Capital Assets - Other Noncompliance	Repeated

CURRENT YEAR FINDINGS:

2019-001	Un-allowed expenses	New
2019-002	Journal Entries - Significant Deficiency	New
2019-003	Lack of Supporting Documentation for Expenditures - Significant Deficiency	New

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OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Segregation of Duties (2005-002) - Significant Deficiency

CONDITION	During the fiscal year, Village Clerk and Senior Center Manager were the only administrative employees. The Clerk records transactions, collects revenues, prepares bank reconciliation's, bills and posts utility receivables, deposits funds, and prepares payables for payment. There was no progress in fixing the finding during the year.
CRITERIA	Systems of internal control with the most favorable designs allow for an adequate segregation of duties to reduce the risk of error or fraud because they are structured using a combination of controls designed to either detect instances of error or fraud that occur, or optimally, to prevent instances of error or fraud before they occur (AU 325).
CAUSE	There are no segregation of duties among the Village's personnel.
EFFECT	The Village is at risk for both the possible misstatement of the financial statements and misappropriation of assets.
RECOMMENDATION	We recommend the Village provide adequate appropriations for personnel to staff the administrative functions of the Village and that every effort be made to fill these positions. We further recommend that management structure operating procedures such that no one person has complete responsibility for any transaction.
RESPONSE	The Village Clerk is in the process of hiring an additional staff and implementing procedures to correct this finding.

EXPECTED COMPLETION DATE: June 30, 2020

EMPLOYEE RESPONSIBLE: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Policies (2005-004) - Significant Deficiency

CONDITION	The Village has not promulgated policies or written operating procedures to provide guidance to management and, particularly, to strengthen internal controls and processes. There was no progress during the year. Progress has been made as some policies were drafted in current year.
CRITERIA	Policies and written procedures provide uniformity and structure to processes to strengthen internal controls which protect the assets of the Village, avoid misstatement of the financial statements and provide some level of assurance the Village is in compliance with regulatory directives and state law. Examples of policies to consider are: procurement, cash disbursements, and deposit of Village funds, bank reconciliation's, conflict of interest, travel and disposition of obsolete property. NMAC 1.15.3.115
CAUSE	Due to the size of the government, written policies and procedures have not been a priority.
EFFECT	The internal control structure of the government is at risk, in part, due to a lack of written policies and procedures.
RECOMMENDATION	We recommend that written polices be developed by the Village to address the major weaknesses in internal control and the major processes during the current year.
RESPONSE	The Village Clerk is in the process of drafting policies and procedures to correct this finding.

EXPECTED COMPLETION DATE: June 30, 2020

EMPLOYEE RESPONSIBLE: Village Clerk

STATE OF NEW MEXICO
 VILLAGE OF DES MOINES
 OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
 FINDINGS AND RESPONSES
 FOR THE YEAR ENDED JUNE 30, 2019

Budgetary Control (2005-006) - Other

CONDITION The actual expenditures incurred in several funds were greater than the budgeted expenditures. The Village did not submit a corrected budget. No progress has been noted in correcting the issue.

Fund	Budget Expenses	Actual Expenses	Difference
General Fund	\$ 244,418	\$ 311,067	\$ 66,649
Senior Citizens Fund	50,100	51,563	1,463
Ambulance Fund	18,100	31,926	13,826
General Fund (Transfer Out)	<u>10,000</u>	<u>43,593</u>	<u>33,593</u>
Totals	<u>\$ 322,618</u>	<u>\$ 438,149</u>	<u>\$ 115,531</u>

CRITERIA The local government is required to make corrections, revisions and amendments to the proposed budgets to meet the requirements of the law. (NMSA 1978 Section 6- 6-2-0).

CAUSE Village personnel have not had training in the use of controls and reconciliations to ensure accuracy in budgetary control processes.

EFFECT The Village is at risk of unknowingly exceeding the approved budget.

RECOMMENDATION We recommend that the Village provide accounting personnel with training in the use of controls and reconciliations to accurately monitor the approved budget.

RESPONSE The Village Clerk is in the process of implementing procedures that include budget review and amendments to correct this finding.

EXPECTED COMPLETION DATE: June 30, 2020

EMPLOYEE RESPONSIBLE: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Lack of Procurement Officer (2015-005) - Significant Deficiency

CONDITION	During our NM Compliance testwork, it was noted that the Village did not have a Chief Procurement Officer. There was no progress during the current year in correcting the finding.
CRITERIA	Section 13-1-97 of NMSA 1978 requires that purchases be made through a central purchasing office which properly authorizes and approves the purchase prior to payment. An authorized official should indicate that the goods or services have been received prior to payment for the goods or services.
CAUSE	The Village failed to designate and register a purchasing agent.
EFFECT	The Village does not implement a proper purchasing process which exposes the Village to the risk of following an improper purchasing process and increases the risk of errors in payments issued by Village due to the lack of proper supervision and monitoring by the Chief Procurement Officer.
RECOMMENDATION	The Village should designate an agent to become certified and registered as a Chief Procurement Officer for the Village.
RESPONSE	The Village Clerk will work on having an employee go through the proper training, certification and registration.

EXPECTED COMPLETION DATE: June 30, 2020

EMPLOYEE RESPONSIBLE: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Cash (2016-001) - Significant Deficiency

CONDITION	<p>It was noted that 27 out of 40 reconciliation tested did not tie to the to the general ledger with a total difference in cash of \$137,594. There was no progress noted during the current year. It was also noted that 32 out of 40 reconciliations did not tie to the financial reports submitted to the DFA for a total difference of \$437,789. Finally, the Village did not conduct any of the bank reconciliation in a timely manner for 32 out of 40 bank reconciliations tested. During cash testing, it was noted that Senior Citizens fund had a negative cash balance of \$31 at June 30, 2019.</p>
CRITERIA	<p>Per Section 6-10-2 NMSA 1978, it is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day's business.</p>
CAUSE	<p>Village failed to maintain accurate reconciliations, resulting from being understaffed.</p>
EFFECT	<p>Incorrect reconciliations may result in increase risk for error, fraud, waste, or abuse.</p>
RECOMMENDATION	<p>It is recommended that the Village review the reconciliation process, and establish internal controls to mitigate the risk of error. Reconciliations should be reviewed and approved by management.</p>
RESPONSE	<p>The Village Clerk is reviewing the process to ensure reconciliations are completed.</p>

EXPECTED COMPLETION DATE: June 30, 2020

EMPLOYEE RESPONSIBLE: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Capital Assets (2018-001) - Other Noncompliance

CONDITION	The Village has not conducted an inventory count since 2017. No progress has been noted in correcting the issue.
CRITERIA	NMSA 1978, Section 12-6-10 states "the governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than \$5,000 and under the control of the governing authority. This inventory shall include all movable chattels and equipment procured through the capital program fund under Section 15-3B-16 NMSA 1978, which are assigned to the agency designated by the director of the facilities management division of the general services department as the user agency. The inventory shall list the chattels and equipment and the date and cost of acquisition. Upon completion the inventory shall be certified by the governing authority as to correctness".
CAUSE	Village failed to conduct an inventory count.
EFFECT	Lack of inventory counts can cause an incorrect representation of capital assets.
RECOMMENDATION	It is recommended that the Village conduct a capital asset inventory count yearly.
RESPONSE	The Village plans to do physical observation of inventory on a yearly basis.

EXPECTED COMPLETION DATE: June 30, 2020

EMPLOYEE RESPONSIBLE: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Un-allowed expenses (2019-001) - Significant Deficiency

CONDITION	During field work, it was noted that there were multiple instances of questionable purchases made in the Village's account with a local store on behalf of the Village's Senior Center. During testwork it was noted that \$1,038 were identified as un-allowed expenditures. Un-allowed items noted included over the counter medicine, baby food, baby wipes, dog food, cigarettes, gift cards and other more. It was also noted that \$678 worth of questionable perishables not noted in the Senior Citizen Center's Menu including individual drinks, potato chips, and candy.
CRITERIA	Section 6-5-2, NMSA 1978, requires that the authority shall implement internal control accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.
CAUSE	Lack of segregation of duties have created an environment where there are minimal preventative or detective controls.
EFFECT	Mismanagement of public money can lead to abuse.
RECOMMENDATION	It is recommended that the Village improve controls on purchasing including review of all expenditures and not only payment to credit accounts.
RESPONSE	Village will improve controls on purchasing including review of all expenditures and payment to credit accounts.

EXPECTED COMPLETION DATE: June 30, 2020

EMPLOYEE RESPONSIBLE: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Journal Entries (2019-002) - Significant Deficiency

CONDITION	During journal entry testwork performed, it was noted that the Village does not have a review and approval process in place for the recording of manual journal entries. The Village is attempting to hire an employee that can prepare journal entries in order to have the Village Clerk review and approve journal entries.
CRITERIA	NMAC 2.20.5.8 states that each local body shall establish and maintain an internal control structure to provide management with reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. The internal control structure shall include written administrative controls. The entity should establish sufficient internal controls over journal entries and other adjustments.
CAUSE	The Village Clerk has limited staffing resources, thus has not implemented an approval process over adjustments to mitigate the risk of management override
EFFECT	There may be unauthorized adjustments made, leaving room for error and management override.
RECOMMENDATION	We recommend that the Village implement a review and approval process for journal entries and other adjustments to mitigate the risk of management override or financial statement manipulation.
RESPONSE	The Village Clerk will implement policies and procedures over the accounting process including adjusting journal entries.

EXPECTED COMPLETION DATE: June 30, 2020

EMPLOYEE RESPONSIBLE: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Lack of Supporting Documentation for Expenditures (2019-003) - Significant Deficiency

CONDITION	During our test of details/test of controls, supporting documentation, such as an invoice, could not be provided for 12 out of 60 expenses tested for a total of \$7,212.22. The Village plans to address the issue in the current year.
CRITERIA	The Auditing Standards (AU) Section 325 Exhibit B lists the following circumstance as a possible control deficiency, significant deficiency, or material weakness: "inadequate documentation of the components of internal control."
CAUSE	The Village did not keep proper records and supervision to ensure all supporting documentation was properly filled for retention.
EFFECT	Lack of adequate documentation of disbursements increases the risk of preventing or detecting errors or irregularities on a timely basis.
RECOMMENDATION	We recommend that the Village implement a process to ensure that supporting documentation for all expenditures is retained and readily available.
RESPONSE	The Village Clerk will review current procedures to ensure controls are in place to mitigate the missplacement of documentation.

EXPECTED COMPLETION DATE: June 30, 2020

EMPLOYEE RESPONSIBLE: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

An entrance conference was conducted October 22, 2019 in a closed meeting of the Village of Des Moines pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Village of Des Moines

Sandra Fernandez
Stephanie King

Village Councilor
Village Clerk/Treasurer

Beasley, Mitchell & Co., LLP

Juan Garcia

Audit Specialist

An exit conference was conducted October 22, 2019 in a closed meeting of the Village of Des Moines pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Village of Des Moines

Sandra Fernandez
Stephanie King

Village Councilor
Village Clerk/Treasurer

Beasley, Mitchell & Co., LLP

Juan Garcia

Audit Specialist

A subsequent exit conference was conducted December 12, 2019 via telephone pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Village of Des Moines

Chris Moehring

Mayor

Beasley, Mitchell & Co., LLP

Juan Garcia

Audit Specialist

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
INDEPENDENT ACCOUNTANTS'
COMPILATION REPORT
FOR THE YEAR ENDED JUNE 30, 2019

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
FOR THE YEAR ENDED JUNE 30, 2019
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STATE OF NEW MEXICO
VILLAGE OF DES MOINES
OFFICIAL ROSTER
JUNE 30, 2019

Village Council

NAME	TITLE
Chris Moehring	Mayor
Scott Warner	Mayor Pro Tem
Sandra Fernandez	Village Councilor
Raymond Sisneros	Village Councilor
Stephanie Osborn	Village Councilor

Village Officials

Stephanie King	Village Clerk/Treasurer
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Beasley, Mitchell & Co.

Certified Public Accountants

Christine Wright, CPA, Partner
Brad Beasley, CPA, Partner
Tony Morán, CPA, Partner
Christopher Salcido, CPA, Partner

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Mr. Brian S. Colón, State Auditor
and the Mayor and Village Council of the
Village of Des Moines, New Mexico

Management is responsible for the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Des Moines, New Mexico - modified accrual basis as of and for the year ended June 30, 2019, and related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents, in accordance with the modified accrual basis of accounting, and determining that the modified accrual basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

In order to comply with the requirements of Section 12-6-3(B) NMSA 1978 and 2.2.2.16 NMAC, management has presented: (1) the governmental fund financial statements prepared using the modified accrual basis of accounting; (2) the proprietary fund financial statements prepared using the accrual basis of accounting; and (3) only the notes related to those financial statements. However, in complying with these requirements, management has omitted the following financial statements and notes required by accounting principles generally accepted in the United States of America (GAAP): (a) the accompanying government-wide financial statements; (b) the statement of cash flows- proprietary funds; (c) managements discussion and analysis and (3) note disclosures related to items (a) and (b). These omissions result in the financial statements being presented on a basis of accounting other than GAAP.

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified accrual basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The accompanying supplementary information contained in pages 39 through 41 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

Beasley Mitchell & Co LLP
Beasley, Mitchell & Co.
Las Cruces, New Mexico
December 15, 2019

**GOVERNMENTAL
FUND FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
COMBINING BALANCE SHEETS - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Fire Fund	Senior Citizens Fund	EMS Fund	Ambulance Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 21,853	\$ 65,489	\$ -	\$ 383	\$ 4,884	\$ 92,609
Restricted cash	19,250	389	-	-	-	19,639
Total assets	\$ 41,103	\$ 65,878	\$ -	\$ 383	\$ 4,884	\$ 112,248
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Current liabilities						
Bank overdraft	\$ -	\$ -	\$ 31	\$ -	\$ -	\$ 31
Accrued expenses	-	-	4,441	-	-	4,441
Total liabilities	-	-	4,472	-	-	4,472
FUND BALANCES:						
Restricted, reported in:						
Special revenue funds	-	65,878	-	383	4,884	71,145
Unassigned, reported in:						
General fund	41,103	-	-	-	-	41,103
Special revenue funds	-	-	(4,472)	-	-	(4,472)
Total fund balances	41,103	65,878	(4,472)	383	4,884	107,776
Total liabilities, and fund balances	\$ 41,103	\$ 65,878	\$ -	\$ 383	\$ 4,884	\$ 112,248

See independent accountants' compilation report and accompanying notes to financial statements

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Senior Citizens Fund</u>	<u>EMS Fund</u>	<u>Ambulance Fund</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$ 210,794	\$ -	\$ -	\$ -	\$ -	\$ 210,794
Intergovernmental income - state	121,740	17,257	46,974	-	23,085	209,056
Charges for services	18,985	2,000	-	-	12,662	33,647
Licenses and fees	15	-	-	-	-	15
Interest income	-	-	-	-	248	248
Miscellaneous	<u>2,279</u>	<u>28,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,279</u>
Total revenues	353,813	47,257	46,974	-	35,995	484,039
EXPENDITURES						
General government	105,292	-	-	-	-	105,292
Public safety	205,775	36,959	-	7,303	31,926	281,963
Culture and recreation	-	-	51,563	-	-	51,563
Principal	-	17,188	-	-	-	17,188
Interest	<u>-</u>	<u>4,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,008</u>
Total expenditures	<u>311,067</u>	<u>58,155</u>	<u>51,563</u>	<u>7,303</u>	<u>31,926</u>	<u>460,014</u>

See independent accountants' compilation report and accompanying notes to financial statements

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Senior Citizens Fund</u>	<u>EMS Fund</u>	<u>Ambulance Funds</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES):						
Transfer in	-	35,922	-	7,671	-	43,593
Transfer out	<u>(43,593)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,593)</u>
Total other sources (uses)	<u>(43,593)</u>	<u>35,922</u>	<u>-</u>	<u>7,671</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(847)	25,024	(4,589)	368	4,069	24,025
Fund balance at beginning of year	<u>41,950</u>	<u>40,854</u>	<u>117</u>	<u>15</u>	<u>815</u>	<u>83,751</u>
Fund balance at end of year	<u>\$ 41,103</u>	<u>\$ 65,878</u>	<u>\$ (4,472)</u>	<u>\$ 383</u>	<u>\$ 4,884</u>	<u>\$ 107,776</u>

See independent accountants' compilation report and accompanying notes to financial statements

PROPRIETARY FUNDS

STATE OF NEW MEXICO
 VILLAGE OF DES MOINES
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2019

	<u>Joint Utilities</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 386
NON-CURRENT ASSETS:	
Restricted cash and cash equivalents	<u>2,815</u>
Total assets	<u>\$ 3,201</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES:	
Payroll liabilities	5,970
Customer meter deposits	<u>\$ 2,815</u>
Total liabilities	8,785
NET POSITION	
Restricted	2,815
Unrestricted	<u>(8,399)</u>
Total net position	<u>(5,584)</u>
Total liabilities and net position	<u>\$ 3,201</u>

See independent accountants' compilation report and accompanying notes to financial statements

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Joint Utilities</u>
OPERATING REVENUE:	
Charges for services	\$ <u>31,437</u>
Total operating revenue	31,437
OPERATING EXPENSES:	
Personnel services	11,591
Supplies	208
Contractual services	12,679
Miscellaneous	6,731
Utilities	3,070
Maintanance	<u>2,319</u>
Total operating expenses	<u>36,598</u>
Change in net position	(5,161)
Net position, beginning of year	<u>(423)</u>
Net position, end of year	<u>\$ (5,584)</u>

See independent accountants' compilation report and accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Des Moines (the "Village") have been prepared on a modified accrual basis of accounting. The New Mexico Office of the State Auditor is responsible for establishing the contractual basis for state and local governments through its pronouncements. Under the tier 6 procedures outlined by the State that states, that at a minimum, the compilation report shall include fund financial statements on the GAAP basis of accounting, for each individual fund (for all fund types) that the local public body has, consisting of:

- a. Balance Sheets - governmental funds, and/or Statements of Net Position - proprietary funds, and/or Statements of Net Position - fiduciary funds, for each individual fund.
- b. Statement of Revenues and Expenditures, and Changes in Fund Balances or Statement of Revenues, Expenses, and Changes in Fund Net Assets-Proprietary Fund or Statement of Changes in Fiduciary Net Assets-Fiduciary Funds. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Village of Des Moines was incorporated under the laws of the State of New Mexico during 1915. 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, sanitation and water, culture-recreation, education, public improvements, planning and zoning, and general administrative service matters.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, set rates or charges and issue bonded debt.

The Village has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected Village members are financially accountable. There are no other primary governments with which the Village Council Members are financially accountable. There are no other primary governments with which the Village has a significant relationship.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A. Reporting Entity (Continued)

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to

aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

B. Basis of Presentation

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following governmental funds:

General Fund - The General Fund is the general operating fund of the Village and accounts for all revenues and expenditures of the Village not encompassed within other funds.

Special Revenue Funds

Fire Fund - To account for the operation and maintenance of the Village Fire Department. Financing is primarily from State grants. The fund was created by the authority of state grant provisions (NMSA 59A-53-1).

Senior Citizens Fund - To account for State revenues for senior citizens' activities. Financing is provided by State appropriation and the State of New Mexico Agency on Aging. The authority for the allocation and setup of the fund is 7-12-15, NMSA, 1978.

EMS Fund - To account for State grants and charges for services for the operation and enhancement of local emergency medical services in order to reduce injury and loss of life. Authorized by the Emergency Medical Services Fund Act, Section 24-10A-1, NMSA, 1978.

Ambulance Fund - To account for ambulance services and maintenance of equipment. Financing is provided from the State and authorized by the Emergency Medical Services Act, Section 24-10A-1, NMSA, 1978.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basis of Presentation (Continued)

Enterprise Funds

All Enterprise Funds are combined. The Enterprise Funds are composed of the following:

Proprietary Funds - To account for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The Village has presented the joint utilities fund as a major proprietary fund.

C. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Village's taxpayer or citizenry, as a whole; program revenues reduced the cost of the function to be financed from the Village's general revenues. Program revenues include charges for services or applicants who purchase, use, or directly benefit from the goods or services provided by the given function.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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. The Village is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings, and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments - All money not immediately necessary for the public uses of the Village may be invested in:

(a) bonds or negotiable securities of the United States, the state or any county, municipality or Village which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or

(b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government; or

(c) in contracts with banks, savings and loan associations, or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables - Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Property Taxes - The County collects the Village's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the Village on a monthly basis. The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues for the budget presentation.

Restricted Funds - Restricted assets for the Village include utility customer deposits reflected in the business-type funds. These assets may only be expended for the specific purposes as noted, due to externally imposed provisions of the agreements with utility customers.

Capital Assets - Capital assets, which include property, buildings, equipment, and infrastructure assets are reported in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The construction period interest is not capitalized in the proprietary funds.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Assets	Years
Buildings	40 - 50
Building improvements	40
Public domain infrastructure	12 - 20
System infrastructure	20 - 30
Equipment	10 - 12
Vehicles	3 - 5
Computer equipment	5

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VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Use of Restricted Funds - When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenue - The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, 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 - Village employees are entitled to certain compensated absences based on their employment classification and length of employment. With minor exceptions, the Village allows 40 hour week employees to accumulate unused sick leave. Accumulated unused sick leave; however, is not paid upon termination from employment or retirement, but will be paid only upon illness while in the employment of the Village. Accordingly, no provision for accumulated unused sick leave has been made in the accompanying financial statements.

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Village. Accumulated unused vacation is payable upon retirement or termination from employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Deferred Inflows - Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred inflows and reflected within the balance sheet.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Net Position - The government-wide and business-type activities fund financial statements utilize a net position presentation. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, and then unrestricted resources as needed.

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

Unrestricted Net Position - This category reflects net position of the Village, not restricted for any project or other purpose.

Fund Balance - In the fund financial statements, governmental fund balances are classified as follows:

Nonspendable - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

Restricted - Fund balance should be reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Unassigned - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Village's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

Inter-Fund 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 inter-fund transactions, except quasi-external transactions and reimbursements are reported as transfers. All other inter-fund transfers are reported as operating transfers.

Estimates - The preparation of financial statements in conformity with Generally Accepted Accounting principles 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.

E. Implementation of New Accounting Standards

In June 2017, GASB Statement No. 87, Leases, was issued. Effective Date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after December 15, 2019. Earlier application is encouraged. The Village is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, was issued. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The Village is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Implementation of New Accounting Standards (continued)

In December 2018, GASB No. 90, Majority Equity Interests, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Village is still evaluating how this pronouncement will affect the financial statements.

In May 2019, GASB No. 91, Conduit Debt Obligations, was issued. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The Village is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Annual budgets for the Village are prepared prior to June 1 and must be approved by the Council Members and the New Mexico Department of Finance and Administration. Once the budget has been formally approved, the Village Council Members and the Department of Finance and Administration must also approve any amendments. 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.

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.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Proprietary Funds.

The Village is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

Since accounting principals 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 principals, 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, 2019 is presented.

Budgetary Control

1. Prior to June 1, the Village's Clerk-Treasurer submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted in May and June to obtain taxpayers comments.
2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration.
3. The Village Council is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the State Department of Finance and Administration.
4. Formal budgetary integration is employed as a management control device during the year for all funds.
5. The level of budget authority is at the fund level.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank 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 of America or by collateral deposited as security or by bond given by the financial institution. The rate of interest in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities 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.

Cash Deposited with Financial Institutions

The Village maintains cash in one financial institution within Des Moines, New Mexico. The Village's deposits are carried at cost.

As of June 30, 2019, the amount of cash reported on the financial statements differs from the amount on deposit with the financial institution because of transactions in transit and outstanding checks. A summary of the reconciliation is as follows:

	Amount Per Bank	Plus DIT	Outstanding Checks	Balance Per Books
Farmers & Stockmen's Bank	\$ 142,215	\$ 874	\$ (27,671)	\$ 115,029
Statement of Net Position:				
Cash		\$ 115,029		
Cash Held by NMFA (Restricted)		389		
Total		\$ 115,418		

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Village. As of June 30, 2019, the Village has restricted amounts of \$389 which are loan proceeds held by the NMFA and 1/12th general fund reserves in the amount of \$19,250 required by DFA-LGD.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)

All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Village carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	Farmers & Stockmen's Bank
Amount held in bank June 30, 2019	\$ 142,215
Less FDIC Insurance	250,000
Uninsured Public Funds	-

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Demand, time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate.

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2019, none of the Village's bank balance of \$142,215 was exposed to custodial credit risk.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

4. CAPITAL ASSETS

Capital asset activity for the Village's primary government for the year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Government activities:					
Capital assets not being depreciated:					
Land	\$ 10,858	\$ -	\$ -	\$ -	\$ 10,858
Total capital assets not being depreciated	<u>10,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,858</u>
Capital Assets, being depreciated					
Buildings and improvements	815,536	-	-	-	815,536
Infrastructure	1,958,501	-	-	-	1,958,501
Equipment	<u>1,393,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,393,764</u>
Total capital assets, being depreciated	<u>4,167,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,167,801</u>
Total capital assets	<u>4,178,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,178,659</u>
Less accumulated depreciation for:					
Buildings and improvements	271,363	24,238	-	-	295,601
Infrastructure	1,661,700	31,700	-	-	1,693,400
Equipment	<u>1,114,764</u>	<u>40,537</u>	<u>-</u>	<u>-</u>	<u>1,155,301</u>
Total accumulated depreciation	<u>3,047,827</u>	<u>96,475</u>	<u>-</u>	<u>-</u>	<u>3,144,302</u>
Total other capital assets, net	<u>\$ 1,130,832</u>	<u>\$ (96,475)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,034,357</u>

Depreciation expense was charged to governmental activities as follows:

General	\$ 17,279
Public Safety	21,396
Culture and Recreation	47,804
Public Works	<u>9,996</u>
Total depreciation expense	<u>\$ 96,475</u>

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

5. NOTES PAYABLE AND COMPENSATED ABSENCES

A summary of activity of compensated absences is as follows:

	Balance	Additions	Reductions	Balance	Amount
	6/30/18			06/30/19	Due Within
					One Year
Notes payable	\$ 303,971	\$ -	\$ 17,188	\$ 286,783	\$ 17,419
 Total	 <u>\$ 303,971</u>	 <u>\$ 3,863</u>	 <u>\$ 21,051</u>	 <u>\$ 286,783</u>	 <u>\$ 17,419</u>

The Village obtained a new loan during 2013 in the amount of \$386,719, from the New Mexico Finance Authority. The loan requires variable annual payments from \$17,188 to \$25,655 including variable interest from 0.30% to 3.36% and matures May 2033. Loan debt service requirements to maturity are as follows:

Years ending June 30,	Principal	Interest	Total
2020	17,419	7,803	25,222
2021	17,704	7,534	25,238
2022	18,041	7,216	25,257
2023	18,432	6,842	25,274
2024-2028	99,571	30,800	130,371
2029-2033	<u>115,616</u>	<u>7,856</u>	<u>123,472</u>
	 <u>\$ 286,783</u>	 <u>\$ 68,051</u>	 <u>\$ 354,834</u>

6. PROPERTY TAXES

Union County collects the Village's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the Village on a monthly basis. The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues for the budget presentation.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

7. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

The Village adopted GASB 68 during the year ended June 30, 2019. GASB 68, *Accounting and Financial Reporting for Pensions*, requires contributing employers of cost-sharing multiple employer defined benefit pension plans to include the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources related to their share of the pension plan in their government-wide financial statement presentation. PERA engaged their financial statement auditors to prepare a schedule allocating these obligations to the contributing employers as of the year ended June 30, 2019. As part of adopting GASB 68 during the current year, the Village recognized a Net Pension Liability (NPL), which represents the Village's share of the underfunded pension obligation at June 30, 2019.

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/> using the Audit Report Search function for agency 366.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

7. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

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, 2019 available at: <http://www.nmpera.org/assets/uploads/downloads/GASB/Final-Version-NMPERA-2018-GASB-68-Report.pdf>

Contributions: The contribution requirements of defined benefit plan members and the Village of Des Moines are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY18 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 22 through 23 of the PERA FY18 annual audit report at <http://www.nmpera.org/assets/uploads/downloads/GASB/Final-Version-NMPERA-2018-GASB-68-Report.pdf>. The PERA coverage options that apply to the Village of Des Moines is Municipal General Division. Statutorily required contributions to the pension plan from the (Village of Des Moines were \$7,350 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2019.

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, 2019. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2019, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2019.

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 of Des Moines' 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, 2019. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2019 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2018 are included in the total contribution amounts.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

7. 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)

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, 2019, the Village of Des Moines reported a liability of \$57,397 for its proportionate share of the net pension liability. At June 30, 2019, the Village of Des Moines' proportion was 0.0036%, which was unchanged from its proportion measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2019, the Village of Des Moines recognized PERA Fund Division Municipal General pension expense of \$2,693. At June 30, 2019, the Village of Des Moines 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>
Change in assumption	\$ 5,204	\$ 330
Net difference between projected and actual earnings on pension plan investment	4,257	-
Difference between expected and actual experience	1,659	1,507
Contributions made after measurement date	6,302	-
Change in proportion and differences between employer and contributions and proportionate share of contributions	<u>923</u>	<u>12,513</u>
TOTAL	<u>\$ 18,345</u>	<u>\$ 14,350</u>

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
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7. 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)

In June 30, 2019 \$6,302, deferred outflows - contributions made after measurement date, will be recognized as a reduction of net pension liability. Other deferred amounts to be recognized in fiscal years following the reporting date are below:

Year Ended June 30:

2019	\$	(3,379)
2020		(13)
2021		866
2022		<u>219</u>
Thereafter	\$	<u>(2,307)</u>

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2017 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2018 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

7. 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 valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
- Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
-Payroll growth	3.00% annual rate
-Projected salary increases	3.00% to 13.50% annual rate
-Includes inflation at	2.50% annual rate
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 20, 2015

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:

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

7. 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)

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.5 %	7.48 %
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	<u>20.0</u>	7.35
Total	100.0 %	

Discount rate:

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.25% assumed longterm expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate:

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

	1% Decrease 6.25%	Current 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 88,445	\$ 57,397	\$ 31,731

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

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

7. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Payables to the pension plan. Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASB 68, paragraphs 122 and 124. At June 30, 2019, there was no payable to the plan.

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

8. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

To manage these risks the Village participates as a member of the New Mexico Self Insurer's Fund, a pooled joint powers Insurance Authority. The Authority is administered by the New Mexico Municipal League, a nonprofit, comprised of 103 public entities. The Authority is organized under joint powers agreements as provided by Section 11-1-1 et. Seq, NMSA, 1978. The purpose of the Authority is to arrange and administer programs for pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverage. Each member government participates in the election of Board of Directors, who appoints the Insurance Board of Trustees. Insurance premiums paid to the Authority for fiscal year 2019 amounted to \$23,627.

Tort claims are generally limited by the Tort Claims Act, Section 41-4-1 et. Seq, NMSA, 1978. The Village retains some risk for coverage which may be less than the tort claims limitation. Certain claims relating to certain public construction, operation of motor vehicles, building maintenance and certain health care activities are exempt from the Act.

General Liability Insurance: The policy provides an annual aggregate coverage of \$4,000,000 with \$400,000 per person for bodily injury and \$750,000 per occurrence. Property damage coverage is for \$100,000 per occurrence.

Workers' Compensation Insurance: The policy limits provides coverage of \$1,050,000 per occurrence and \$1,050,000 annual aggregate coverage.

Property Insurance: Property insurance insures Village buildings for an aggregate of

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

8. RISK MANAGEMENT (CONTINUED)

\$1,396,033, including contents, with separate electronic data processing equipment of \$9,000. Deductibles are \$250 per occurrence. Automobile comprehensive is included with a deductible of \$250.

Fidelity Bond: Blanket fidelity bond coverage in the amount of \$500,000 with deductible of \$10,000 is provided.

The New Mexico Self Insurer's Fund assesses a premium to the Village to cover expenses of the fund which includes claims, reinsurance expenses, administration, and other costs.

Risk management activities are reported primarily in the General Fund. Other funds may reimburse the General Fund for certain coverage. The Village has not significantly reduced Insurance coverage from the prior year. Settlements have not exceeded Insurance coverage for the past three years. Management is not aware of any outstanding claims.

9 SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2019 the date the financial statements were available to be issued.

10. BUDGETED DEFICIT FUND BALANCE

The following fund budgeted a deficit fund balance as of June 30, 2019:

Joint Utilities Fund	<u>\$ (5,584)</u>
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11. DEFICIT FUND BALANCE

The following fund had a deficit fund balance as of June 30, 2019:

Senior Citizens Fund	<u>\$ 4,472</u>
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REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO VILLAGE OF DES MOINES
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The State of New Mexico Village of Des Moines' proportion of the net pension liability	\$ 57,397	\$ 57,397	\$ 68,700	\$ 73,410	\$ 56,168
The State of New Mexico Village of Des Moines' proportionate share of the net pension liability	0.0036%	0.0035%	0.0043%	0.0072%	0.0077%
The State of New Mexico Village of Des Moines' covered-employee payroll	\$ 80,968	\$ 82,166	\$ 77,416	\$ 109,346	\$ 76,406
The State of New Mexico Village of Des Moines' proportionate share of the net pension liability as a percentage of its covered-employee payroll	70.89 %	69.85 %	88.74 %	67.14 %	73.51 %
Plan fiduciary net position as a percentage of the total pension liability	71.13 %	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 State of New Mexico Village of Des Moines will present information for those years for which information is available.

STATE OF NEW MEXICO VILLAGE OF DES MOINES
SCHEDULE OF CONTRIBUTIONS
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 6,302	\$ 7,350	\$ 3,527	\$ 5,654	\$ 5,353
Contributions in relation to the contractually required contribution	<u>6,302</u>	<u>7,350</u>	<u>3,527</u>	<u>5,654</u>	<u>5,353</u>
The State of New Mexico Village of Des Moines' covered-employee payroll	<u>\$ 80,968</u>	<u>\$ 82,166</u>	<u>\$ 77,416</u>	<u>\$ 109,346</u>	<u>\$ 76,406</u>
Contributions as a percentage of covered-employee payroll	<u>7.78 %</u>	<u>8.95 %</u>	<u>4.56 %</u>	<u>5.17 %</u>	<u>7.01 %</u>

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The State of New Mexico Village of Des Moines will present information for those years for which information is available.

STATE OF NEW MEXICO VILLAGE OF DES MOINES
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Changes of benefit terms - The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY Village audit available at <http://www.nmpera.org/assets/uploads/downloads/GASB/Final-Version-NMPERA-2018-GASB-68-Report.pdf>.

Changes in assumptions - *The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 18 report is available at* <http://www.nmpera.org/assets/uploads/downloads/GASB/Final-Version-NMPERA-2018-GASB-68-Report.pdf>.

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
SCHEDULE OF DEPOSITORIES
AS OF JUNE 30, 2019

	Type	Amount Per Bank	Plus DIT	Outstanding Checks	Balance Per Books
Farmers and Stockmen's Bank					
General Fund	CK	\$ 57,082	\$ -	\$ 15,979	\$ 41,103
Fire Fund	CK	69,593	9	9,295	60,307
Senior Citizens Fund	CK	255	-	286	(31)
Ambulance Fund	SV	6,263	-	1,379	4,884
EMS Fund	CK	752	-	369	383
Water Fund	CK	1,170	-	361	809
Fire Fund Savings	SV	4,317	865	-	5,182
Water Meter	SV	2,394	-	2	2,392
NMFA					
Fire Fund	CK	389	-	-	389
Total		\$ 142,215	\$ 874	\$ 27,671	\$ 115,418

Type:
CK= Checking
SV= Savings
CD= Certificate of Deposit

	Farmers & Stockmen's Bank
Amount held in bank June 30, 2019	\$ 142,215
Less NMFA loan proceeds	389
Less FDIC Insurance	<u>250,000</u>
Uninsured Public Funds	<u>\$ -</u>

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2019

The financial statements of the Village of Des Moines as of, and for the year ended, June 30, 2019 were prepared by Beasley, Mitchell & Co., LLP, with the aid of responsible Village personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
ENTRANCE AND EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2019

An entrance conference was conducted October 22, 2019 in a closed meeting of the Village of Des Moines pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Village of Des Moines

Sandra Fernandez
Stephanie King

Village Councilor
Village Clerk/Treasurer

Beasley, Mitchell & Co., LLP

Juan Garcia

Audit Specialist

An exit conference was conducted October 22, 2019 in a closed meeting of the Village of Des Moines pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Village of Des Moines

Sandra Fernandez
Stephanie King

Village Councilor
Village Clerk/Treasurer

Beasley, Mitchell & Co., LLP

Juan Garcia

Audit Specialist

A subsequent exit conference was conducted December 12, 2019 via telephone pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Village of Des Moines

Chris Moehring

Mayor

Beasley, Mitchell & Co., LLP

Juan Garcia

Audit Specialist