

**STATE OF NEW MEXICO
VILLAGE OF ENCINO**

**INDEPENDENT ACCOUNTANT'S REPORT
ON THE APPLICATION OF TIER 6
AGREED-UPON PROCEDURES
AND COMPILED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

INTRODUCTORY SECTION

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VILLAGE OF ENCINO
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JUNE 30, 2019**

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**STATE OF NEW MEXICO
VILLAGE OF ENCINO
OFFICIAL ROSTER
JUNE 30, 2019**

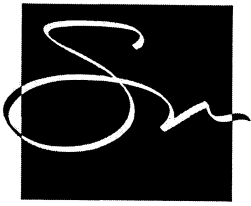
VILLAGE COUNCIL

Name	Title
Boyd Herrington	Mayor
William Murphy	Mayor Pro-Tem
Ernie Garcia	Councilor
Victor Gallegos	Councilor
Michael Alarid	Councilor

VILLAGE PERSONNEL

Loretta Chavez	Clerk
Alysha Garcia	Deputy Clerk
Martha Phillips	Maintenance
Lawrence Gallegos	Maintenance

FINANCIAL SECTION



SCOTT NORTHAM, CPA, PC
Certified Public Accountants

**INDEPENDENT ACCOUNTANT'S REPORT ON THE
APPLICATION OF TIER 6 AGREED-UPON PROCEDURES**

Brian Colon, New Mexico State Auditor, and
Honorable Mayor and Village Councilors of
Village of Encino
Encino, New Mexico

We have performed the procedures enumerated below for the Village of Encino (the Village), for the year ended June 30, 2019. The Village was determined to be a Tier 6 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the Village through the Office of the New Mexico State Auditor. The Village's management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are detailed under Scope of Procedures and Results as noted in the table of contents.

Our findings related to the procedures in the Scope of Procedures and Results are presented in the accompanying schedule of findings and responses as listed in the table of contents.

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 Village's financial position and operations as of and for the year ended June 30, 2019. Accordingly, we do 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 those parties specified in the report.

This report is intended solely for the information and use of the Village of Encino, the New Mexico Office of the State Auditor, the New Mexico Legislature, and the DFA-LGD and is not intended to be and should not be used by anyone other than those specified parties.

Scott Northam, CPA, PC
Ruidoso, New Mexico
August 27, 2019

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
SCOPE OF PROCEDURES AND RESULTS
JUNE 30, 2019**

1. Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tiered System Reporting Main Page."	
Tier 6 Requirements – Cash basis revenues excluding capital outlay funds, federal or private grants of \$250,000 or more but less than \$500,000.	The Village's cash basis revenues excluding legislatively-appropriated capital outlay funds, federal or private grants totaled \$366,542. The Village is correctly categorized as a Tier 6 agency.
2. Cash Procedures	
a. Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements are complete and on-hand.	All fiscal year bank reconciliations and statements were on-hand and available for compliance examination. Reconciliations were performed timely performed within a reasonable time after the end of the month.
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.	A review of all fiscal year bank reconciliations noted the reconciliations were accurate and agreed with the general ledger and DFA reports.
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.	The Village's funds on deposit with the financial institution exceeded the \$250,000 FDIC maximum insured coverage during the year. The financial institution provided sufficient additional pledged collateralization to be compliant with state statutes.
3. Capital Assets	
Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.	The Village provided a capital asset inventory listing as required under Section 12-6-10 NMSA 1978, which was approved by the Village Council.
4. Debt	
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.	The Village made the required debt payments to NMFA during the fiscal year. The NMFA debt does not require the Village to hold reserves.

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
SCOPE OF PROCEDURES AND RESULTS
JUNE 30, 2019**

5. Revenue Identify the nature and amount of revenue from all 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.	Analytical review and tests of actual revenue compared to budgeted revenue for the fiscal year noted no exceptions.
b. Select a sample equal to at least 30% of the total dollar amount and test following attributes: Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.	Revenue transactions amounting to approximately 96% of total Village revenue recorded in the general ledger agreed with deposit slips, utility reports and other supporting documentation provided and the bank statements with no exceptions.
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 record on: cash basis, modified accrual basis, or accrual basis.	Amounts were properly recorded on the cash basis as to classification, amount and period per review of supporting documentation.

6. Expenditures Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:	
a. Determine that the 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.	A representative sample of disbursement transactions totaling approximately 100% of total disbursements noted no exceptions with respect to amount, payee, date and description
b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.	The representative sample of disbursements noted no exceptions as to authorization and approval for payment, budget compliance and compliance with 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).	Disbursement testwork revealed no exceptions to the process (or request for proposal process, if applicable), purchase orders, contracts and agreements being 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).

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
SCOPE OF PROCEDURES AND RESULTS
JUNE 30, 2019**

7. Journal Entries Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:	
a. Journal entries appear reasonable and have supporting documentation.	There were no non-routine journal entries posted to the general ledger
b. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.	There were no non-routine journal entries posted to the general ledger. The Village has policies in place that require any journal entries made by the village clerk to be reviewed and approved by the Mayor and Village Council.

8. Budget Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:	
a. Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local body's governing body and DFA-LGD.	The original and final budgets were approved by the Board of Directors and DFA-LGD. Budget adjustments for the fiscal year were made and approved by LGD.
b. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.	The Village exceed the final budget in the General Fund by \$929 and the Fire Protection Fund by \$955. See Finding 2019-001 .
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.	The Schedules of Revenue and Expenditures – Budget and Actual accompanying these procedures are prepared on the cash basis used by the Village and prepared from the original and final approved budgets and general ledger.

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
SCOPE OF PROCEDURES AND RESULTS
JUNE 30, 2019**

<p>9. Capital Outlay Appropriations The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital 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 funds expended by the recipient during the fiscal year that meet TIER 6 criteria. Perform the following tests on all state-funded capital outlay expenditures:</p>	
<p>a. Determine that the amount recorded as disbursed agrees to the adequate supporting documentation. Verify that amount, payee, date and description to agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.</p>	<p>The Village did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>b. Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.</p>	<p>The Village did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>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 and State Purchasing Regulations (Section 131-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC.</p>	<p>The Village did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>d. Determine the physical existence (by observation) of the capital asset based on expenditures to date.</p>	<p>The Village did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>e. Verify that status reports were submitted to the state agency per terms of the agreement and amounts in the status report agree with the general ledger and supporting documentation.</p>	<p>The Village did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>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</p>	<p>The Village did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>g. If the project is complete, determine if there is an unexpected balance and whether it was reverted per statute and agreement with the grantor.</p>	<p>The Village did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>h. Determine whether cash received for the award was accounted for in a separate fund or a separate bank account that is non-interest bearing if so required by the capital outlay award agreement.</p>	<p>The Village did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
SCOPE OF PROCEDURES AND RESULTS
JUNE 30, 2019**

<p>9. Capital Outlay Appropriations (Cont.) The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital 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 funds expended by the recipient during the fiscal year that meet TIER 6 criteria. Perform the following tests on all state-funded capital outlay expenditures:</p>	
<p>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 of the reimbursement.</p>	<p>The Village did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>10. Other</p>	
<p>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(I)(3)(C) NMAC.</p>	<p>No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts or internal control deficiencies.</p>



SCOTT NORTHAM, CPA, PC
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Brian Colon, New Mexico State Auditor, and
Honorable Mayor and Village Trustees of
Village of Encino
Encino, New Mexico

Management is responsible for the accompanying financial statements of Village of Encino, New Mexico, which comprise the balance sheets - governmental funds, and the statements of net position- proprietary funds, for each individual fund, as of June 30, 2019 and the related statements of revenues, expenditures and changes in fund balances - governmental funds, statements of revenues, expenses and changes in net position - proprietary funds for each individual fund for the year then ended, and the related notes to the financial statements in accordance with the requirements of Section 2.2.2.16 New Mexico Administrative Code (NMAC).

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.

As noted in Note A of the 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 reconciliations between governmental funds and the government-wide financial statements; (c) the statement of cash flows - proprietary funds; and (d) 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.

Management has also omitted the Management Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such omitted information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context.

This report is intended solely for the information and use of the Village of Encino, New Mexico Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

Scott Northam, CPA, PC
Ruidoso, New Mexico
August 27, 2019

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
COMBINING BALANCE SHEET
MODIFIED ACCRUAL BASIS
JUNE 30, 2019**

	General Fund	Fire Protection Fund	EMS Fund	Total Governmental Funds
ASSETS				
ASSETS				
Cash and Cash Equivalents	\$ 367,305	\$ 32,562	\$ 1,046	\$ 400,913
NMFA Cash	-	17,069	-	17,069
Taxes Receivable				
Property	70	-	-	70
Gross Receipts	5,717	-	-	5,717
Gasoline	5,267	-	-	5,267
Total Assets	<u>\$ 378,359</u>	<u>\$ 49,631</u>	<u>\$ 1,046</u>	<u>\$ 429,036</u>
 LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 5,713	\$ 17,004	\$ 127	\$ 22,844
Accrued Payroll Liabilities	3,170	32	-	3,202
Total Fund Balances	<u>8,883</u>	<u>17,036</u>	<u>127</u>	<u>26,046</u>
 FUND BALANCES				
Assigned	-	32,595	919	33,514
Unassigned	369,476	-	-	369,476
Total Fund Balances	<u>369,476</u>	<u>32,595</u>	<u>919</u>	<u>402,990</u>
Total Liabilities and Fund Balances	<u>\$ 378,359</u>	<u>\$ 49,631</u>	<u>\$ 1,046</u>	<u>\$ 429,036</u>

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
MODIFIED ACCRUAL BASIS
YEAR ENDED JUNE 30, 2019**

	General Fund	Fire Protection Fund	EMS Fund	Total Governmental Funds
REVENUES				
Taxes				
Gross Receipts	\$ 98,138	\$ -	\$ -	\$ 98,138
Property	4,036	-	-	4,036
Gasoline	33,832	-	-	33,832
Motor Vehicle	883	-	-	883
Intergovernmental				
State	90,000	85,172	-	175,172
Service Fees	585	-	5,035	5,620
Licenses and Permits	45	-	-	45
Interest	-	1,432	-	1,432
Other Revenue	8,450	136	-	8,586
Total Revenues	<u>235,969</u>	<u>86,740</u>	<u>5,035</u>	<u>327,744</u>
EXPENDITURES				
Current				
Finance and Administration	196,086	-	-	196,086
Public Safety	-	64,476	4,606	69,082
Debt Service				
Principal	-	16,663	-	16,663
Interest	-	1,511	-	1,511
Capital Outlay	<u>21,292</u>	<u>59,382</u>	<u>-</u>	<u>80,674</u>
Total Expenditures	<u>217,378</u>	<u>142,032</u>	<u>4,606</u>	<u>364,016</u>
Excess (Deficit) of Revenues over Expenditures	<u>18,591</u>	<u>(55,292)</u>	<u>429</u>	<u>(36,272)</u>
Fund Balance, Beginning of Year	350,885	53,320	490	404,695
Prior Period Adjustment	<u>-</u>	<u>34,567</u>	<u>-</u>	<u>34,567</u>
Fund Balance, Beginning of Year	<u>350,885</u>	<u>87,887</u>	<u>490</u>	<u>439,262</u>
Fund Balance, End of Year	<u>\$ 369,476</u>	<u>\$ 32,595</u>	<u>\$ 919</u>	<u>\$ 402,990</u>

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Water Fund	Solid Waste Fund	Total Proprietary Funds
ASSETS			
ASSETS			
Cash and Cash Equivalents			
Unrestricted	\$ 8,508	\$ 1,587	\$ 10,095
Restricted - Customer Deposits	3,086	-	3,086
Accounts Receivable, Net	154	-	154
Capital Assets, Net	<u>479,167</u>	<u>-</u>	<u>479,167</u>
Total Assets	<u><u>\$ 490,915</u></u>	<u><u>\$ 1,587</u></u>	<u><u>\$ 492,502</u></u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 1,025	\$ 515	\$ 1,540
Meter Deposits	<u>3,086</u>	<u>-</u>	<u>3,086</u>
Total Liabilities	<u>4,111</u>	<u>515</u>	<u>4,626</u>
NET POSITION			
Net Investment in Capital Assets	479,167	-	479,167
Unrestricted	<u>7,637</u>	<u>1,072</u>	<u>8,709</u>
Total Net Position	<u>486,804</u>	<u>1,072</u>	<u>487,876</u>
Total Liabilities and Net Position	<u><u>\$ 490,915</u></u>	<u><u>\$ 1,587</u></u>	<u><u>\$ 492,502</u></u>

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019**

	Water Fund	Solid Waste Fund	Total Proprietary Funds
REVENUES			
Charges for Services	<u>\$ 20,941</u>	<u>\$ 6,900</u>	<u>\$ 27,841</u>
Total Revenues	<u>20,941</u>	<u>6,900</u>	<u>27,841</u>
EXPENDITURES			
Current			
Water Purchases	11,254	-	11,254
Sanitation Contract Expense	-	6,410	6,410
Utilities	3,184	-	3,184
Supplies	1,308	-	1,308
Other Operating Expenses	4,121	-	4,121
Depreciation	<u>22,195</u>	<u>-</u>	<u>22,195</u>
Total Expenditures	<u>42,062</u>	<u>6,410</u>	<u>48,472</u>
Change in Net Position	(21,121)	490	(20,631)
Net Position, Beginning of Year	<u>507,925</u>	<u>582</u>	<u>508,507</u>
Net Position, End of Year	<u><u>\$ 486,804</u></u>	<u><u>\$ 1,072</u></u>	<u><u>\$ 487,876</u></u>

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This following summary presentation of significant accounting policies of the Village of Encino (the Village) is to assist in the understanding of the Village's financial statements. The financial statements and notes are the representation of the Village's management who is responsible for their integrity and objectivity. The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, and the Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures, and Financial Accounting Standards Board (FASB) pronouncements applicable to governmental agencies.

Departure from Generally Accepted Accounting Principles - 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 governmentwide financial statements; (b) the statement of cash flows - proprietary funds; 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.

Organization - The Village is a political subdivision of the State of New Mexico and was incorporated in the early 1900s under provisions of Chapter 3, Article 2, NMSA 1978 as amended. The Village operates under the council-mayor form of government. The Village provides the following authorized services: public safety (fire), highways and streets, water, sanitation, health and welfare, culture and recreation, public improvements, and general administrative services. The Village's basic financial statements include all activities and accounts of the Village's financial reporting entity.

The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The GASB 14 definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Based upon the GASB 14 criteria above, there are no component units of the Village, nor is the Village considered a component unit of another governmental agency during the fiscal year ended June 30, 2019.

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Measurement Focus, Basis of Accounting, Financial Statement Presentation

Governmental Fund Financial Statements - Governmental fund level financial statements report activity using the current financial resources measurement focus and the modified accrual basis of accounting. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income. Revenue recognition is as soon as they are both measurable and available.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds.

Management also has the option to report a fund as major even though it does not fit the criteria. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the supplementary information section of the report.

The Village considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Generally, intergovernmental revenues and grants are recognized when all eligibility requirements are met, and the revenues are available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property tax revenue is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Gross receipts, gasoline, motor vehicle, and other public service tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial.

The Torrance County Treasurer levies and collects property taxes on behalf of the Village. Property taxes are levied in November and are payable in two installments, half on November 10, which becomes delinquent on December 10, and half on April 10, which becomes delinquent on May 10, which is also the lien date.

Program revenues reduce the cost of the function to be financed from the Village's general revenues. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Village; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. Investment earnings are recorded as earned since they are measurable and available.

Other revenues susceptible to accrual are investment income and charges for services. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Governmental funds are used to account for the Village's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt.

The Village reports the following governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Village except for items included in other funds.

Under the requirements of GASB No. 34, the Village is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include only the General Fund. No other funds were required to be presented as major or at the discretion of management.

The Village maintains other governmental funds which are classified as **special revenue** funds. A description of each governmental fund is as follows:

- The **Fire Protection Fund** accounts for the proceeds of the state fire allotment, and the expenditures for public safety there from. New Mexico state law requires that these funds be used to help maintain the fire department. The fund was established by local ordinance and in accordance with Section 59A-53-1, of the New Mexico State Insurance Code. Section 59A-53-8 of the code restricts the use of the funds for only the maintenance of the Village's fire department.
- The **EMS Fund** accounts for the operation and maintenance of the Village EMS Department with funding provided primarily from an annual EMS allotment and fees collected for emergency transportation. The fund was created by the authority of Section 24-10A-3 NMSA 1978.

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Village reports the following major proprietary fund:

- The ***Water Fund*** is used to account for the provision of water, sewer, and solid waste services to the residents of the Village and is considered an enterprise fund. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.
- The ***Solid Waste Fund*** is used to account for the solid waste collection and disposal services provided to the Village residents.

Budgetary Information - Annual budgets of the Village are prepared prior to June 1 and must be approved by resolution of the Village Council and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Village Council and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each fund budget may be over-expended; however, it is not legally permissible to over-expend any fund's budget in total. Over-expending the authorized budget in a fund will result in a finding.

These budgets are prepared on the Non-GAAP budgetary basis, excluding encumbrances, and secure appropriation of funds for only one year. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

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

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual and Statement of Revenues, Expenses and Changes in Net Position (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2019 is presented.

Assets, Liabilities, Net Position or Fund Equity, Other Matters

Cash and Investments - Cash includes amounts in demand deposits and short-term investments. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

All investments are stated at fair value which is determined by using selected bases. Interest income and realized gains and losses on investment transactions are included for financial statement purposes as investment income.

Cash Flow Liquidity - For purposes of the statement of cash flows, the Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Restricted Cash - The Village restricts a compensating amount of cash equal to the amount of the customer deposits held on hand. These reserves are not required but are separated by management.

Use of Restricted Cash - When the Village incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

Utility Receivables - Substantially all of the Village's outstanding utility receivables are due from its customers for water and solid waste collection. Collateral is generally not required on receivables, but a deposit is required to activate new service.

Allowance for Doubtful Accounts - It is the opinion of management that an allowance for doubtful accounts was not necessary as of June 30, 2019 since it considers all receivables as collectible and services will be disconnected should an account become delinquent.

Concentration of Credit Risk - The Village grants credit without collateral to its customers for its services, but the customers are subject to service termination if the receivables are not settled within a specified time frame. The customer deposits held by the Village helps mitigate the credit risk.

Property and Equipment - Capital assets which may include software, property, plant, equipment, vehicles, and infrastructure assets (e.g., building, roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. 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. Land owned by the Village is always capitalized.

GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* allows Phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The Village has elected not to retroactively record infrastructure assets since being considered a Phase III municipality.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Assets of the Village are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings, Structures and Improvements	10-40
Water and Wastewater Systems	40
Infrastructure	30-40
Office and Maintenance Equipment	7-10
Vehicles	5

Analysis of Impairments - Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based on comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based on the fair value of the impaired assets. No such impairment losses were recorded during the year ended June 30, 2019.

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Customer Deposits - The Village requires a deposit to establish service for the customer. Deposits are not considered revenue for the Village unless or until the customer closes their account, at which time any remaining balance due on the account is deducted from the deposit and the customer is refunded the excess.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or business-type activities within the statement of net position. Issuance costs associated with notes entered into are expensed in the year of issuance.

Long-term obligations are reported as debt in the proprietary fund. In the governmental funds the long-term obligations are not reported as liabilities. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - Governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of resources: Non-spendable, Restricted, Committed, Assigned and Unassigned. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, e.g., prepaid items or inventories; or (b) legally or contractually required to be maintained intact. Restricted fund balances have limitations placed on the funds by external means or legislation. Committed fund balances have self-imposed limitations. Assigned fund balances have an intended use factor for a specific fund, and unassigned fund balances are excess funds not categorized in the other classifications.

Net Position - The proprietary funds utilize a net position presentation. Net position is reported represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position is reported in three categories:

- ***Net investment in capital assets*** – This category reflects the portion of net position that is associated with capital assets, net of accumulated depreciation reduced by the outstanding capital asset-related debt and adding back unspent proceeds.
- ***Restricted net position*** – This category reflects the portion of net position that has third party limitations on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- ***Unrestricted net position*** – This category reflects net position of the Village, not restricted for any project or other purpose.

Operating and Non-operating Revenues - Revenues are classified as operating or non-operating according to the following criteria:

Operating revenue - include activities which have the characteristic of exchange transactions, such as charges for services and fees, net of any allowance for uncollectible amounts.

Non-operating revenues - include activities which have the characteristics of non-exchange transactions, such as capital grants and investment income.

Interfund Activity - Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balances as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers.

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Operating and Non-operating Expenditures - Expenditures are classified as operating or non-operating according to the following criteria:

Operating expenditures - include activities that have the characteristics of an exchange transaction such as employee salaries, benefits, and related expenses; maintenance, operations and contractual services; materials and supplies; office expenses; and depreciation expenses related to Village capital assets.

Non-operating expenditures - include activities that have the characteristics of non-exchange transactions such as interest on capital asset-related debt and bond expenses that are defined as non-operating expenses by GASB Statement No. 9 - *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34.

Pensions and OPEB - The Village elected not to participate in either the New Mexico Public Employees Retirement Association (PERA) or the New Mexico Retiree Health Care Act. Therefore, the Village is not required to implement the following GASB statements:

- GASB Statement No. 68 - *Financial Reporting for Pension Plans – An Amendment to GASB Statement 27*,
- GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date*,
- GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

GASBS No. 77 – Tax Abatement Disclosures - The objective of this statement is to assist the users of state and local government financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The statement will not have a material impact on the Village's financial statements. The Village is not a party to any tax abatement agreements that need to be disclosed as required by GASB 77.

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

Risk Management - The Village is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any preceding years. A surety bond as required by Section 12-6-7 NMSA 1978 Compilation and the New Mexico State Auditor Rule covers the officials and certain employees of the Village.

Subsequent Events - GASB 56 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or available to be issued. Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE B - CASH AND CASH EQUIVALENTS

At June 30, 2019, the Village had cash and cash equivalents on deposit with the local financial institution in a demand deposit account. Following is a schedule as of June 30, 2019, of the cash and cash equivalents.

	Bank Balance June 30, 2019	Net Items Outstanding	Book Balance June 30, 2019
Everyone's Federal Credit Union			
General Checking:			
General Fund Account	\$ 367,382	\$ (147)	\$ 367,235
Fire Fund Account	32,562	-	32,562
EMS Fund Account	1,046	-	1,046
Water and Solid Waste Account	10,095	-	10,095
Meter Account	<u>\$ 3,086</u>	<u>-</u>	<u>3,086</u>
Total – EFCU	<u>\$ 414,171</u>	<u>\$ (147)</u>	<u>\$ 414,024</u>
Petty Cash			<u>70</u>
Total Cash and Cash Equivalents			<u>\$ 414,094</u>

In accordance with Section 6-10-17, NMSA 1978 compilation, deposits of public monies are required to be collateralized. Pledged collateral is required in amounts in aggregate equal to one half of the amount of uninsured public money in each account during the fiscal year. Securities which are obligations of the State of New Mexico, its agencies, institutions, counties, or municipalities or other subdivisions are accepted as security at par value; all other securities are accepted as security at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation.

	Totals
Deposits	\$ 414,171
Less FDIC Coverage	<u>(250,000)</u>
Uninsured Funds	164,171
Pledged Securities	<u>550,000</u>
Uninsured and Uncollateralized	<u>\$ (385,829)</u>
50% Pledged Collateral Requirement per Statute	\$ 82,086
Pledged Collateral	<u>550,000</u>
(Over) Collateralized	<u>\$ (467,914)</u>

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE B - CASH AND CASH EQUIVALENTS (Cont.)

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to them. The Village does not have a deposit policy for custodial credit risk other than that of state statutes. As of June 30, 2019, \$164,171 of the Village's bank balance of \$414,171 was exposed to custodial credit risk before applying the pledged collateral. The Federal Home Loan Bank, Dallas, Texas, holds the securities pledged toward the Village by Everyone's Federal Credit Union.

Everyone's Federal Credit Union Pledged Collateral:	CUSIP	Maturity	Market Value	Par Value
Fed Farm Credit BKS	3133EHQ61	04/15/2022	\$ 150,000	\$ 150,000
Fed Nat Mtg Assn	3136G4LP6	08/28/2020	300,000	300,000
Fed Home Loan Mtg Corp	3134GBL26	09/28/2020	<u>100,000</u>	<u>100,000</u>
		Total Collateral Pledged	<u>\$ 550,000</u>	<u>\$ 550,000</u>

New Mexico Finance Authority Deposits - The Village has approximately \$17,069 on deposit with the New Mexico Finance Authority (NMFA). The amount on deposit is being held in escrow by NMFA for debt service purposes associated with the finance of the fire department building. The amount on deposit with NMFA is not covered by FDIC and not considered in the collateralization requirement calculation.

NOTE C - CAPITAL ASSETS

The Village presents the Governmental Funds on a modified accrual basis of accounting. The Village's capital asset basis, accumulated depreciation and annual depreciation are not reported in the accompanying basic fund financial statements, and any capital purchases are reported as capital outlay expenditures in the respective funds. The following capital asset activity for the year ended June 30, 2019 is for additional disclosure and was as follows:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Governmental Funds:				
Depreciable Capital Assets				
Fire Vehicles	\$ 57,353	\$ -	\$ -	\$ 57,353
Fire Equipment	-	50,860	-	50,860
General Vehicles	19,925	-	-	19,925
Office Equipment	1,872	-	-	1,872
General Equipment	<u>96,997</u>	<u>20,000</u>	<u>-</u>	<u>116,997</u>
Total Depreciable Capital Assets	<u>176,147</u>	<u>70,860</u>	<u>-</u>	<u>247,007</u>
Accumulated Depreciation				
Fire Vehicles	(51,072)	(2,160)	-	(53,232)
Fire Equipment	-	(1,848)	-	(1,848)
General Vehicles	(12,090)	(2,775)	-	(14,865)
Office Equipment	(1,872)	-	-	(1,872)
General Equipment	<u>(70,920)</u>	<u>(6,022)</u>	<u>-</u>	<u>(76,942)</u>
Total Accumulated Depreciation	<u>(135,954)</u>	<u>(12,805)</u>	<u>-</u>	<u>(148,759)</u>
Capital Assets, Net	<u>\$ 40,193</u>	<u>\$ 58,055</u>	<u>\$ -</u>	<u>\$ 98,248</u>

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE C - CAPITAL ASSETS (Cont.)

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Proprietary Funds:				
Depreciable Capital Assets				
Infrastructure	\$ 762,455	\$ -	\$ -	\$ 762,455
Buildings	69,000	-	-	69,000
Vehicles	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Total Depreciable Capital Assets	<u>851,455</u>	<u>-</u>	<u>-</u>	<u>851,455</u>
Accumulated Depreciation				
Infrastructure	(289,843)	(19,895)	-	(309,737)
Buildings	(40,250)	(2,300)	-	(42,550)
Vehicles	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>
Total Accumulated Depreciation	<u>(350,093)</u>	<u>(22,195)</u>	<u>-</u>	<u>(372,288)</u>
Capital Assets, Net	<u>\$ 501,362</u>	<u>\$ (22,195)</u>	<u>\$ -</u>	<u>\$ 479,167</u>

The Village incurred approximately \$22,195 of depreciation expense in the Water Fund and was reported as a separate line item in the expenditures.

NOTE D - LONG-TERM DEBT

The Village presents the Governmental Funds on a modified accrual basis of accounting. The Village's governmental long-term debt obligations are not reported in the accompanying basic fund financial statements, and any debt service is reported as debt service expenditure in the respective funds. The following debt service activity for the year ended June 30, 2019 is for additional disclosure and was as follows:

PP-2616 – Fire Department Building - The Village entered into an agreement with NMFA in 2011 to administer a Grant/Loan project to construct a fire department building for the Village. The Village has committed to approximately \$550,250 for the building, of which \$200,000 was grant funds and the remaining \$355,250 is a loan financed through NMFA. Terms of the loan are 20 annual payments ranging from approximately \$16,060 to \$19,531, at 0.440% interest through the 2022 fiscal year, at which time the remaining payments are non-interest-bearing, with the loan maturing in May 2032.

Interest paid during the year on the loan was approximately \$1,511. The Village uses funds from the Fire Protection Fund to pay for the debt service.

Obligation	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Due Within One Year
NMFA – PP-2616	<u>\$ 265,495</u>	<u>\$ -</u>	<u>\$ (16,663)</u>	<u>\$ 248,832</u>	<u>\$ 17,214</u>

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE D - LONG-TERM DEBT (Cont.)

Long-term debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 17,214	\$ 1,186	\$ 18,400
2021	17,822	807	18,629
2022	18,493	379	18,872
2023	19,530	-	19,530
2024	19,530	-	19,530
2025-2029	97,650	-	97,650
2030-2032	<u>58,593</u>	<u>-</u>	<u>58,593</u>
Totals	<u>\$ 248,832</u>	<u>\$ 2,372</u>	<u>\$ 251,204</u>

NOTE E – PRIOR PERIOD ADJUSTMENT

The Village's prior year compiled financial statements omitted the activity of the Village's NMFA account. The prior period adjustment of \$34,567 was made to the Fire Protection Fund to reflect the balance of the Village's NMFA account as of June 30, 2018.

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Gross Receipts	\$ 114,806	\$ 114,806	\$ 98,208	\$ (16,598)
Property	-	-	4,484	4,484
Gasoline	-	-	31,503	31,503
Motor Vehicle	-	-	883	883
State Assistance and Subsidies	90,000	90,000	90,000	-
Service Fees	1,140	1,140	585	(555)
Licenses and Permits	45	45	45	-
Other Revenue	1,967	-	8,450	8,450
Total Revenues	<u>207,958</u>	<u>205,991</u>	<u>234,158</u>	<u>28,167</u>
EXPENSES				
Current				
Finance and Administration	172,974	192,185	195,073	(2,888)
Capital Outlay	-	20,000	18,041	1,959
Total Expenditures	<u>172,974</u>	<u>212,185</u>	<u>213,114</u>	<u>(929)</u>
Excess (Deficit) of Revenues over Expenditures	34,984	(6,194)	21,044	<u>\$ 27,238</u>
Cash Balance, Beginning of Year	<u>346,261</u>	<u>346,261</u>	<u>346,261</u>	
Cash Balance, End of Year	<u>\$ 381,245</u>	<u>\$ 340,067</u>	<u>\$ 367,305</u>	
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			\$ 21,044	
Change in:				
Taxes Receivable				
Property			(70)	
Gross Receipts			(448)	
Gasoline			2,329	
Accounts Payable			(3,251)	
Accrued Payroll Liabilities			(1,013)	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ 18,591</u>	

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
FIRE PROTECTION FUND
YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State Assistance and Subsidies	\$ 52,848	\$ 52,848	\$ 85,172	\$ 32,324
Interest	-	-	1,432	1,432
Other Revenue	-	-	136	136
Total Revenues	<u>52,848</u>	<u>52,848</u>	<u>86,740</u>	<u>33,892</u>
EXPENSES				
Current				
Public Safety	75,582	48,243	48,242	1
Debt Service				
Principal	-	-	16,663	(16,663)
Interest	-	-	1,511	(1,511)
Capital Outlay	<u>31,000</u>	<u>76,600</u>	<u>59,382</u>	<u>17,218</u>
Total Expenditures	<u>106,582</u>	<u>124,843</u>	<u>125,798</u>	<u>(955)</u>
Excess (Deficit) of Revenues over Expenditures	(53,734)	(71,995)	(39,058)	<u>\$ 32,937</u>
Cash Balance, Beginning of Year	<u>88,689</u>	<u>88,689</u>	<u>88,689</u>	
Cash Balance, End of Year	<u>\$ 34,955</u>	<u>\$ 16,694</u>	<u>\$ 49,631</u>	

Reconciliation to GAAP Basis

Deficit of Revenues over Expenditures - Budget Basis	\$ (39,058)
Change in:	
Accounts Payable	(16,202)
Accrued Payroll Liabilities	<u>(32)</u>
Deficit of Revenues over Expenditures - GAAP Basis	<u>\$ (55,292)</u>

STATE OF NEW MEXICO
VILLAGE OF ENCINO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
EMS FUND
YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Service Fees	\$ 5,032	\$ 5,032	\$ 5,035	\$ 3
Total Revenues	5,032	5,032	5,035	3
EXPENSES				
Current				
Public Safety	5,397	5,397	5,260	137
Total Expenditures	5,397	5,397	5,260	137
Excess (Deficit) of Revenues over Expenditures	(365)	(365)	(225)	\$ 140
Cash Balance, Beginning of Year	1,271	1,271	1,271	
Cash Balance, End of Year	\$ 906	\$ 906	\$ 1,046	
 Reconciliation to GAAP Basis				
Deficit of Revenues over Expenditures - Budget Basis			\$ (225)	
Change in:				
Accounts Payable			654	
Excess of Revenues over Expenditures - GAAP Basis			\$ 429	

STATE OF NEW MEXICO
VILLAGE OF ENCINO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
WATER FUND
YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for Services				
Water Service	\$ 20,980	\$ 20,980	\$ 20,911	\$ (69)
Total Revenues	20,980	20,980	20,911	(69)
EXPENSES				
Current				
Water Purchases	18,561	18,571	11,254	7,317
Utilities	-	-	3,184	(3,184)
Supplies	1,427	1,427	1,308	119
Other Operating Expenses	1,817	1,817	4,121	(2,304)
Total Expenditures	21,805	21,815	19,867	1,948
Excess (Deficit) of Revenues over Expenditures	(825)	(835)	1,044	<u>\$ 1,879</u>
Cash Balance, Beginning of Year	10,550	10,550	10,550	
Cash Balance, End of Year	<u>\$ 9,725</u>	<u>\$ 9,715</u>	<u>\$ 11,594</u>	

Reconciliation to GAAP Basis

Change in Net Position - Budget Basis	\$ 1,044
Adjustments from Budget to GAAP Basis:	
Depreciation	(22,195)
Change in:	
Accounts Receivable, Net	30
Change in Net Position - GAAP Basis	<u>\$ (21,121)</u>

STATE OF NEW MEXICO
VILLAGE OF ENCINO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
SOLID WASTE FUND
YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for Services				
Solid Waste Service	\$ 7,475	\$ 7,475	\$ 7,482	\$ 7
Total Revenues	7,475	7,475	7,482	7
 EXPENSES				
Current				
Sanitation Contract Expense	6,377	6,377	5,895	482
Total Expenditures	6,377	6,377	5,895	482
Excess of Revenues over Expenditures	1,098	1,098	1,587	<u>\$ 489</u>
 Cash Balance, Beginning of Year	-	-	-	
Cash Balance, End of Year	\$ 1,098	\$ 1,098	\$ 1,587	
 Reconciliation to GAAP Basis				
Change in Net Position - Budget Basis			\$ 1,587	
Adjustments from Budget to GAAP Basis:				
Change in:				
Accounts Receivable, Net			(582)	
Accounts Payable			(515)	
Change in Net Position - GAAP Basis			\$ 490	

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
YEAR END FINANCIAL REPORT TO DFA
YEAR ENDED JUNE 30, 2019**

**State of New Mexico
Local Government Budget Management System (LGBMS)**

Report Recap - Fiscal Year 2018-2019 - Encino (Village) - FY 2019 Q4

Printed from LGBMS on 2019-08-07 11:30:14

Fund	Cash	Investments	Revenues	Transfers	Expenditures	Adjustments	Balance	Reserves	Adjusted Balance
11000 General Operating Fund	348,191.00	0.00	230,183.00	0.00	209,139.00	0.00	387,235.00	17,428.25	349,806.75
20800 Emergency Medical Services	1,271.00	0.00	5,035.00	0.00	5,280.00	0.00	1,048.00	0.00	1,048.00
20900 Fire Protection	54,123.00	0.00	103,482.00	0.00	125,043.00	0.00	32,562.00	0.00	32,562.00
50100 Water Enterprise	4,520.00	0.00	20,745.00	0.00	19,031.00	0.00	6,234.00	0.00	6,234.00
50200 Solid Waste Enterprise	3,065.00	0.00	7,096.00	0.00	6,300.00	0.00	3,861.00	0.00	3,861.00
70100 Meter Deposits	2,986.00	0.00	250.00	0.00	130.00	0.00	3,086.00	0.00	3,086.00
Totals	412,136.00	0.00	368,791.00	0.00	384,903.00	0.00	414,024.00	17,428.25	386,595.75

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
YEAR END FINANCIAL REPORT TO DFA
YEAR ENDED JUNE 30, 2019**

**State of New Mexico
Local Government Budget Management System (LGBMS)**

Year-to-Date Actuals - Fiscal Year 2018-2019 - FY 2019 Q4
Encino (Village) - Analyst
Summary Report Sorted by Fund and Department

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11000 General Operating Fund

10000 Assets

0001 No Department	Original	Adjustments	Adjusted	YTD	Balance	% Realized
10100 Cash Assets	360,605.50	0.00	360,605.50	363,619.25	(3,013.75)	100.84
12000 Receivables	0.00	0.00	0.00	0.00	0.00	0.00
0001 Totals	360,605.50	0.00	360,605.50	363,619.25	(3,013.75)	100.84
10000 Assets Totals	360,605.50	0.00	360,605.50	363,619.25	(3,013.75)	100.84

20000 Liabilities

0001 No Department	Original	Adjustments	Adjusted	YTD	Balance	% Realized
21000 Payables	0.00	0.00	0.00	0.00	0.00	0.00
0001 Totals	0.00	0.00	0.00	0.00	0.00	0.00
20000 Liabilities Totals	0.00	0.00	0.00	0.00	0.00	0.00

40000 Revenues

0001 No Department	Original	Adjustments	Adjusted	YTD	Balance	% Realized
41000 Taxes Local Effort	40,333.00	0.00	40,333.00	49,030.00	(8,697.00)	121.56
42000 Taxes State Shared	74,473.00	0.00	74,473.00	82,074.00	(7,601.00)	110.21
43000 Licenses and Permits	45.00	0.00	45.00	45.00	0.00	100.00
44000 Charges for Services	1,140.00	0.00	1,140.00	585.00	555.00	51.32
48000 Miscellaneous Revenues	1,967.00	0.00	1,967.00	8,449.00	(6,482.00)	429.54
47000 Intergovernmental Grants (Distributions)	90,000.00	0.00	90,000.00	90,000.00	0.00	100.00
0001 Totals	207,958.00	0.00	207,958.00	230,183.00	(22,225.00)	110.69
40000 Revenues Totals	207,958.00	0.00	207,958.00	230,183.00	(22,225.00)	110.69

50000 Expenditures

1001 Governing Body	Original	Adjustments	Adjusted	YTD	Balance	% Realized
51000 Salary & Wages (FTE required)	1,560.00	0.00	1,560.00	1,410.00	150.00	90.38
1001 Totals	1,560.00	0.00	1,560.00	1,410.00	160.00	90.38
2002 General Administration	Original	Adjustments	Adjusted	YTD	Balance	% Realized
51000 Salary & Wages (FTE required)	77,792.00	0.00	77,792.00	73,796.00	3,996.00	94.86
52000 Employee Benefits	8,134.00	0.00	8,134.00	6,278.00	1,856.00	77.18
53000 Travel Costs	550.00	0.00	550.00	1,023.00	(473.00)	186.00
54000 Purchased Property Services	5,760.00	0.00	5,760.00	43,140.00	(37,380.00)	748.96
55000 Contractual Services	48,713.00	0.00	48,713.00	32,479.00	16,234.00	66.67
56000 Supplies	5,295.00	0.00	5,295.00	4,305.00	990.00	81.30
57000 Operating Costs	25,170.00	0.00	25,170.00	26,708.00	(1,538.00)	106.11
58000 Capital Purchases	0.00	0.00	0.00	20,000.00	(20,000.00)	0.00
2002 Totals	171,414.00	0.00	171,414.00	207,729.00	(36,315.00)	121.19
50000 Expenditures Totals	172,974.00	0.00	172,974.00	209,139.00	(36,165.00)	120.91

20600 Emergency Medical Services

10000 Assets

0001 No Department	Original	Adjustments	Adjusted	YTD	Balance	% Realized
10100 Cash Assets	1,271.00	0.00	1,271.00	1,271.00	0.00	100.00
0001 Totals	1,271.00	0.00	1,271.00	1,271.00	0.00	100.00
10000 Assets Totals	1,271.00	0.00	1,271.00	1,271.00	0.00	100.00

40000 Revenues

0001 No Department	Original	Adjustments	Adjusted	YTD	Balance	% Realized

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
YEAR END FINANCIAL REPORT TO DFA
YEAR ENDED JUNE 30, 2019**

47000 Intergovernmental Grants (Distributions)	5,032.00	0.00	5,032.00	5,035.00	(3.00)	100.06
0001 Totals	5,032.00	0.00	5,032.00	5,035.00	(3.00)	100.06
40000 Revenues Totals	5,032.00	0.00	5,032.00	5,035.00	(3.00)	100.06

50000 Expenditures

3003 Emergency Services/Ambulance	Original	Adjustments	Adjusted	YTD	Balance	% Realized
53000 Travel Costs	498.00	0.00	498.00	297.00	201.00	59.84
54000 Purchased Property Services	250.00	0.00	250.00	1,124.00	(874.00)	449.80
56000 Supplies	2,296.00	0.00	2,296.00	3,037.00	(741.00)	132.27
57000 Operating Costs	2,353.00	0.00	2,353.00	802.00	1,551.00	34.08
3003 Totals	5,397.00	0.00	5,397.00	5,280.00	137.00	97.46
50000 Expenditures Totals	5,397.00	0.00	5,397.00	5,280.00	137.00	97.46

20900 Fire Protection

10000 Assets

0001 No Department	Original	Adjustments	Adjusted	YTD	Balance	% Realized
10100 Cash Assets	54,123.00	0.00	54,123.00	54,123.00	0.00	100.00
0001 Totals	54,123.00	0.00	54,123.00	54,123.00	0.00	100.00
10000 Assets Totals	54,123.00	0.00	54,123.00	54,123.00	0.00	100.00

40000 Revenues

0001 No Department	Original	Adjustments	Adjusted	YTD	Balance	% Realized
47000 Intergovernmental Grants (Distributions)	52,848.00	0.00	52,848.00	103,482.00	(50,634.00)	195.81
0001 Totals	52,848.00	0.00	52,848.00	103,482.00	(50,634.00)	195.81
40000 Revenues Totals	52,848.00	0.00	52,848.00	103,482.00	(50,634.00)	195.81

50000 Expenditures

3002 Fire Protection	Original	Adjustments	Adjusted	YTD	Balance	% Realized
53000 Travel Costs	52,998.00	0.00	52,998.00	253.00	52,745.00	0.48
54000 Purchased Property Services	3,883.00	0.00	3,883.00	10,594.00	(6,711.00)	272.83
55000 Contractual Services	1,016.00	0.00	1,016.00	2,672.00	(1,656.00)	262.99
56000 Supplies	2,725.00	0.00	2,725.00	17,660.00	(14,935.00)	648.07
57000 Operating Costs	14,960.00	0.00	14,960.00	17,063.00	(2,103.00)	114.06
58000 Capital Purchases	31,000.00	0.00	31,000.00	76,801.00	(45,801.00)	247.75
3002 Totals	106,582.00	0.00	106,582.00	125,043.00	(18,461.00)	117.32
50000 Expenditures Totals	106,582.00	0.00	106,582.00	125,043.00	(18,461.00)	117.32

50100 Water Enterprise

10000 Assets

0001 No Department	Original	Adjustments	Adjusted	YTD	Balance	% Realized
10100 Cash Assets	4,520.00	0.00	4,520.00	4,520.00	0.00	100.00
0001 Totals	4,520.00	0.00	4,520.00	4,520.00	0.00	100.00
10000 Assets Totals	4,520.00	0.00	4,520.00	4,520.00	0.00	100.00

40000 Revenues

0001 No Department	Original	Adjustments	Adjusted	YTD	Balance	% Realized
44000 Charges for Services	20,860.00	0.00	20,860.00	20,745.00	115.00	99.45
0001 Totals	20,860.00	0.00	20,860.00	20,745.00	115.00	99.45
40000 Revenues Totals	20,860.00	0.00	20,860.00	20,745.00	115.00	99.45

50000 Expenditures

2002 General Administration	Original	Adjustments	Adjusted	YTD	Balance	% Realized
57000 Operating Costs	1,817.00	0.00	1,817.00	1,427.00	390.00	78.54
2002 Totals	1,817.00	0.00	1,817.00	1,427.00	390.00	78.54
6003 Water Utility/Authority	Original	Adjustments	Adjusted	YTD	Balance	% Realized
56000 Supplies	1,427.00	0.00	1,427.00	1,313.00	114.00	92.01
57000 Operating Costs	18,441.00	0.00	18,441.00	16,291.00	2,150.00	88.34
6003 Totals	19,868.00	0.00	19,868.00	17,604.00	2,264.00	88.80
50000 Expenditures Totals	21,685.00	0.00	21,685.00	19,031.00	2,654.00	87.76

50200 Solid Waste Enterprise

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
YEAR END FINANCIAL REPORT TO DFA
YEAR ENDED JUNE 30, 2019**

10000 Assets							
0001 No Department	Original	Adjustments	Adjusted	YTD	Balance	% Realized	
10100 Cash Assets	3,065.00	0.00	3,065.00	3,065.00	0.00	100.00	
0001 Totals	3,065.00	0.00	3,065.00	3,065.00	0.00	100.00	
10000 Assets Totals	3,065.00	0.00	3,065.00	3,065.00	0.00	100.00	
40000 Revenues							
0001 No Department	Original	Adjustments	Adjusted	YTD	Balance	% Realized	
44000 Charges for Services	7,475.00	0.00	7,475.00	7,096.00	379.00	94.93	
0001 Totals	7,475.00	0.00	7,475.00	7,096.00	379.00	94.93	
40000 Revenues Totals	7,475.00	0.00	7,475.00	7,096.00	379.00	94.93	
50000 Expenditures							
6004 Solid Waste Utility/Authority	Original	Adjustments	Adjusted	YTD	Balance	% Realized	
57000 Operating Costs	6,377.00	0.00	6,377.00	6,300.00	77.00	98.79	
6004 Totals	6,377.00	0.00	6,377.00	6,300.00	77.00	98.79	
50000 Expenditures Totals	6,377.00	0.00	6,377.00	6,300.00	77.00	98.79	
70100 Meter Deposits							
10000 Assets							
0001 No Department	Original	Adjustments	Adjusted	YTD	Balance	% Realized	
10100 Cash Assets	2,966.00	0.00	2,966.00	2,966.00	0.00	100.00	
0001 Totals	2,966.00	0.00	2,966.00	2,966.00	0.00	100.00	
10000 Assets Totals	2,966.00	0.00	2,966.00	2,966.00	0.00	100.00	
40000 Revenues							
0001 No Department	Original	Adjustments	Adjusted	YTD	Balance	% Realized	
44000 Charges for Services	120.00	0.00	120.00	250.00	(130.00)	208.33	
0001 Totals	120.00	0.00	120.00	250.00	(130.00)	208.33	
40000 Revenues Totals	120.00	0.00	120.00	250.00	(130.00)	208.33	
50000 Expenditures							
6003 Water Utility/Authority	Original	Adjustments	Adjusted	YTD	Balance	% Realized	
57000 Operating Costs	120.00	0.00	120.00	130.00	(10.00)	108.33	
6003 Totals	120.00	0.00	120.00	130.00	(10.00)	108.33	
50000 Expenditures Totals	120.00	0.00	120.00	130.00	(10.00)	108.33	
ALL FUNDS							
	Original	Adjustments	Adjusted	YTD	Balance	% Realized	
10000 Assets	426,650.50	0.00	426,650.50	429,664.25	(3,013.75)	100.71	
20000 Liabilities	0.00	0.00	0.00	0.00	0.00	0.00	
40000 Revenues	294,293.00	0.00	294,293.00	366,791.00	(72,498.00)	124.63	
50000 Expenditures	313,135.00	0.00	313,135.00	364,903.00	(51,768.00)	116.53	

INTERNAL CONTROL AND COMPLIANCE

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

CURRENT YEAR FINDINGS:

2019-001 - Expenses in Excess of Authorized Budget

CONDITION – The Village exceeded its authorized General Fund budget by approximately \$929 and the Fire Protection budget by approximately \$955.

CRITERIA – Section 6-6-6 of the New Mexico State Statutes prohibits any payments in excess of the approved budget unless budget adjustments are made and approved by Department of Finance and Administration’s Local Government Division.

CAUSE – The Village prepared its budget on the cash basis but did not adjust the budget for additional unanticipated expenses during the fiscal year.

EFFECT – The Village is not in compliance with state statute.

RECOMMENDATION – We recommend the Village review its final budgeting process to allow for unexpected final expenses.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION – The Clerk and Village Council will review the budgeting process in place and to adequately account for expenditures in the upcoming fiscal year. This finding should be resolved in July 2020 when the fiscal year final budget is due to DFA-LGD.

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

PRIOR YEAR FINDINGS:

NONE

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
EXIT CONFERENCE
JUNE 30, 2019**

An entrance conference with the Village of Encino, New Mexico representatives was conducted on August 27, 2019. The exit conference was held, and the contents of this report were discussed with the Village of Encino, New Mexico representatives on August 27, 2019. The following individuals were present for the conference:

Village of Encino

Boyd Herrington – Mayor
Loretta Chavez – Village Clerk/Treasurer

Scott Northam, CPA, PC

Scott Northam, CPA

The agreed-upon procedures and results, compiled financial statements, and budgetary comparisons of the Village of Encino, New Mexico were prepared by Scott Northam, CPA, PC, from original books and records provided by and with assistance from the management of the Village.

Although standards strongly emphasize the Village prepare its own financial statements, the consensus between Village management and the auditor was that it would be more time and cost efficient for the auditor to prepare the financial statements and the related notes. Accordingly, the Village designated a competent management-level individual to oversee the auditor's services, make all management decisions and perform all management functions. The Village reviewed, approved, and accepted responsibility for the accompanying compiled financial statements and related notes, supplemental budgetary comparisons, and for ensuring that the underlying accounting records adequately support the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance.