

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
TIER 6 AGREED UPON PROCEDURES REPORT  
FOR THE YEAR ENDED JUNE 30, 2017

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
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FOR THE YEAR ENDED JUNE 30, 2017

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STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
OFFICIAL ROSTER  
JUNE 30, 2017

**Village Council**

<b>NAME</b>	<b>TITLE</b>
Pennie Brown	Mayor
Terry McNabb	Village Councilor
Tristan McNabb	Village Councilor
Barbara Schoonover	Village Councilor
Derek Karr	Village Councilor

**Village Officials**

Brisenth Doherty	Village Clerk/Treasurer
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# Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner  
Christine Wright, CPA, Partner  
Beth Fant, EA, Partner  
Brad Beasley, CPA, Partner

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Timothy Keller, State Auditor  
and the Mayor and Village Council of the  
Village of Folsom, 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 Folsom, New Mexico, have specified, listed in the attached schedule, as require 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, 2017. Village of Folsom, 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 Folsom for the year ending June 30, 2017. 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 Village of Folsom, the New Mexico State Auditor's Office, Department of Finance Administration, 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  
October 20, 2017

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
SCHEDULE OF PROCEDURES AND RESULTS  
JUNE 30, 2017

**1. Revenue Calculation and Tier Determination**

**Procedure**

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

**Results of Procedure**

The Village of Folsom had revenue of \$304,785; 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 Procedures**

- a) We obtained the bank statements and corresponding reconciliations for all of the Village's accounts as of June 30, 2017. No exceptions were noted as a result of this procedure. Bank reconciliations were completed in a timely manner, and all bank statements and reconciliations are complete and on hand.
- b) It was noted that 14 out of 34 reconciliations tested did not tie to the general ledger with a total difference in cash of \$1,825. It was also noted that 14 out of 32 reconciliations did not tie to the financial reports submitted to the DFA with a total of \$35,244 (see finding 2012-001).

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**2. Cash (continued)**

**Results of Procedures (Continued)**

c) It was noted that the Village was properly collateralized.

**3. Capital Assets**

**Procedure**

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

**Results of Procedure**

The Village has no record of the last count and observation completed. (see finding 2012-002)

**4. Debt**

**Procedure**

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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**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 Procedures**

- 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 - 16.
- b) A sample of 2 revenue items totaling \$227,284 were tested. No exceptions were noted as a result of this procedure. Amounts recorded in the general ledger agreed with supporting documents and with the corresponding bank account.
- c) A sample of 2 revenue items totaling \$227,284 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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**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 Procedures**

- a) 25 expenditures totaling \$167,051 were tested. No exceptions were noted as a result of this procedure. The amount recorded as disbursed agrees to adequate supporting documentation, amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.
- b) 25 expenditures totaling \$167,051 were tested. No exceptions were noted as result of this procedure. The disbursements were properly authorized and approved in compliance with the budget, legal requirements, and established policies and procedures, except as otherwise noted in finding (2011-001).
- c) 25 expenditures totaling \$167,051 were tested. No exceptions were noted as a result of this procedure. The bid process (or request for proposal process, if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).



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**7. Journal Entries**

**Procedures**

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.
- 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 Procedures**

- a) Per inquiry with management and scan through the general ledger, the Village did not record any adjusting journal entries.
- b) Per inquiry with management, the Village does not have a review process for adjusting journal entries (see finding 2012-003).

**8. Budget**

**Procedures**

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

- a) Verify, through a review of the minutes and correspondence, that the original budget 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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**8. Budget (Continued)**

**Results of Procedures**

- 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 \$178,907 as disclosed in the variance analysis for budget to actual on pages 12 - 16 (see finding 2011-001).
- c) A schedule of revenue and expenses - budget and actual were prepared from the Village records on cash budgetary basis on pages 12 - 16.

**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 Procedures**

- 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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**9. Capital Outlay Appropriations (Continued)**

**Results of Procedures (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**

**Procedure**

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**

Please refer to the schedule of findings and responses on pages 17 - 21.

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ 13,100	\$ 13,100	\$ 13,378	\$ 278
Intergovernmental income	90,000	90,000	117,349	27,349
Interest income	20	20	768	748
Miscellaneous	2,000	2,000	446	(1,554)
Charges for services	<u>2,500</u>	<u>2,500</u>	<u>1,334</u>	<u>(1,166)</u>
Total revenues	107,620	107,620	133,275	25,655
EXPENDITURES:				
General government	68,500	68,500	165,791	(97,291)
Public works	<u>-</u>	<u>-</u>	<u>7,663</u>	<u>(7,663)</u>
Total expenditures	<u>68,500</u>	<u>68,500</u>	<u>173,454</u>	<u>(104,954)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>(6,258)</u>	<u>(6,258)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>(6,258)</u>	<u>(6,258)</u>
Net changes in fund balance	39,120	39,120	(46,437)	(85,557)
Fund balance - beginning of the year	<u>264,471</u>	<u>264,471</u>	<u>264,471</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 303,591</u>	<u>\$ 303,591</u>	<u>\$ 218,034</u>	<u>\$ (85,557)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (46,437)</u>	
Net change in fund balance GAAP basis			<u>\$ (46,437)</u>	

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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, 2017

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental income - state	\$ 134,528	\$ 134,528	\$ 164,934	\$ 30,406
Interest income	<u>100</u>	<u>100</u>	<u>1,009</u>	<u>909</u>
Total revenues	134,628	134,628	165,943	31,315
EXPENDITURES:				
Public safety	<u>90,000</u>	<u>90,000</u>	<u>156,725</u>	<u>(66,725)</u>
Total expenditures	<u>90,000</u>	<u>90,000</u>	<u>156,725</u>	<u>(66,725)</u>
OTHER FINANCING SOURCES				
Transfers out	<u>-</u>	<u>-</u>	<u>(266)</u>	<u>(266)</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>(266)</u>	<u>(266)</u>
Net changes in fund balance	44,628	44,628	8,952	(35,676)
Fund balance - beginning of the year	<u>265,163</u>	<u>265,163</u>	<u>265,163</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 309,791</u>	<u>\$ 309,791</u>	<u>\$ 274,115</u>	<u>\$ (35,676)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 8,952</u>	
Net change in fund balance GAAP basis			<u>\$ 8,952</u>	

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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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Interest income	\$ 5	\$ 5	\$ 101	\$ 96
Total revenues	5	5	101	96
EXPENDITURES:				
Public safety	<u>3,500</u>	<u>3,500</u>	<u>7,036</u>	
Total expenditures	<u>3,500</u>	<u>3,500</u>	<u>7,036</u>	<u>(3,536)</u>
Net changes in fund balance	(3,495)	(3,495)	(6,935)	(3,440)
Fund balance - beginning of the year	<u>28,422</u>	<u>28,422</u>	<u>28,422</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 24,927</u>	<u>\$ 24,927</u>	<u>\$ 21,487</u>	<u>\$ (3,440)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (6,935)</u>	
Net change in fund balance GAAP basis			<u>\$ (6,935)</u>	

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SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
SPECIAL REVENUE FUND - ROAD FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 5,000	\$ 5,000	\$ 5,439	\$ 439
Miscellaneous revenue	<u>25</u>	<u>25</u>	<u>-</u>	<u>(25)</u>
Total revenues	5,025	5,025	5,439	414
EXPENDITURES:				
Public works	<u>5,000</u>	<u>5,000</u>	<u>8,692</u>	<u>(3,692)</u>
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>8,692</u>	<u>(3,692)</u>
OTHER FINANCING USES				
Transfers out	<u>-</u>	<u>-</u>	<u>(23,167)</u>	<u>(23,167)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>(23,167)</u>	<u>(23,167)</u>
Net changes in fund balance	25	25	(26,420)	(26,445)
Fund balance - beginning of the year	<u>89,507</u>	<u>89,507</u>	<u>89,507</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 89,532</u>	<u>\$ 89,532</u>	<u>\$ 63,087</u>	<u>\$ (26,445)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (26,420)</u>	
Net change in fund balance GAAP basis			<u>\$ (26,420)</u>	



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SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
SPECIAL REVENUE FUND - RECREATION FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Miscellaneous revenue	\$ 88	\$ 88	\$ 27	\$ (61)
Total revenues	88	88	27	(61)
EXPENDITURES:				
Culture and recreation	85	85	-	85
Total expenditures	85	85	-	85
OTHER FINANCING SOURCES				
Transfers in	-	-	29,691	29,691
Transfers out	-	-	-	-
Total other financing sources	-	-	29,691	29,691
Net changes in fund balance	3	3	29,718	29,715
Fund balance - beginning of the year	1,239	1,239	1,239	-
Fund balance - end of the year	<u>\$ 1,242</u>	<u>\$ 1,242</u>	<u>\$ 30,957</u>	<u>\$ 29,715</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 29,718</u>	
Net change in fund balance GAAP basis			<u>\$ 29,718</u>	

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SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINDINGS:

2011-001	Actual Expenditures Exceed the Approved Budgets - Material Weakness	Revised and Repeated
2012-001	Cash - Significant Deficiency	Revised and Repeated
2012-002	Capital Assets - Other Noncompliance	Repeated
2012-003	Journal Entries - Significant Deficiency	Repeated

CURRENT YEAR FINDINGS:

None Noted

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SCHEDULE OF FINDINGS AND RESPONSES  
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**Actual Expenditures Exceeded the Approved Budgets (2011-001) - Material Weakness**

**CONDITION**

The actual expenditures and transfers 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	\$ 68,500	\$ 173,454	\$ 104,954
Fire Fund	90,000	156,725	66,725
EMS Fund	3,500	7,036	3,536
Road Fund	<u>5,000</u>	<u>8,692</u>	<u>3,692</u>
Totals	<u>\$ 167,000</u>	<u>\$ 345,907</u>	<u>\$ 178,907</u>

Fund	Budget Transfers	Actual Transfers	Difference
General Fund	\$ -	\$ 6,258	\$ 6,258
Fire Fund	-	266	266
Road Fund	-	23,167	23,167
Recreation Fund	<u>-</u>	<u>29,691</u>	<u>29,691</u>
Totals	<u>\$ -</u>	<u>\$ 59,382</u>	<u>\$ 59,382</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 reconciliation's to accurately monitor the approved budget.

**RESPONSE**

Management is in the process of implementing procedures that include the of review of budgets to actuals in order to allow time to amend budgets reported to the DFA in a timely fashion.

**EXPECTED COMPLETION DATE:** June 30, 2018

**EMPLOYEE RESPONSIBLE:** Village Clerk

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SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

**Cash (2012-001) - Significant Deficiency**

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<b>CONDITION</b>	<p>It was noted that 14 out of 34 bank reconciliations tested did not tie to the general ledger with a total difference in cash of \$1,825. It was also noted that 14 out of 34 reconciliations did not tie to the financial reports submitted to the DFA with a total \$35,244.</p> <p>Upon further analysis it was noted that the ending 2016 balance of cash per the DFA report, did not roll forward correctly to the beginning cash balances of 2017.</p> <p>The Village plans to address the issue in the current year. There has been no progress made from the prior year reports as the previous report was recently issued and not enough time has elapsed for the Village to address this and the other findings noted in this report.</p>
<b>CRITERIA</b>	<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>
<b>CAUSE</b>	<p>Village failed to maintain accurate reconciliations, resulting from being understaffed.</p>
<b>EFFECT</b>	<p>Incorrect reconciliations may result in increase risk for error, fraud, waste, or abuse.</p>
<b>RECOMMENDATION</b>	<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>
<b>RESPONSE</b>	<p>The Village is reviewing the process to ensure reconciliations are completed properly.</p>

**EXPECTED COMPLETION DATE:** June 30, 2018

**EMPLOYEE RESPONSIBLE:** Village Clerk

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

**Capital Assets (2012-002) - Other Noncompliance**

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<b>CONDITION</b>	The Village has no records of any fixed asset listing or of the last inventory count. There has been no progress made from the prior year report as the previous report was recently issued and there was not enough time for the Village to address any of the prior findings.
<b>CRITERIA</b>	<p>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".</p> <p>GASB 34 requires movements to report general infrastructure assets in the Statement of Net Position. State law requires an annual inventory of capital assets be performed. Section 12-6-10, NMSA 1978, requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year.</p>
<b>CAUSE</b>	The Village failed to conduct an inventory count.
<b>EFFECT</b>	Lack of inventory counts can cause an incorrect representation of capital assets.
<b>RECOMMENDATION</b>	It is recommended that the Village conduct a capital asset inventory count yearly.
<b>RESPONSE</b>	The Village plans to do physical observation of inventory on a yearly basis.

**EXPECTED COMPLETION DATE:** June 30, 2018

**EMPLOYEE RESPONSIBLE:** Village Clerk

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

**Journal Entries (2012-003) - Significant Deficiency**

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<b>CONDITION</b>	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. There has been no progress made from the prior year report as the previous report was recently issued and not enough time has elapsed for the Village to address this and the other findings noted in this report.
<b>CRITERIA</b>	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.
<b>CAUSE</b>	The Village has limited staffing resources, thus has not implemented an approval process over adjustments to mitigate the risk of management override.
<b>EFFECT</b>	There may be unauthorized adjustments made, leaving room for error and management override.
<b>RECOMMENDATION</b>	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.
<b>RESPONSE</b>	The Village will implement policies and procedures over the accounting process including adjusting journal entries.

**EXPECTED COMPLETION DATE:** June 30, 2018

**EMPLOYEE RESPONSIBLE:** Village Clerk

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

An entrance conference was conducted October 2, 2017 in a closed meeting of the Village of Folsom pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

**Village of Folsom**

Pennie Brown  
Barbara Scoonover  
Brisenth Doherty

Mayor  
Village Councilor  
Village Clerk/Treasurer

**Beasley, Mitchell & Co., LLP**

Dahlia Garcia, CPA  
Juan Garcia

Supervisor, Audit Department  
Senior, Audit Department

An exit conference was conducted October 2, 2017 in a closed meeting of the Village of Folsom pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

**Village of Folsom**

Pennie Brown  
Barbara Scoonover  
Brisenth Doherty

Mayor  
Village Councilor  
Village Clerk/Treasurer

**Beasley, Mitchell & Co., LLP**

Dahlia Garcia, CPA  
Juan Garcia

Supervisor, Audit Department  
Senior, Audit Department

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
INDEPENDENT ACCOUNTANTS'  
COMPILATION REPORT  
FOR THE YEAR ENDED JUNE 30, 2017



STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
FOR THE YEAR ENDED JUNE 30, 2017  
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STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
OFFICIAL ROSTER  
JUNE 30, 2017

**Village Council**

<b>NAME</b>	<b>TITLE</b>
Pennie Brown	Mayor
Terry McNabb	Village Councilor
Tristan McNabb	Village Councilor
Barbara Schoonover	Village Councilor
Derek Karr	Village Councilor

**Village Officials**

Brisenth Doherty	Village Clerk/Treasurer
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# Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner  
Christine Wright, CPA, Partner  
Beth Fant, EA, Partner  
Brad Beasley, CPA, Partner

## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Mr. Timothy Keller, State Auditor  
and the Mayor and Village Council of the  
Village of Folsom, 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 Folsom, New Mexico,- contractual basis as of and for the year ended June 30, 2017, 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 with the contractual basis of accounting, and determining that the contractual 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 and the fiduciary 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; (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 22 through 24 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.,LLP

Las Cruces, New Mexico

October 20, 2017

**GOVERNMENTAL  
FUND FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
COMBINING BALANCE SHEETS - GOVERNMENTAL FUNDS - CONTRACTUAL BASIS  
JUNE 30, 2017

	<u>General Fund</u>	<u>Fire Fund</u>	<u>EMS Fund</u>	<u>Road Fund</u>	<u>Recreation Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 205,988	\$ 274,005	\$ 21,487	\$ 63,087	\$ 30,957	\$ 595,524
Restricted cash	<u>12,298</u>	<u>110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,408</u>
Total assets	<u>\$ 218,286</u>	<u>\$ 274,115</u>	<u>\$ 21,487</u>	<u>\$ 63,087</u>	<u>\$ 30,957</u>	<u>\$ 607,932</u>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Current liabilities						
Accrued payroll	<u>\$ 252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252</u>
Total liabilities	252	-	-	-	-	252
<b>FUND BALANCES:</b>						
Restricted, reported in:						
General fund	12,298	-	-	-	-	12,298
Special revenue funds	-	274,115	21,487	63,087	30,957	389,646
Unassigned, reported in:						
General fund	<u>205,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,736</u>
Total fund balances	<u>218,034</u>	<u>274,115</u>	<u>21,487</u>	<u>63,087</u>	<u>30,957</u>	<u>607,680</u>
Total liabilities, and fund balances	<u>\$ 218,286</u>	<u>\$ 274,115</u>	<u>\$ 21,487</u>	<u>\$ 63,087</u>	<u>\$ 30,957</u>	<u>\$ 607,932</u>

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

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS - CONTRACTUAL BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Fire Fund</u>	<u>EMS Fund</u>	<u>Road Fund</u>	<u>Recreation Fund</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$ 13,378	\$ -	\$ -	\$ 5,189	\$ -	\$ 18,567
Intergovernmental income - state	117,349	164,934	-	-	-	282,283
Charges for services	1,334	-	-	-	-	1,334
Interest income	768	1,009	101	250	27	2,155
Miscellaneous	446	-	-	-	-	446
Total revenues	<u>133,275</u>	<u>165,943</u>	<u>101</u>	<u>5,439</u>	<u>27</u>	<u>304,785</u>
EXPENDITURES						
General government	165,791	-	-	-	-	165,791
Public safety	-	156,342	7,036	8,692	-	172,070
Public works	7,663	-	-	-	-	7,663
Interest	-	383	-	-	-	383
Total expenditures	<u>173,454</u>	<u>156,725</u>	<u>7,036</u>	<u>8,692</u>	<u>-</u>	<u>345,907</u>
Excess (deficiency) of revenues over expenditures	<u>(40,179)</u>	<u>9,218</u>	<u>(6,935)</u>	<u>(3,253)</u>	<u>27</u>	<u>(41,122)</u>

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

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS - CONTRACTUAL BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Fire Fund</u>	<u>EMS Fund</u>	<u>Road Fund</u>	<u>Recreation Funds</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES):						
Transfers	(6,258)	(266)	-	(23,167)	29,691	-
Total other sources (uses)	<u>(6,258)</u>	<u>(266)</u>	<u>-</u>	<u>(23,167)</u>	<u>29,691</u>	<u>-</u>
Net change in fund balance	(46,437)	8,952	(6,935)	(26,420)	29,718	(41,122)
Fund balance at beginning of year	<u>264,471</u>	<u>265,163</u>	<u>28,422</u>	<u>89,507</u>	<u>1,239</u>	<u>648,802</u>
Fund balance at end of year	<u>\$ 218,034</u>	<u>\$ 274,115</u>	<u>\$ 21,487</u>	<u>\$ 63,087</u>	<u>\$ 30,957</u>	<u>\$ 607,680</u>

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



**NOTES TO FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
SELECTED INFORMATION - CONTRACTUAL BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Folsom (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 modified accrual basis for state and local governments through its pronouncements. The more significant of the Village's accounting policies are described below.

**A. Reporting Entity**

The Village of Folsom 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 (fire), highways and streets, sanitation, 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.

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.

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
SELECTED INFORMATION - CONTRACTUAL BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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

***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)

***Road Fund*** - To account for the operation and maintenance of the streets in the Village. Financing is provided by a gasoline tax. The fund was created by the authority of state grant provisions.

***EMS Fund*** - To account for the operation and maintenance of the Village EMS Department. Financing is primarily from an annual EMS allotment and fees collected for emergency transportation. The fund was created by the authority of state grant provisions.

***Recreation Fund*** - To account for recreational services. The fund was created by the authority of state grant provisions.

**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

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
SELECTED INFORMATION - CONTRACTUAL BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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

**C. Measurement Focus, Basis of Accounting (Continued)**

"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 60 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.

The specific revenue recognition policy for property taxes are recognized when levied, derived tax revenue (such as gross receipts tax) are recognized when the underlying transaction takes place, and grants are recognized when all of the eligibility requirements have been met.

The revenues susceptible to accrual are property taxes, licenses, charges for services, interest income and intergovernmental revenues. Gross receipts 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.

**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

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
SELECTED INFORMATION - CONTRACTUAL BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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

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

(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.

**Prepaid Items** - Prepaid balances are for payments made by the Village in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for their subsequent expenditures.

**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.

**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.

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
SELECTED INFORMATION - CONTRACTUAL BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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

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

**Restricted Funds** - Restricted assets for the Village are the required minimum cash reserve. These assets may only be expended for the specific purposes as noted, due to externally imposed provisions.

**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:

<u>Assets</u>	<u>Years</u>
Buildings, Improvements and Infrastructure Equipment	20 - 50
Equipment	3-15

**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.

**Compensated Absences** - The Village does not provide for vacation or sick leave benefits.

**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 FOLSOM  
SELECTED INFORMATION - CONTRACTUAL BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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

**Net Position** - The government-wide 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.

**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.

**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.

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
SELECTED INFORMATION - CONTRACTUAL BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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

**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.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

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.

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, 2017 is presented.



STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
SELECTED INFORMATION - CONTRACTUAL BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**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.

**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 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.

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

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
SELECTED INFORMATION - CONTRACTUAL BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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

As of June 30, 2017, 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:

	<u>Amount Per</u> <u>Bank</u>	<u>Plus DIT</u>	<u>Outstanding</u> <u>Checks</u>	<u>Balance</u> <u>Per</u> <u>Books</u>
Farmers & Stockmen's Bank	\$ 652,435	\$ -	\$ (5,476)	\$ 595,524
NMFA	<u>4,527</u>	<u>-</u>	<u>-</u>	<u>12,408</u>
Total Cash	<u>656,962</u>	<u>-</u>	<u>(5,476)</u>	<u>607,932</u>
Balance Sheet:				
Cash		\$ 595,524		
Restricted cash		<u>12,408</u>		
Total		<u>\$ 607,932</u>		

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Village.

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.

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
SELECTED INFORMATION - CONTRACTUAL BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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

**Cash Deposited with Financial Institutions (Continued)**

	<b>Farmers &amp; Stockmen's Bank</b>
Amount held in bank June 30, 2017	\$ 656,962
Less NMFA loan proceeds	110
Less FDIC insurance	250,000
Uninsured public funds	406,852
50% Collateral requirements (Section 6-10-17 NMSA-1978)	203,426
Pledged securities	400,000
Over (under) collateralized	\$ 196,574

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, 2017, none of the Village's bank balance of \$656,962 was exposed to custodial credit risk.

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
SELECTED INFORMATION - CONTRACTUAL BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

**4. CAPITAL ASSETS**

Capital asset activity for the Village's primary government for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities:				
Capital assets not being depreciated:				
Land	\$ 3,980	\$ -	\$ -	\$ 3,980
Total capital assets not being depreciated	<u>3,980</u>	<u>-</u>	<u>-</u>	<u>3,980</u>
Capital assets, being depreciated				
Infrastructure	12,000	-	-	12,000
Buildings	167,101	80,142	-	247,243
Equipment	<u>1,291,200</u>	<u>44,630</u>	<u>-</u>	<u>1,335,830</u>
Total capital assets, being depreciated	<u>1,470,301</u>	<u>124,772</u>	<u>-</u>	<u>1,595,073</u>
Total capital assets	<u>1,474,281</u>	<u>124,772</u>	<u>-</u>	<u>1,599,053</u>
Less accumulated depreciation for:				
Buildings and improvements	12,000	2,055	-	14,055
Infrastructure	93,286	4,815	-	98,101
Equipment	<u>761,597</u>	<u>62,538</u>	<u>-</u>	<u>824,135</u>
Total accumulated depreciation	<u>866,883</u>	<u>69,408</u>	<u>-</u>	<u>936,291</u>
Total other capital assets, net	<u>\$ 607,398</u>	<u>\$ 194,180</u>	<u>\$ -</u>	<u>\$ 662,762</u>

Depreciation expense was charged to governmental activities as follows:

General	\$ 154
Public safety	65,962
Culture and recreation	2,055
Public works	<u>1,237</u>
Total depreciation expense	<u>\$ 69,408</u>

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
SELECTED INFORMATION - CONTRACTUAL BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

**5. 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.

**6. 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 2017 amounted to \$20,254.

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.

**Surety Bond:** The officials and certain employees of the Village are covered by a surety bond as required by Section 12- 6-7, NMSA, 1978 Compilation.

**7. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 20, 2017 the date the financial statements were available to be issued.

**8. PERA**

The Village does not participate in PERA.

**SUPPLEMENTAL INFORMATION**

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
SCHEDULE OF DEPOSITORIES  
AS OF JUNE 30, 2017

	Type	Amount Per Bank	Plus DIT	Outstanding Checks	Balance Per Books
Farmers and Stockmen's Bank					
General Fund	CK	\$ 221,032	\$ -	\$ (5,476)	\$ 215,556
General Fund	CD	46,322	-	-	2,730
EMS Fund	CK	21,487	-	-	21,487
Fire Protection	CK	274,035	-	-	274,005
Road Fund	CK	63,087	-	-	63,087
Recreation Fund	CK	30,930	-	-	30,957
NMFA	SV	69	-	-	110
Total		<u>\$ 656,962</u>	<u>\$ -</u>	<u>\$ (5,476)</u>	<u>\$ 607,932</u>

Type:

CK= Checking

SV= Savings

CD= Certificate of Deposit

	Farmers & Stockmen's Bank
Amount held in bank June 30, 2017	\$ 656,962
Less NMFA loan proceeds	69
Less FDIC Insurance	<u>250,000</u>
Uninsured Public Funds	<u>406,893</u>
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	203,447
Pledged Securities	<u>400,000</u>
Over (Under) Collateralized	<u>\$ 196,553</u>

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
FINANCIAL STATEMENT PREPARATION  
FOR THE YEAR ENDED JUNE 30, 2017

The financial statements of the Village of Folsom as of, and for the year ended June 30, 2017 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 FOLSOM  
ENTRANCE AND EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2017

An entrance conference was conducted October 3, 2017 in a closed meeting of the Village of Folsom pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

**Village of Folsom**

Pennie Brown  
Barbara Scoonover  
Brisenth Doherty

Mayor  
Village Councilor  
Village Clerk/Treasurer

**Beasley, Mitchell & Co., LLP**

Dahlia Garcia, CPA  
Juan Garcia

Supervisor, Audit Department  
Senior, Audit Department

An exit conference was conducted October 3, 2017 in a closed meeting of the Village of Folsom pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

**Village of Folsom**

Pennie Brown  
Barbara Scoonover  
Brisenth Doherty

Mayor  
Village Councilor  
Village Clerk/Treasurer

**Beasley, Mitchell & Co., LLP**

Dahlia Garcia, CPA  
Juan Garcia

Supervisor, Audit Department  
Senior, Audit Department