

**STATE OF NEW MEXICO  
VILLAGE OF HOPE**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON THE APPLICATION OF TIER 6  
AGREED-UPON PROCEDURES  
AND COMPILED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
TABLE OF CONTENTS  
JUNE 30, 2016**

	<b>Page Number</b>
<b>INTRODUCTORY SECTION</b>	
Table of Contents .....	i
Official Roster .....	ii
 <b>FINANCIAL SECTION</b>	
Independent Accountant’s Report on the Application of Tier 6 Agreed-Upon Procedures .....	1
Scope of Procedures and Results .....	2
 <b><u>Compiled Financial Statements:</u></b>	
Independent Accountant’s Compilation Report .....	7
Combined Balance Sheet .....	9
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance .....	11
Notes to the Financial Statements .....	13
 Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	
General Fund .....	24
Fire Fund .....	25
Law Enforcement Protection Fund .....	26
EMS Fund .....	27
CDBG Grant Fund .....	28
Water and Sewer Fund .....	29
 <b>INTERNAL CONTROL AND COMPLIANCE</b>	
Schedule of Findings and Responses .....	30
Schedule of Status of Prior Year Findings .....	31
Exit Conference and Other Disclosures .....	32

**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
OFFICIAL ROSTER  
JUNE 30, 2016**

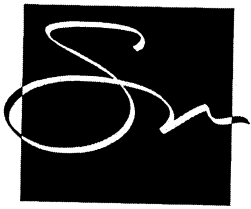
**BOARD OF TRUSTEES**

<b>Name</b>	<b>Title</b>
Bob Rogers	Mayor
Bill Fletcher	Mayor Pro-Tem
Marc Kincaid	Councilor
Bob Stewart	Councilor
Matt Bowerman	Councilor

**VILLAGE PERSONNEL**

Sonia Carbajal	Clerk
----------------	-------

## **FINANCIAL SECTION**



**SCOTT NORTHAM, CPA, PC**  
Certified Public Accountants

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

Timothy Keller, New Mexico State Auditor, and  
Honorable Mayor and Village Trustees of  
Village of Hope  
Hope, New Mexico

We have performed the procedures enumerated below for the Village of Hope, New Mexico (Village), for the year ended June 30, 2016. The District 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.

We were not engaged to, and did not conduct an audit of financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Village of Hope, New Mexico, 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  
November 18, 2016

**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
SCOPE OF PROCEDURES AND RESULTS  
JUNE 30, 2016**

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

<p>Tier 6 Requirements – Cash basis revenues of \$250,000 or more but less than \$500,000.</p>	<p>The Village's cash basis revenues totaled \$387,455. Therefore the Village is correctly categorized as a Tier 6 agency.</p>
--	--

**2. Cash Procedures**

<p>a. Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements are complete and on-hand.</p>	<p>All fiscal year bank statements were on-hand and available for compliance examination. Reconciliations were not done timely performed within the first ten days after the end of the month. <b>See revised finding 2013-001.</b></p>
<p>b. Perform a random test of bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government Division.</p>	<p>A review of all bank reconciliations noted the reconciliations were accurate and agreed with the general ledger and DFA reports.</p>
<p>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.</p>	<p>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.</p>

**3. Capital Assets**

<p>Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.</p>	<p>The Village provided a capital asset inventory listing as required under Section 12-6-10 NMSA 1978, which was approved by the Village Council.</p>
---	---

**4. Debt**

<p>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.</p>	<p>The Village made all the required debt payments to NMFA during the fiscal year. The NMFA debt does not require the Village to hold reserves.</p>
---	---

**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
SCOPE OF PROCEDURES AND RESULTS  
JUNE 30, 2016**

<b>5. Revenue</b> <b>Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.</b>	
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 of revenue based on auditor judgement using the following attribute: Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.	Amounts recorded in the general ledger agreed with deposit slips, utility reports and other supporting documentation provided and the bank statements with no exceptions.
c. Select a sample of revenue based on auditor judgement using the following attribute: Proper 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.	Amounts were properly recorded on cash basis as to classification, amount and period per review of supporting documentation.

<b>6. Expenditures</b> <b>Select a sample of cash disbursements based on auditor judgement using the following attributes:</b>	
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 25 disbursement transactions 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.	A representative sample of 25 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 HOPE  
SCOPE OF PROCEDURES AND RESULTS  
JUNE 30, 2016**

<b>7. Journal Entries</b> If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:	
a. Journal entries appear reasonable and have supporting documentation.	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.

<b>8. Budget</b> Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:	
a. Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local body's governing body and DFA-LGD.	The original budget was approved by the Board of Directors and DFA-LGD. There were no subsequent budget adjustments for the fiscal year.
b. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.	Total actual expenditures exceed the final budget in the General Fund by \$81,978, and the EMS Fund by \$1,416. <b>See Finding 2016-002.</b>
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 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 HOPE  
SCOPE OF PROCEDURES AND RESULTS  
JUNE 30, 2016**

<b>9. Capital Outlay Appropriations</b>	
<b>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. Test all capital outlay expenditures during the fiscal year to:</b>	
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.	The disbursement of capital outlay funds was handled for the Village by NMFA which disbursed the funds directly to the vendor. All documentation provided to the Village by NMFA agreed to the disbursement.
b. Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.	The disbursement of capital outlay funds was handled for the Village by NMFA which disbursed the funds directly to the vendor. The disbursement was properly authorized and in accordance 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 and State Purchasing Regulations (Section 131-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC.	The disbursement of capital outlay funds was handled for the Village by NMFA which disbursed the funds directly to the vendor. All bid process and procurement code regulations were properly followed before disbursement.
d. Determine the physical existence (by observation) of the capital asset based on expenditures to date.	Because of the nature of the Colonias grant funding, the capital asset is located underground and unable to be physically inspected.
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.	All status reports were properly completed and submitted.
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	All funds are in the custody of NMFA until requested by the contractor. Funding is on a direct to vendor basis issued directly by NMFA.
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.	Project is not complete as of the fiscal year end.
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.	All cash allocated to this project is in the custody of NMFA. The Village prepares a journal entry in the CDBG Grant Fund for any proceeds and capital outlay expenditure transactions NMFA conducts on the Village's behalf.

**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
SCOPE OF PROCEDURES AND RESULTS  
JUNE 30, 2016**

<b>9. Capital Outlay Appropriations (Cont.)</b>	
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. Test all capital outlay expenditures during the fiscal year to:	
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.	No reimbursement requests were initiated by the Village.
<b>10. Other</b>	
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.	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.



**SCOTT NORTHAM, CPA, PC**  
Certified Public Accountants

## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Timothy Keller, New Mexico State Auditor, and  
Honorable Mayor and Village Trustees of  
Village of Hope  
Hope, New Mexico

Management is responsible for the accompanying financial statements of the governmental funds, the proprietary funds, and the aggregate remaining fund information of the Village of Hope, New Mexico, as of and for the year ended June 30, 2016, 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 accounting principles generally accepted in the United States of America. 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, and as contracted through the New Mexico Office of the State Auditor. 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.

Management has not recorded a liability for compensated absences in governmental or proprietary funds and, accordingly, has not recorded an expenditure for the current period change in that liability. Accounting principles generally accepted in the United States of America require that compensated absences attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenditures of the governmental activities. Management has not determined the amount by which this departure would affect the liabilities and expenditures of the governmental or proprietary funds.

Management has elected to omit the government-wide financial statements and certain notes related to the government-wide financial statements required by accounting principles generally accepted in the United States of America. If the omitted statements and note disclosures were included in the financial statements, they might influence the user's conclusions about the Village's financial position, respective changes in financial position and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

A statement of cash flows for the year ended June 30, 2016, has not been presented for the proprietary funds. Accounting principles generally accepted in the United States of America require that such a statement be presented when financial statements purport to present financial position and results of operations.

Management has elected to omit the Management Discussion and Analysis (MD&A) for the year ended June 30, 2016, which is required to be presented to supplement the basic financial statements by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Accounting principles generally accepted in the United States of America require that budgetary comparisons as noted in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board and the New Mexico Office of the State Auditor who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.



Scott Northam, CPA, PC  
Ruidoso, New Mexico  
November 18, 2016

**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
COMBINED BALANCE SHEET  
JUNE 30, 2016**

	<b>GOVERNMENTAL FUNDS</b>		
	<b>General Fund</b>	<b>Fire Fund</b>	<b>Fire Excise Tax Fund</b>
<b>ASSETS</b>			
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 602,093	\$ 117,137	\$ 14,469
Taxes Receivable			
Property	84	-	-
Gross Receipts	2,119	-	-
Gasoline	844	-	-
Motor Vehicle	152	-	-
Accounts Receivable	-	-	-
<b>Total Assets</b>	<b>\$ 605,292</b>	<b>\$ 117,137</b>	<b>\$ 14,469</b>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 2,494	\$ -	\$ -
Accrued Payroll Liabilities	2,732	-	-
<b>Total Fund Balances</b>	<b>5,226</b>	<b>-</b>	<b>-</b>
 <b>FUND BALANCES</b>			
Assigned	-	117,137	14,469
Unassigned	600,066	-	-
<b>Total Fund Balances</b>	<b>600,066</b>	<b>117,137</b>	<b>14,469</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 605,292</b>	<b>\$ 117,137</b>	<b>\$ 14,469</b>

GOVERNMENTAL FUNDS			PROPRIETARY FUND	
Law Enforcement Protection Fund	EMS Fund	CDBG Fund	Water and Sewer Fund	Total Funds
\$ 29,624	\$ -	\$ -	\$ 184,609	\$ 947,932
-	-	-	-	84
-	-	-	-	2,119
-	-	-	-	844
-	-	-	-	152
-	-	-	4,399	4,399
<u>\$ 29,624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,008</u>	<u>\$ 955,530</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,494
-	-	-	-	2,732
-	-	-	-	5,226
29,624	-	-	189,008	350,238
-	-	-	-	600,066
<u>29,624</u>	<u>-</u>	<u>-</u>	<u>189,008</u>	<u>950,304</u>
<u>\$ 29,624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,008</u>	<u>\$ 955,530</u>

**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2016**

<b>GOVERNMENTAL FUNDS</b>			
	<b>General Fund</b>	<b>Fire Fund</b>	<b>Fire Excise Tax Fund</b>
<b>REVENUES</b>			
Taxes			
Property	\$ 26,841	\$ -	\$ -
Gross Receipts	12,157	-	-
Gasoline	4,597	-	-
Motor Vehicle	909	-	-
State Assistance and Subsidies	90,000	73,960	-
County Assistance and Subsidies	33,300	-	-
Fines and Fees	29,313	-	-
Charges for Service	470	-	-
Interest	356	-	-
Other Revenue	14,985	7	-
	<b>Total Revenues</b>	<b>73,967</b>	<b>-</b>
	212,928	73,967	-
<b>EXPENDITURES</b>			
<b>Current</b>			
Finance and Administration	105,984	-	-
Elections	1,051	-	-
Judicial	14,243	-	-
Public Safety	41,002	79,955	-
Public Works	53,333	-	-
<b>Capital Outlay</b>	<b>35,198</b>	<b>-</b>	<b>-</b>
	<b>Total Expenditures</b>	<b>79,955</b>	<b>-</b>
	250,811	79,955	-
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>(37,883)</b>	<b>(5,988)</b>	<b>-</b>
	(37,883)	(5,988)	-
<b>Fund Balance, Beginning of Year</b>	<b>637,949</b>	<b>123,125</b>	<b>14,469</b>
<b>Fund Balance, End of Year</b>	<b>\$ 600,066</b>	<b>\$ 117,137</b>	<b>\$ 14,469</b>



GOVERNMENTAL FUNDS			PROPRIETARY FUND	
Law Enforcement Protection Fund	EMS Fund	CDBG Fund	Water and Sewer Fund	Total Funds
\$ -	\$ -	\$ -	\$ -	\$ 26,841
-	-	-	-	12,157
-	-	-	-	4,597
-	-	-	-	909
21,200	5,100	49,529	-	239,789
-	-	-	-	33,300
-	-	-	-	29,313
-	-	-	24,731	25,201
-	-	-	-	356
-	-	-	-	14,992
<u>21,200</u>	<u>5,100</u>	<u>49,529</u>	<u>24,731</u>	<u>387,455</u>
-	-	-	-	105,984
-	-	-	-	1,051
-	-	-	-	14,243
21,200	6,316	-	-	148,473
-	-	-	16,911	70,244
-	-	49,529	-	84,727
<u>21,200</u>	<u>6,316</u>	<u>49,529</u>	<u>16,911</u>	<u>424,722</u>
-	(1,216)	-	7,820	(37,267)
<u>29,624</u>	<u>1,216</u>	<u>-</u>	<u>181,188</u>	<u>987,571</u>
<u>\$ 29,624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,008</u>	<u>\$ 950,304</u>

**STATE OF NEW MEXICO**  
**VILLAGE OF HOPE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This following summary presentation of significant accounting policies of the Village of Hope (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.

**Organization** - The Village is a political subdivision of the State of New Mexico and was incorporated under provisions of Chapter 3, Article 2, NMSA 1978 as amended. The Village operates under the mayor-trustee form of government. The Village provides the following authorized services: public safety (police and fire), highways and streets, water, sanitation, health and welfare, social services, 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, 2016.

**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.

**STATE OF NEW MEXICO**  
**VILLAGE OF HOPE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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.

Revenue from property taxes 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.

Property, franchise, sales and 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 Eddy 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.

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.

**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

The Village reports the following major governmental fund:

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 four other governmental funds that are considered non-major funds, and are classified as **special revenue** funds. A description of each non-major 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 **Law Enforcement Protection Fund** accounts for the state grant to be used for the repair and/or replacement of law enforcement equipment, according to state law, section 29-13.1 through 29-13.9 NMSA 1978. The fund was established by local ordinance to comply with state statutes. Section 29-13-17 A NMSA 1978 limits distributions from the fund for law enforcement related expenditures, including, but not limited to, the purchase of equipment, expenses associated with advanced law enforcement planning and training.
- 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.
- The **Community Development Block Grant Fund** was established by local ordinance and by federal requirement. This fund accounts for federal, state and local sources, revenues and expenditures for capital projects throughout the Village.

The Village reports the following major proprietary fund:

- The **Water and Sewer 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.

**STATE OF NEW MEXICO**  
**VILLAGE OF HOPE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Budgetary Information** - Budgets for all funds are prepared by management and is approved by the Village Council and the New Mexico Department of Finance and Administration.

The Village clerk is responsible for preparing the budget from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide an approved budget. The comprehensive budget package is brought before the Village Council for approval by resolution. The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1st with final certification of the original budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Exceeding the budgeted expenditures may result in an audit finding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

These budgets are prepared on the non-GAAP cash basis, and secure appropriation of funds for only one year. Carryover funds from the previous fiscal year are re-appropriated in the budget of the subsequent fiscal year. The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is presented as a committed portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only Village Council approval. If a transfer between "funds" or a budget increase is required, approval must be obtained from the Department of Finance and Administration. The budgetary information presented in these financial statements has been prepared in accordance with the above procedures.

**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.

**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.

**Grants and Contributions** - The Village receives grants as well as contributions in the course of operations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Utility Receivables** - Substantially all of the Village's outstanding utility receivables are due from its customers for water and sewer service 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 no allowance for doubtful accounts was necessary as of June 30, 2014 because 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	25
Infrastructure	25
Office and Maintenance Equipment	7
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, 2016.

**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.

**STATE OF NEW MEXICO**  
**VILLAGE OF HOPE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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.

**Expenses** - Expenses are classified as operating or non-operating according to the following criteria:

*Operating expenses* - 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.

**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

*Non-operating expenses* - 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 has 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 has elected not 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*.

**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** - FASB ASC 855-10-50-1 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.

**NOTE B - CASH AND CASH EQUIVALENTS**

During the fiscal year, the Village combined several accounts held with New Mexico State Treasurer and a local financial institution into one account for better control and utilization. At June 30, 2016, 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, 2016, of the cash and cash equivalents.

	<b>Bank Balance June 30, 2016</b>	<b>Net Items Outstanding</b>	<b>Book Balance June 30, 2016</b>
<b>First American Bank</b>			
<b>General Checking:</b>			
General Operating Account	\$ 962,170	\$ (14,238)	\$ 947,932
Total – First American Bank	<u>\$ 962,170</u>	<u>\$ (14,238)</u>	<u>\$ 947,932</u>



**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE B - CASH AND CASH EQUIVALENTS (Cont.)**

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.

	<b>First American Bank</b>
Deposits	\$ 962,170
Less FDIC Coverage	<u>(250,000)</u>
Uninsured Funds	712,170
 Pledged Securities	 <u>418,208</u>
Uninsured and Uncollateralized	<u>\$ 293,962</u>
 50% Pledged Collateral Requirement per Statute	 \$ 356,085
Pledged Collateral	<u>418,208</u>
(Over) Under Collateralized	<u>\$ (62,123)</u>

**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 Town does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$712,170 of the Village's bank balance of \$962,170 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.

<b>Frist American Bank Pledged Collateral:</b>	<b>CUSIP</b>	<b>Maturity</b>	<b>Market Value</b>	<b>Par Value</b>
Roswell ISD	78550HCO	08/01/2020	\$ 106,511	\$ 100,000
Tularosa SD	899172JQ4	10/15/2020	78,044	75,000
Mosquero SD #5	619636EV1	10/15/2025	55,138	50,000
GNMA 30Yr	36213CWR7	09/15/2035	<u>178,515</u>	<u>158,062</u>
Total Collateral Pledged			<u>\$ 418,208</u>	<u>\$ 383,062</u>

**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE C - CAPITAL ASSETS**

The Village presents the Governmental and Proprietary Funds on a cash basis. Therefore, 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, 2016 is for additional disclosure and was as follows:

	<b>Balance June 30, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>
<b>Governmental Funds:</b>				
<b>Non-depreciable Capital Assets</b>				
Land	\$ 7,275	\$ -	\$ -	\$ 7,275
Total Non-depreciable Capital Assets	7,275	-	-	7,275
<b>Depreciable Capital Assets</b>				
Infrastructure	541,617	-	-	541,617
Buildings and Improvements	1,118,718	-	-	1,118,718
Equipment	764,570	35,198	-	799,768
Total Depreciable Capital Assets	2,424,905	35,198	-	2,460,103
<b>Accumulated Depreciation</b>				
Infrastructure	(400,789)	(10,832)	-	(411,621)
Buildings and Improvements	(388,618)	(24,279)	-	(412,897)
Equipment	(596,026)	(44,546)	-	(640,572)
Total Accumulated Depreciation	(1,385,433)	(79,657)	-	(1,465,090)
Total Depreciable Capital Assets, Net	1,046,747	(44,459)	-	1,002,288
Capital Assets, Net	<u>\$ 1,054,022</u>	<u>\$ (44,459)</u>	<u>\$ -</u>	<u>\$ 1,009,563</u>
	<b>Balance June 30, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>
<b>Proprietary Funds:</b>				
<b>Non-depreciable Capital Assets</b>				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Total Non-depreciable Capital Assets	10,000	-	-	10,000
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	10,000	-	-	10,000
Water System	837,674	49,529	-	887,203
Sewer System	74,734	-	-	74,734
Total Depreciable Capital Assets	922,408	49,529	-	971,937
<b>Accumulated Depreciation</b>				
Buildings and Improvements	(1,800)	(200)	-	(2,000)
Water System	(223,852)	(26,486)	-	(250,338)
Sewer System	(74,734)	-	-	(74,734)
Total Accumulated Depreciation	(300,386)	(26,686)	-	(327,072)
Total Depreciable Capital Assets, Net	622,022	22,843	-	644,865
Capital Assets, Net	<u>\$ 632,022</u>	<u>\$ 22,843</u>	<u>\$ -</u>	<u>\$ 654,865</u>

**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE D - LONG-TERM DEBT**

The Village presents the Governmental and Proprietary Funds on a cash basis. Therefore, long term debt balances are not reported in the accompanying basic fund financial statements, and debt payments are reported as expenditures in the respective funds. The Village will use funds from the Water and Sewer Fund to pay for the debt service. The following long-term debt activity for the year ended June 30, 2016 is for additional disclosure and was as follows:

**CIF-2806 - Colonias Infrastructure Project Grant** - The Village entered into an agreement with NMFA to administer a Grant/Loan project to improve the water and wastewater infrastructure of the Village to remain in compliance with NMED and the EPA. The Village has committed to approximately \$268,000 of water system pumps and improvements, of which \$241,304 is grant funds and the remaining \$26,696 is a loan financed through NMFA. Terms of the loan are 20 annual, non-interest bearing payments of approximately \$1,348, and maturing in June 2034. The remaining \$2,225 of grant funds as of June 30, 2016 were fully withdrawn in July 2016.

**CIF-2997 - Colonias Infrastructure Project Grant** - The Village entered into an agreement with NMFA to administer a Grant/Loan project to improve the water and wastewater infrastructure of the Village to remain in compliance with NMED and the EPA. The Village has committed to approximately \$87,272 of system improvements, of which \$78,545 is grant funds and the remaining \$8,727 is a loan financed through NMFA. Terms of the loan are 20 annual, non-interest bearing payments of approximately \$437, and maturing in June 2034. The remaining \$29,016 of grant funds have until June 30, 2017 to be drawn down or any remaining funds will revert back at that time.

Long-term debt activity for the year ended June 30, 2016 was as follows:

Obligation	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Due Within One Year
NMFA - CIF-2806	\$ 24,258	\$ -	\$ (1,348)	\$ 22,910	\$ 1,348
NMFA - CIF-2997	<u>8,304</u>	<u>-</u>	<u>(437)</u>	<u>7,867</u>	<u>437</u>
Total Long-term Debt	<u>\$ 32,562</u>	<u>\$ -</u>	<u>\$ (1,785)</u>	<u>\$ 30,777</u>	<u>\$ 1,785</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,785	\$ -	\$ 1,785
2018	1,785	-	1,785
2019	1,785	-	1,785
2020	1,785	-	1,785
2021	1,785	-	1,785
2022-2026	8,925	-	8,925
2027-2031	8,925	-	8,925
2032-2034	<u>4,002</u>	<u>-</u>	<u>4,002</u>
<b>Totals</b>	<u>\$ 30,777</u>	<u>\$ -</u>	<u>\$ 30,777</u>

**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Taxes				
Property	\$ 19,419	\$ 19,419	\$ 26,857	\$ 7,438
Gross Receipts	32,000	32,000	12,360	(19,640)
Gasoline	-	-	4,587	4,587
Motor Vehicle	650	650	826	176
State Assistance and Subsidies	90,000	90,000	90,000	-
County Assistance and Subsidies	33,300	33,300	33,300	-
Fines and Fees	35,000	35,000	29,313	(5,687)
Charges for Service	20	20	470	450
Interest	250	250	356	106
Other Revenue	-	-	14,985	14,985
<b>Total Revenues</b>	<b>210,639</b>	<b>210,639</b>	<b>213,054</b>	<b>2,415</b>
<b>EXPENSES</b>				
<b>Current</b>				
Finance and Administration	75,500	75,500	105,651	(30,151)
Elections	1,200	1,200	1,051	149
Judicial	18,000	18,000	14,243	3,757
Public Safety	37,000	37,000	41,002	(4,002)
Public Works	3,500	3,500	53,333	(49,833)
<b>Capital Outlay</b>	<b>33,300</b>	<b>33,300</b>	<b>35,198</b>	<b>(1,898)</b>
<b>Total Expenditures</b>	<b>168,500</b>	<b>168,500</b>	<b>250,478</b>	<b>(81,978)</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>42,139</b>	<b>42,139</b>	<b>(37,424)</b>	<b>\$ (79,563)</b>
<b>Cash Balance, Beginning of Year</b>	<b>639,643</b>	<b>639,643</b>	<b>639,643</b>	
<b>Cash Balance, End of Year</b>	<b>\$ 681,782</b>	<b>\$ 681,782</b>	<b>\$ 602,219</b>	
<b>Reconciliation to GAAP Basis</b>				
Change in:				
Taxes				
Property			(16)	
Gross Receipts			(203)	
Gasoline			10	
Motor Vehicle			83	
Accounts Payable			(215)	
Accrued Payroll Liabilities			548	
<b>Cash Balance - GAAP Basis</b>			<b>\$ 602,093</b>	

**STATE OF NEW MEXICO**  
**VILLAGE OF HOPE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**FIRE PROTECTION FUND**  
**YEAR ENDED JUNE 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
State Assistance and Subsidies	\$ 58,000	\$ 58,000	\$ 73,960	\$ 15,960
Other Revenue	-	-	7	7
<b>Total Revenues</b>	58,000	58,000	73,967	15,967
<b>EXPENSES</b>				
<b>Current</b>				
Public Safety	85,000	85,000	79,955	5,045
<b>Total Expenditures</b>	85,000	85,000	79,955	5,045
<b>Excess (Deficit) of Revenues over Expenditures</b>	(27,000)	(27,000)	(5,988)	\$ 21,012
<b>Cash Balance, Beginning of Year</b>	123,125	123,125	123,125	
<b>Cash Balance, End of Year</b>	\$ 96,125	\$ 96,125	\$ 117,137	

**STATE OF NEW MEXICO**  
**VILLAGE OF HOPE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**LAW ENFORCEMENT PROTECTION FUND**  
**YEAR ENDED JUNE 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
State Assistance and Subsidies	\$ 21,200	\$ 21,200	\$ 21,200	\$ -
<b>Total Revenues</b>	21,200	21,200	21,200	-
<b>EXPENSES</b>				
<b>Current</b>				
Public Safety	21,200	21,200	21,200	-
<b>Total Expenditures</b>	21,200	21,200	21,200	-
<b>Excess (Deficit) of Revenues over Expenditures</b>	-	-	-	\$ -
<b>Cash Balance, Beginning of Year</b>	29,624	29,624	29,624	
<b>Cash Balance, End of Year</b>	\$ 29,624	\$ 29,624	\$ 29,624	

**STATE OF NEW MEXICO**  
**VILLAGE OF HOPE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**EMERGENCY MEDICAL SERVICES FUND**  
**YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State Assistance and Subsidies	\$ 5,100	\$ 5,100	\$ 5,100	\$ -
<b>Total Revenues</b>	<u>5,100</u>	<u>5,100</u>	<u>5,100</u>	<u>-</u>
<b>EXPENSES</b>				
<b>Current</b>				
Public Safety	4,900	4,900	6,316	(1,416)
<b>Total Expenditures</b>	<u>4,900</u>	<u>4,900</u>	<u>6,316</u>	<u>(1,416)</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	200	200	(1,216)	<u>\$ (1,416)</u>
<b>Cash Balance, Beginning of Year</b>	<u>1,216</u>	<u>1,216</u>	<u>1,216</u>	
<b>Cash Balance, End of Year</b>	<u>\$ 1,416</u>	<u>\$ 1,416</u>	<u>\$ -</u>	

**STATE OF NEW MEXICO**  
**VILLAGE OF HOPE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**DWI FUND**  
**YEAR ENDED JUNE 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Other Revenue	\$ 6,800	\$ 6,800	\$ -	\$ (6,800)
<b>Total Revenues</b>	6,800	6,800	-	(6,800)
<b>EXPENSES</b>				
<b>Current</b>				
Public Safety	6,800	6,800	-	6,800
<b>Total Expenditures</b>	6,800	6,800	-	6,800
<b>Excess (Deficit) of Revenues over Expenditures</b>	-	-	-	\$ -
<b>Cash Balance, Beginning of Year</b>	-	-	-	
<b>Cash Balance, End of Year</b>	\$ -	\$ -	\$ -	



**STATE OF NEW MEXICO**  
**VILLAGE OF HOPE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**CDBG FUND**  
**YEAR ENDED JUNE 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
State Assistance and Subsidies	\$ 87,272	\$ 87,272	\$ 49,529	\$ (37,743)
Other Revenue	170,000	170,000	-	(170,000)
<b>Total Revenues</b>	<b>257,272</b>	<b>257,272</b>	<b>49,529</b>	<b>(207,743)</b>
<b>EXPENSES</b>				
Capital Outlay	257,272	257,272	49,529	207,743
<b>Total Expenditures</b>	<b>257,272</b>	<b>257,272</b>	<b>49,529</b>	<b>207,743</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	-	-	-	<b>\$ -</b>
<b>Cash Balance, Beginning of Year</b>	-	-	-	
<b>Cash Balance, End of Year</b>	\$ -	\$ -	\$ -	

STATE OF NEW MEXICO  
VILLAGE OF HOPE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
WATER AND SEWER FUND  
YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for Service	\$ 30,720	\$ 30,720	\$ 24,731	\$ (5,989)
Other Revenue	420	420	-	(420)
<b>Total Revenues</b>	31,140	31,140	24,731	(6,409)
<b>EXPENSES</b>				
<b>Current</b>				
Water Expense	30,000	30,000	16,769	13,231
Sewer Expense	375	375	142	233
<b>Total Expenditures</b>	30,375	30,375	16,911	13,464
<b>Excess of Revenues over Expenditures</b>	765	765	7,820	\$ 7,055
<b>Cash Balance, Beginning of Year</b>	181,188	181,188	181,188	
<b>Cash Balance, End of Year</b>	\$ 181,953	\$ 181,953	\$ 189,008	

## **INTERNAL CONTROL AND COMPLIANCE**

**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016**

**CURRENT YEAR FINDINGS:**

**2013-001 – Bank Reconciliations - Significant Deficiency (revised, repeated)**

**CONDITION** – The Village has made significant progress in resolving this finding by reconciling their bank accounts during the fiscal year, but some were not in a timely manner. Some reconciliations were performed over ninety days from the month end and up to three months were reconciled on one day.

**CRITERIA** – Good accounting practices recommend reconciling the bank statements to the general ledger monthly and in a timely manner, typically within ten day of the end of the month.

**CAUSE** – The Village Clerk is the primary person responsible for the accounting of the Village. The reconciliation of the cash accounts sometimes takes a lower priority to other village matters.

**EFFECT** – The cash balance at any given time is susceptible to inaccuracies or misstatement when the reconciliations are not timely performed.

**RECOMMENDATION** – We recommend establishing a monthly procedural checklist to ensure the reconciliations are performed promptly and accurately.

**MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION** – The Village Clerk resolved this finding in July 2016 by timely reconciling that month's bank account. A review of subsequent months noted the account was timely reconciled.

**2016-001 - Segregation of Duties – Material Weakness**

**CONDITION** – The Village has a limited segregation of duties due to personnel constraints of having one full-time employee in administration. The Village will not be able to make any progress on this finding unless the financial situation of the Village changes significantly.

**CRITERIA** - Segregation of certain specific accounting and administrative functions is needed to minimize concentration of internal controls and reduce the possibility of overriding of controls.

**CAUSE** - Personnel and funding limitations have relegated the Village to consolidate some incompatible accounting and administrative functions.

**EFFECT** - The lack of proper segregation of duties is common in smaller and medium organizations that are forced to control personnel costs at the expense of improved control.

**RECOMMENDATION** - Although the Village has compensating controls in place to reduce the effect of the lack of segregation of duties, we recommend management periodically evaluate whether its level of control is appropriate for the current situation.

**MANAGEMENT RESPONSE** - The Village will continually monitor the internal control environment and adjust policies and procedures when conflicts in internal control arise. Only when economic and financial conditions improve to the point of adding personnel to further mitigate the internal control deficiencies caused by the lack of segregation of duties can this finding be resolved. Due to the financial condition of the Village, there is not a definitive method available to provide a reasonably accurate timeline to resolve this inherent condition.

**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016**

**2016-002 - Legal Compliance with Budget - Compliance**

**CONDITION** - The Village actual expenditures exceeded the authorized General Fund budget by approximately \$81,978 and the EMS Fund budget by \$1,416.

**CRITERIA** - Section 6-6-6 of the New Mexico State Statutes prohibits any payments in excess of the approved budget.

**CAUSE** - The Village prepares its budget on the cash basis based on historical experience. Unexpected expenditures in Public Works and the Administration departments were incurred during the fiscal year but the final budget was not amended to reflect those expenditures. The EMS Fund was budgeted for nominal revenues and expenditures and did not budget the additional expenditures used to clear the Fund's cash balance.

**EFFECT** - The budget does not reflect the actual activity for the fiscal year and may cause an underestimation of future budgetary items if it were to be used as a resource.

**RECOMMENDATION** - Carefully evaluate all transactions involving the movement of money between funds to identify any potential budget issues.

**MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION** – The Village Mayor and Village Clerk will more effectively monitor the budget to actual for the respective funds and make any necessary budget amendments to cover unbudgeted expenditures. We expect to resolve this finding by the fourth quarter of the 2017 fiscal year.

**PRIOR YEAR FINDINGS:**

<b>Finding</b>	<b>Status</b>
2009-001 – Preparation of Financial Statement	Removed due to Audit Rule changes
2012-002 – Unable to Determine if an Inventory was Completed	Resolved
2012-003 – Expenditures	Resolved
2012-004 – Late Agreed-upon Procedures Contract	Resolved
2013-001 – Bank Reconciliations	Revised, Repeated
2015-001 – Cash Reported to DFA	Resolved
2015-002 – Contract Labor	Resolved

**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
EXIT CONFERENCE  
JUNE 30, 2016**

The contents of this report were discussed with the Village of Hope, New Mexico representatives on November 18, 2016. The following individuals were present for the conference:

**Village of Hope**

Bob Rogers - Mayor  
Sonia Carbajal – Village Clerk

**Scott Northam, CPA, PC**

Scott Northam, CPA

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

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.