

**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, 2019**

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

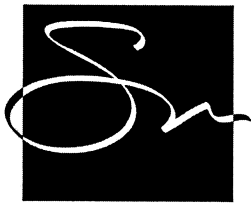
**VILLAGE COUNCIL**

<b>Name</b>	<b>Title</b>
Charles Fletcher	Mayor
Bob Rogers	Mayor Pro-Tem
Lupe Varelas	Councilor
Marc Kincaid	Councilor
Jeremiah Fletcher	Councilor

**VILLAGE PERSONNEL**

Sonia Carbajal	Clerk
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## **FINANCIAL SECTION**



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

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

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

We have performed the procedures enumerated below for the Village of Hope (the Village), for the year ended June 30, 2019. The Village was determined to be a Tier 6 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the Village through the Office of the New Mexico State Auditor. The Village's management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

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

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct, an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Village's financial position and operations as of and for the year ended June 30, 2019. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to those parties specified in the report.

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

Scott Northam, CPA, PC  
Ruidoso, New Mexico  
September 30, 2019

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

<b>1. Verify the local public body's revenue calculation and tier determination documented on the form provided at <a href="http://www.osanm.org">www.osanm.org</a> under "Tiered System Reporting Main Page."</b>	
Tier 6 Requirements – Cash basis revenues excluding capital outlay funds, federal or private grants of \$250,000 or more but less than \$500,000.	The Village's cash basis revenues, excluding \$148,914 of capital outlay grant funds, totaled \$327,596. The Village is correctly categorized as a Tier 6 agency.
<b>2. Cash Procedures</b>	
a. Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements are complete and on-hand.	All fiscal year bank reconciliations and statements were on-hand and available for compliance examination. Reconciliations were timely performed within a reasonable time after the end of the month.
b. Test at least 30% of the bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government Division.	A review of all fiscal year bank reconciliations noted the reconciliations were accurate and agreed with the general ledger and DFA reports.
c. Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.	The Village's funds on deposit with the financial institution exceeded the \$250,000 FDIC maximum insured coverage during the year. The financial institution provided sufficient additional pledged collateralization to be compliant with state statutes.
<b>3. Capital Assets</b>	
Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.	The Village provided a capital asset inventory listing as required under Section 12-6-10 NMSA 1978, which was approved by the Village Council.
<b>4. Debt</b>	
If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.	The Village made the required debt payments to NMFA during the fiscal year. The NMFA debt does not require the Village to hold reserves.

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

<b>5. Revenue</b> <b>Identify the nature and amount of revenue from all 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 equal to at least 30% of the total dollar amount and test following attributes: Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.	Revenue transactions amounting to approximately 86% of total Village revenue recorded in the general ledger agreed with deposit slips, utility reports and other supporting documentation provided and the bank statements with no exceptions.
c. Proper recording of classification, amount and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting record on: cash basis, modified accrual basis, or accrual basis.	Amounts were properly recorded on the cash basis as to classification, amount and period per review of supporting documentation.

<b>6. Expenditures</b> <b>Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test 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 disbursement transactions totaling approximately 74% of total disbursements noted no exceptions with respect to amount, payee, date and description
b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.	The representative sample of disbursements noted no exceptions as to authorization and approval for payment, budget compliance and compliance with policies and procedures.
c. Determine that the bid process (or request for proposal process, if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).	Disbursement testwork revealed no exceptions to the process (or request for proposal process, if applicable), purchase orders, contracts and agreements being processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).



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

<b>7. Journal Entries</b> <b>Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:</b>	
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> <b>Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:</b>	
a. Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local body's governing body and DFA-LGD.	The original and final budgets were approved by the Board of Directors and DFA-LGD. Budget adjustments made during the fiscal year were approved by the Council and DFA.
b. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.	The Village exceeded the final budgetary expectations for the Water Fund by \$41,318. <b>See Finding 2019-001.</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 individual fund.	The Schedules of Revenue and Expenditures – Budget and Actual accompanying these procedures are prepared on the cash basis used by the Village and prepared from the original and final approved budgets and general ledger.

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

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

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

<b>9. Capital Outlay Appropriations (Cont.)</b>	
<p>The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital appropriations of the New Mexico Legislature that meet TIER 6 criteria. Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay funds expended by the recipient during the fiscal year that meet TIER 6 criteria. Perform the following tests on all state-funded capital outlay expenditures:</p>	
<p>i. Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request of the reimbursement.</p>	<p>The Village did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<b>10. Other</b>	
<p>If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(I)(3)(C) NMAC.</p>	<p>No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts or internal control deficiencies.</p>



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

## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

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

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

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

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

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

Scott Northam, CPA, PC  
Ruidoso, New Mexico  
September 30, 2019

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

<b>GOVERNMENTAL FUNDS</b>			
	<b>General Fund</b>	<b>Fire Protection Fund</b>	<b>Fire Excise Tax Fund</b>
<b>ASSETS</b>			
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 521,940	\$ 111,873	\$ 14,469
Grant Receivable	46,459		
Taxes Receivable			
Property	297	-	-
Gross Receipts	2,032	-	-
Gasoline	849	-	-
Motor Vehicle	126	-	-
<b>Total Assets</b>	<b>\$ 571,703</b>	<b>\$ 111,873</b>	<b>\$ 14,469</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 2,494	\$ -	\$ -
Accrued Payroll Liabilities	2,073	-	-
<b>Total Liabilities</b>	<b>4,567</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>			
Assigned	-	111,873	14,469
Unassigned	567,136	-	-
<b>Total Fund Balances</b>	<b>567,136</b>	<b>111,873</b>	<b>14,469</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 571,703</b>	<b>\$ 111,873</b>	<b>\$ 14,469</b>

**GOVERNMENTAL FUNDS**

<b>Law Enforcement Protection Fund</b>	<b>EMS Fund</b>	<b>Total Governmental Funds</b>
\$ 24,742	\$ 2,402	\$ 675,426 46,459
-	-	297
-	-	2,032
-	-	849
-	-	126
<u>\$ 24,742</u>	<u>\$ 2,402</u>	<u>\$ 725,189</u>
\$ -	\$ -	\$ 2,494
-	-	2,073
-	-	4,567
24,742	2,402	153,486
-	-	567,136
<u>24,742</u>	<u>2,402</u>	<u>720,622</u>
<u>\$ 24,742</u>	<u>\$ 2,402</u>	<u>\$ 725,189</u>

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

	<b>GOVERNMENTAL FUNDS</b>		
	<b>General Fund</b>	<b>Fire Protection Fund</b>	<b>Fire Excise Tax Fund</b>
<b>REVENUES</b>			
Taxes			
Property	\$ 20,263	\$ -	\$ -
Gross Receipts	16,212	-	-
Gasoline	5,154	-	-
Motor Vehicle	753	-	-
Intergovernmental			
State	90,000	85,172	-
Local	20,180	-	-
Capital Grants	46,459	-	-
Fines and Fees	24,287	-	-
Interest	454	-	-
Other Revenue	-	-	-
<b>Total Revenues</b>	<b>223,762</b>	<b>85,172</b>	<b>-</b>
<b>EXPENDITURES</b>			
<b>Current</b>			
Finance and Administration	104,267	-	-
Judicial	10,861	-	-
Public Safety	17,697	48,655	-
Public Works	37,737	-	-
<b>Capital Outlay</b>	<b>46,459</b>	<b>-</b>	<b>-</b>
<b>Total Expenditures</b>	<b>217,021</b>	<b>48,655</b>	<b>-</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	6,741	36,517	-
<b>Fund Balance, Beginning of Year</b>	<b>560,395</b>	<b>75,356</b>	<b>14,469</b>
<b>Fund Balance, End of Year</b>	<b>\$ 567,136</b>	<b>\$ 111,873</b>	<b>\$ 14,469</b>

**GOVERNMENTAL FUNDS**

<b>Law Enforcement Protection Fund</b>	<b>EMS Fund</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 20,263
-	-	16,212
-	-	5,154
-	-	753
20,600	5,000	200,772
-	-	20,180
-	-	46,459
-	-	24,287
-	-	454
-	-	-
<u>20,600</u>	<u>5,000</u>	<u>334,534</u>
-	-	104,267
-	-	10,861
20,760	5,000	92,112
-	-	37,737
-	-	46,459
<u>20,760</u>	<u>5,000</u>	<u>291,436</u>
(160)	-	43,098
<u>24,902</u>	<u>2,402</u>	<u>677,524</u>
<u>\$ 24,742</u>	<u>\$ 2,402</u>	<u>\$ 720,622</u>



**STATE OF NEW MEXICO  
VILLAGE OF HOPE  
STATEMENT OF NET POSITION  
WATER AND SEWER FUND  
JUNE 30, 2019**

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 217,145
Accounts Receivable, Net	3,888
Capital Assets, Net	<u>643,511</u>
<b>Total Assets</b>	<u><u>\$ 864,544</u></u>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
NMFA Loans Payable	<u>\$ 29,554</u>
<b>Total Liabilities</b>	<u>29,554</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	613,957
Unrestricted	<u>221,033</u>
<b>Total Net Position</b>	<u>834,990</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 864,544</u></u>

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

	<b>Water and Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for Services	
Water Service	\$ 29,890
Sewer Service	555
Grant Income	37,186
Other Revenue	<u>691</u>
<b>Total Operating Revenues</b>	68,322
<b>OPERATING EXPENSES</b>	
Water Expenses	19,085
Sewer Expenses	425
Depreciation	<u>29,496</u>
<b>Total Operating Expenses</b>	<u>49,006</u>
<b>Operating Loss</b>	19,316
<b>Beginning Net Position</b>	<u>815,674</u>
<b>Net Position, End of Year</b>	<u><u>\$ 834,990</u></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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Taxes				
Property	\$ -	\$ -	\$ 20,249	\$ 20,249
Gross Receipts	-	-	24,769	24,769
Gasoline	-	-	5,171	5,171
Motor Vehicle	-	-	710	710
State Assistance and Subsidies	90,000	90,000	90,000	-
County Assistance and Subsidies	-	-	20,180	20,180
Capital Grants	1,570,000	148,914	148,914	-
Fines and Fees	-	-	24,287	24,287
Interest	-	-	454	454
Other Revenue	100,410	95,620	-	(95,620)
<b>Total Revenues</b>	<u>1,760,410</u>	<u>334,534</u>	<u>334,734</u>	<u>200</u>
<b>EXPENSES</b>				
<b>Current</b>				
Finance and Administration	152,351	176,443	108,336	68,107
Judicial	5,419	-	10,861	(10,861)
Public Safety	5,000	4,357	17,697	(13,340)
Public Works	-	-	37,737	(37,737)
<b>Capital Outlay</b>	<u>-</u>	<u>262,905</u>	<u>214,686</u>	<u>48,219</u>
<b>Total Expenditures</b>	<u>162,770</u>	<u>443,705</u>	<u>389,317</u>	<u>54,388</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<u>1,597,640</u>	<u>(109,171)</u>	<u>(54,583)</u>	<u>\$ 54,588</u>
<b>Cash Balance, Beginning of Year</b>	<u>576,523</u>	<u>576,523</u>	<u>576,523</u>	
<b>Cash Balance, End of Year</b>	<u>\$ 2,174,163</u>	<u>\$ 467,352</u>	<u>\$ 521,940</u>	
<b>Reconciliation to GAAP Basis</b>				
<b>Excess of Revenues over Expenditures - Budget Basis</b>			\$ (54,583)	
Change in:				
Grant Receivable			(102,455)	
Taxes Receivable				
Property			14	
Gross Receipts			(8,557)	
Gasoline			(17)	
Motor Vehicle			43	
Accounts Payable			168,227	
Accrued Payroll Liabilities			4,069	
<b>Excess of Revenues over Expenditures - GAAP Basis</b>			<u>\$ 6,741</u>	

**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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State Assistance and Subsidies	\$ 64,000	\$ 85,172	\$ 85,172	\$ -
<b>Total Revenues</b>	64,000	85,172	85,172	-
<b>EXPENSES</b>				
<b>Current</b>				
Public Safety	64,000	67,968	48,655	19,313
<b>Total Expenditures</b>	64,000	67,968	48,655	19,313
<b>Excess of Revenues over Expenditures</b>	-	17,204	36,517	<u>\$ 19,313</u>
<b>Cash Balance, Beginning of Year</b>	<u>75,356</u>	<u>75,356</u>	<u>75,356</u>	
<b>Cash Balance, End of Year</b>	<u>\$ 75,356</u>	<u>\$ 92,560</u>	<u>\$ 111,873</u>	
<b>Reconciliation to GAAP Basis</b>				
Excess of Revenues over Expenditures - Budget Basis			<u>\$ 36,517</u>	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ 36,517</u>	

**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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State Assistance and Subsidies	\$ 20,600	\$ 20,600	\$ 20,600	\$ -
<b>Total Revenues</b>	20,600	20,600	20,600	-
<b>EXPENSES</b>				
<b>Current</b>				
Public Safety	20,760	20,760	20,760	-
<b>Total Expenditures</b>	20,760	20,760	20,760	-
<b>(Deficit) of Revenues over Expenditures</b>	(160)	(160)	(160)	<u>\$ -</u>
<b>Cash Balance, Beginning of Year</b>	24,902	24,902	24,902	
<b>Cash Balance, End of Year</b>	<u>\$ 24,742</u>	<u>\$ 24,742</u>	<u>\$ 24,742</u>	
<b>Reconciliation to GAAP Basis</b>				
Excess of Revenues over Expenditures - Budget Basis			<u>\$ (160)</u>	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ (160)</u>	

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State Assistance and Subsidies	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
<b>Total Revenues</b>	5,000	5,000	5,000	-
<b>EXPENSES</b>				
<b>Current</b>				
Public Safety	5,000	5,000	5,000	-
<b>Total Expenditures</b>	5,000	5,000	5,000	-
<b>Excess of Revenues over Expenditures</b>	-	-	-	<u>\$ -</u>
<b>Cash Balance, Beginning of Year</b>	2,402	2,402	2,402	
<b>Cash Balance, End of Year</b>	<u>\$ 2,402</u>	<u>\$ 2,402</u>	<u>\$ 2,402</u>	
<b>Reconciliation to GAAP Basis</b>				
Excess of Revenues over Expenditures - Budget Basis			<u>\$ -</u>	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ -</u>	

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

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

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

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

**Organization** - The Village is a political subdivision of the State of New Mexico and was incorporated 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, 2019.

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

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

**Measurement Focus, Basis of Accounting, Financial Statement Presentation**

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

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

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

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

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.



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

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

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

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

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

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

The Village reports the following 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 **Fire Excise Tax Fund** is an inactive fund holding fire excise tax funds distributed from Eddy County for the volunteer fire department and established by Village ordinance upon request from Eddy County.
- 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.

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

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

- 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.

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

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

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

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

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

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

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

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

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

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

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

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

**Utility Receivables** - Substantially all of the Village's outstanding utility receivables are due from its customers for water and 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, 2019 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, 2019.

**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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Pensions and OPEB** - The Village 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 is not required to implement the following GASB statements:

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

**GASBS No. 77 – Tax Abatement Disclosures** - The objective of this statement is to assist the users of state and local government financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as inter-period equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The statement will not have a material impact on the Village's financial statements. The Village is not a party to any tax abatement agreements that need to be disclosed as required by GASB 77 during the 2019 fiscal year.

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

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

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

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

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

	<b>Bank Balance June 30, 2019</b>	<b>Net Items Outstanding</b>	<b>Book Balance June 30, 2019</b>
<b>First American Bank</b>			
<b>General Checking:</b>			
General Operating Account	\$ 909,394	\$ (21,573)	\$ 887,821
Total – First American Bank	<u>\$ 909,394</u>	<u>\$ (21,573)</u>	<u>\$ 887,821</u>
<b>Western Bank</b>			
<b>General Checking:</b>			
Special Account	\$ 4,750	\$ _____	\$ 4,750
Total – Western Bank	<u>\$ 4,750</u>	<u>\$ _____</u>	<u>\$ 4,750</u>
	<b>Governmental Funds</b>	<b>Enterprise Fund</b>	<b>Total</b>
First American Bank	\$ 670,676	\$ 217,145	\$ 887,821
Western Bank	<u>4,750</u>	<u>_____</u>	<u>4,750</u>
Total Cash	<u>\$ 675,426</u>	<u>\$ 217,145</u>	<u>\$ 892,571</u>

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

	<b>First American Bank</b>	<b>Western Bank</b>	<b>Totals</b>
Deposits	\$ 909,394	\$ 4,750	\$ 914,144
Less FDIC Coverage	<u>(250,000)</u>	<u>(4,750)</u>	<u>(254,750)</u>
Uninsured Funds	659,394	\$ _____	659,394
Pledged Securities	<u>527,995</u>		<u>527,995</u>
Uninsured and Uncollateralized	<u>\$ 131,399</u>		<u>\$ 131,399</u>
50% Pledged Collateral Requirement per Statute	\$ 329,697		\$ 329,697
Pledged Collateral	<u>527,995</u>		<u>527,995</u>
(Over) Collateralized	<u>\$ (198,298)</u>		<u>\$ (198,298)</u>

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

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

**Custodial Credit Risk - Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to them. The Village does not have a deposit policy for custodial credit risk other than that of state statutes. As of June 30, 2019, \$659,394 of the Village's bank balance of \$914,144 was exposed to custodial credit risk before applying the pledged collateral. The Federal Home Loan Bank, Dallas, Texas, holds the securities pledged toward the Village by First American Bank.

<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	\$ 100,178	\$ 100,000
Tularosa SD	899172JQ4	10/15/2020	75,998	75,000
Clovis Muni SD	189414KS3	08/01/2022	202,824	200,000
Mosquero SD #5	619636EV1	10/15/2025	52,575	50,000
GNMA 30Yr	36213CWR7	09/15/2035	<u>96,420</u>	<u>88,770</u>
		Total Collateral Pledged	<u>\$ 527,995</u>	<u>\$ 513,770</u>

**NOTE C - CAPITAL ASSETS**

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

	<b>Balance June 30, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2019</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	1,409,975	168,227	-	1,578,202
Equipment	<u>821,128</u>	<u>46,459</u>	<u>-</u>	<u>867,587</u>
Total Depreciable Capital Assets	<u>2,772,720</u>	<u>214,686</u>	<u>-</u>	<u>2,987,406</u>
<b>Accumulated Depreciation</b>				
Infrastructure	(433,316)	(10,832)	-	(444,148)
Buildings and Improvements	(461,522)	(39,580)	-	(501,102)
Equipment	<u>(707,685)</u>	<u>(35,203)</u>	<u>-</u>	<u>(742,888)</u>
Total Accumulated Depreciation	<u>(1,602,523)</u>	<u>(85,615)</u>	<u>-</u>	<u>(1,688,138)</u>
Total Depreciable Capital Assets, Net	<u>1,170,197</u>	<u>129,071</u>	<u>-</u>	<u>1,299,268</u>
Capital Assets, Net	<u>\$ 1,177,472</u>	<u>\$ 129,071</u>	<u>\$ -</u>	<u>\$ 1,306,543</u>

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

**NOTE C - CAPITAL ASSETS (Cont.)**

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
<b>Proprietary Funds:</b>				
<b>Non-depreciable Capital Assets</b>				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in Progress	<u>-</u>	<u>41,318</u>	<u>-</u>	<u>41,318</u>
Total Non-depreciable Capital Assets	10,000	41,318	-	51,318
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	10,000	-	-	10,000
Water System	921,935	-	-	921,935
Sewer System	<u>74,734</u>	<u>-</u>	<u>-</u>	<u>74,734</u>
Total Depreciable Capital Assets	<u>1,006,669</u>	<u>-</u>	<u>-</u>	<u>1,006,669</u>
<b>Accumulated Depreciation</b>				
Buildings and Improvements	(2,400)	(200)	-	(2,600)
Water System	(307,846)	(29,296)	-	(337,142)
Sewer System	<u>(74,734)</u>	<u>-</u>	<u>-</u>	<u>(74,734)</u>
Total Accumulated Depreciation	<u>(384,980)</u>	<u>(29,496)</u>	<u>-</u>	<u>(414,476)</u>
Total Depreciable Capital Assets, Net	<u>621,689</u>	<u>(29,496)</u>	<u>-</u>	<u>592,193</u>
Capital Assets, Net	<u>\$ 631,689</u>	<u>\$ 11,822</u>	<u>\$ -</u>	<u>\$ 643,511</u>

**NOTE D - LONG-TERM DEBT**

The Village uses 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, 2019 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 2033.

**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.

**CIF-4114 - Colonias Infrastructure Project Grant** - The Village entered into an agreement with NMFA on December 29, 2017 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 \$571,200 of system improvements, of which \$514,080 is grant funds and the remaining \$57,120 is a loan financed through NMFA. Terms of the loan are 20 annual, non-interest-bearing payments of approximately \$2,856, and maturing in June 2039. Approximately \$37,186 in grant funds and \$4,132 in loan funds have been drawn against this grant/loan agreement as of June 30, 2019. The Village has until December 29, 2019 to draw on the \$ 476,894 in remaining grant funds and \$52,988 in loan funds before the funds revert back to the state, unless an extension is granted.



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

**NOTE D - LONG-TERM DEBT (Cont.)**

Long-term debt activity for the year ended June 30, 2019 was as follows:

<b>Obligation</b>	<b>Balance June 30, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2019</b>	<b>Due Within One Year</b>
NMFA - CIF-2806	\$ 20,214	\$ -	\$ (1,348)	\$ 18,866	\$ 1,348
NMFA - CIF-2997	6,993	-	(437)	6,556	437
NMFA - CIF-4114	<u>-</u>	<u>4,132</u>	<u>-</u>	<u>4,132</u>	<u>2,856</u>
Total Long-term Debt	<u>\$ 28,992</u>	<u>\$ 4,132</u>	<u>\$ (1,785)</u>	29,554	<u>\$ 4,641</u>
NMFA - CIF-4114 Undrawn				<u>52,988</u>	
Total Committed Long-Term Debt				<u>\$ 82,542</u>	

Long-term debt service requirements to maturity are as follows, provided the Village draws the full amount of loan proceeds available for CIF-4114:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 4,641	\$ -	\$ 4,641
2021	4,641	-	4,641
2022	4,641	-	4,641
2023	4,641	-	4,641
2024	4,641	-	4,641
2025-2029	23,205	-	23,205
2030-2034	21,852	-	21,852
2035-2039	<u>14,280</u>	<u>-</u>	<u>14,280</u>
<b>Totals</b>	<u>\$ 82,542</u>	<u>\$ -</u>	<u>\$ 82,542</u>

**NOTE F - RELATED PARTIES**

Because of the remoteness of the Village, some duties and responsibilities for the Village are performed by the council members or their families. The wife of the mayor is employed by the Village as municipal judge and was paid approximately \$5,573 during the fiscal year. A council member serves as court clerk and performs the water samples for the Village. The council member was paid approximately \$6,671 during the fiscal year for his services.

## **SUPPLEMENTARY INFORMATION**

**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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Charges for Services				
Water Service	\$ 31,000	\$ 30,448	\$ 29,758	\$ (690)
Sewer Service	720	555	555	-
Grant Income	-	-	37,186	37,186
Loan Proceeds	-	-	4,132	4,132
Other Revenue	-	-	691	691
<b>Total Revenues</b>	<u>31,720</u>	<u>31,003</u>	<u>72,322</u>	<u>41,319</u>
<b>EXPENSES</b>				
<b>Current</b>				
Water Expense	19,300	20,870	19,085	1,785
Sewer Expense	420	425	425	-
<b>Capital Outlay</b>	-	-	41,318	(41,318)
<b>Debt Service</b>	-	-	1,785	(1,785)
<b>Total Expenditures</b>	<u>19,720</u>	<u>21,295</u>	<u>62,613</u>	<u>(41,318)</u>
<b>Excess of Revenues over Expenditures</b>	12,000	9,708	9,709	<u>\$ 1</u>
<b>Cash Balance, Beginning of Year</b>	<u>207,436</u>	<u>207,436</u>	<u>207,436</u>	
<b>Cash Balance, End of Year</b>	<u>\$ 219,436</u>	<u>\$ 217,144</u>	<u>\$ 217,145</u>	
<b>Reconciliation to GAAP Basis</b>				
<b>Change in Net Position - Budget Basis</b>			\$ 9,709	
Adjustments from Budget to GAAP Basis:				
Debt Service			1,785	
Loan Proceeds			(4,132)	
Capital Outlay			41,318	
Depreciation			(29,496)	
Change in:				
Accounts Receivable, Net			132	
<b>Change in Net Position - GAAP Basis</b>			<u>\$ 19,316</u>	

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

**State of New Mexico  
Local Government Budget Management System (LGBMS)  
Report Recap - Fiscal Year 2018-2019 - Hope (Village) - FY 2019 Q4  
Printed from LGBMS on 2019-08-15 12:29:03**

Fund	Cash	Investments	Revenues	Transfers	Expenditures	Adjustments	Balance	Reserves	Adjusted Balance
11000 General Operating Fund	860,346.00	0.00	185,820.00	0.00	176,443.00	0.00	869,723.00	14,703.58	855,019.42
20100 Corrections	5,419.00	0.00	0.00	0.00	0.00	0.00	5,419.00	0.00	5,419.00
20600 Emergency Medical Services	2,692.00	0.00	5,000.00	0.00	5,000.00	0.00	2,692.00	0.00	2,692.00
20900 Fire Protection	12,860.00	0.00	85,172.00	0.00	67,968.00	0.00	30,064.00	0.00	30,064.00
21100 Law Enforcement Protection	160.00	0.00	20,600.00	0.00	20,760.00	0.00	0.00	0.00	0.00
21600 Municipal Street	5,410.00	0.00	0.00	0.00	0.00	0.00	5,410.00	0.00	5,410.00
21700 Recreation	227.00	0.00	0.00	0.00	0.00	0.00	227.00	0.00	227.00
22300 DWI Fund	12,800.00	0.00	0.00	0.00	4,357.00	0.00	8,443.00	0.00	8,443.00
30300 State Legislative Appropriation Project	-21,073.00	0.00	148,914.00	0.00	195,373.00	67,532.00	0.00	0.00	0.00
40400 NMFA Loan Debt Service	-1,785.00	0.00	0.00	0.00	-1,785.00	0.00	0.00	0.00	0.00
50100 Water Enterprise	38,429.00	0.00	30,448.00	0.00	20,870.00	0.00	48,007.00	0.00	48,007.00
50300 Wastewater/Sewer Enterprise	3,659.00	0.00	555.00	0.00	425.00	0.00	3,789.00	0.00	3,789.00
70100 Meter Deposits	1,925.00	0.00	0.00	0.00	0.00	0.00	1,925.00	0.00	1,925.00
<b>Totals</b>	<b>921,069.00</b>	<b>0.00</b>	<b>476,509.00</b>	<b>0.00</b>	<b>489,411.00</b>	<b>67,532.00</b>	<b>975,699.00</b>	<b>14,703.58</b>	<b>960,995.42</b>

## FINANCIAL QUARTERLY REPORT ANALYSIS

ENTITY: Hope (Village)  
 Date Received: 7/31/2019  
 Date Checked: 8/14/2019

QUARTER: 1<sup>st</sup>   
 2<sup>nd</sup>   
 3<sup>rd</sup>   
 4<sup>th</sup>

*John Spina*

- Action Taken:
- None required
  - E-Mail (attach)
  - Letter (attach)
  - Conference Call/Site Visit

KEY ISSUES/COMMENTS:  
 FY2018 Audit Report consists of Agreed Upon Proture (No Opinion) with 1 finding. ✓

**ITEMS TO REVIEW:**

**RECAP Page**

**Cash Balances**

Verify Beginning Cash Balances agreed with approved budget

Comments:

Verify Ending Cash Balances are NOT in deficit  
 DEFICIT Cash triggers MONTHLY REPORTING requirement.

Comments:

**Transfers**

Verify Total Transfers net to zero.

Comments:

Verify Transfers do NOT exceed budget authority.

Comments:

**Adjustments**

Review Adjustment Supporting Schedule ties to recap totals.

Comments:

**Investments**

Review Investment Schedule ties to recap totals.

Comments:

Verify investment activity(reduction or increase) and follow-up with entity.

Comments:

**DETAILED Report**

**Approved Budget**

Verify Approved Budget figures are entered in correct column.

Comments:

**Approved Budget Adjustments**

Verify Approved Budget Adjustments are entered in correct column.

Comments:

**Percentages of Budget vs. Actuals**

Verify percentage of Budget vs Actuals are within reason per qtr.  
 (i.e. 25% for 1st quarter, 50% for 2nd quarter, etc.)

Comments: 11000 General Fund is 115.81%, 20900 Fire Protection is 108.20%, 50100 Water Enterprise is 108.13%. ✓

**Expenditures**

Verify Expenditures are within budget authority.

Comments: 11000 General Fund and 50300 Wastewater/Sewer Enterprise exceeded budget authority in expenditures. ✓

**Transfers**

Verify Transfers are within budget authority.

Comments:

**Other General Fund Major Revenue Sources**

Verify actuals are in line with budget

- Property Taxes (Current, delinquent, etc.)
- Small Cities/Counties Distribution
- PILT

Comments:

**Percentage of Variance of Adjusted Budget vs. Actuals:**

	Revenues	Expenditures
GENERAL FUND	97.59%	115.81%

Comments: 11000 General Fund is 115.81%, 20900 Fire Protection is 108.20%, 50100 Water Enterprise is 108.13%. It is recommended entity monitor these funds closely to ensure revenue materializes as projected or make the necessary adjustments to balance these funds avoiding depleting the cash balances and a financial crisis. Please note that expenditures exceeded the revenues by 18.22%. ✓

**GRT Analysis: Variance Entity Actuals/TRD(python report)**

Customize PYTHON REPORT for variance comparisons

Comments: There is \$246.91 difference between Q4 year-to-date and RP-500 Report. Hope is reporting less. ✓

## **INTERNAL CONTROL AND COMPLIANCE**

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

**SUMMARY OF AUDITOR RESULTS:**

Financial Statements:

- |  |            |
|--|------------|
| 1. Type of auditors' report issued   | Tier 6 AUP |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified not considered to be material weaknesses? | No         |
| c. Noncompliance material to the financial statements noted?                     | Yes (1)    |

**CURRENT YEAR FINDINGS:**

**2019-001 (2018-001) - Legal Compliance with Budget – Compliance**

**CONDITION** - The Village's actual expenditures exceeded authorized budgetary expenditures in the Water Fund by approximately \$41,318.

**PROGRESS ON RESOLVING PRIOR YEAR FINDING** – The Village had made progress in resolving the finding by having the Village's funds end the fiscal year under budget on a cash basis but didn't factor in the NMFA vendor-direct payments into the budget.

**CRITERIA** - Section 6-6-6 NMSA 1978 requires the Village to keep expenditures within the approved budget.

**CAUSE** - The final budget was not adjusted for the vendor-direct capital outlay expenses paid by NMFA in the Water Fund.

**EFFECT** - The Village may not have accurate information for planning activities and cash flows for the fund that exceed the budgeted amounts.

**RECOMMENDATION** - The Village should review NMFA activity during the year for capital outlay expenses paid on behalf of the Village and record them in the Quickbooks and adjust the budget as necessary.

**MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION** – With the implementation of the online budgeting system by DFA, the Village Clerk will be more cognizant of budget variances and will work with the Council and department heads to identify any unusual or one-time increases in the expenditures and will adjust the budget accordingly. This finding should be resolved by the final budget submission deadline for the 2019 Fiscal Year.

**PRIOR YEAR FINDINGS:**

<b>Finding</b>	<b>Status</b>
2018-001 – Legal Compliance with Budget	Repeated and Revised

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

An entrance conference with the Village of Hope, New Mexico representatives was conducted on September 30, 2019. The exit conference was held, and the contents of this report were discussed with the Village of Hope, New Mexico representatives on September 30, 2019. The following individuals were present for the conference:

**Village of Hope**

**Scott Northam, CPA, PC**

Charles Fletcher – Mayor  
Sonia Carbajal – Village Clerk  
Rudy Sales – Public Works Director

Scott Northam, CPA

The agreed-upon procedures and results thereon, 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.