

STATE OF NEW MEXICO
TOWN OF KIRTLAND

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING TIER 6 AGREED-UPON PROCEDURES
YEAR ENDED JUNE 30, 2016



ACCOUNTING & FINANCIAL
SOLUTIONS
CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION

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OFFICIAL ROSTER

June 30, 2016

Town Council

Mark Duncan	Mayor
Tom Wethington	Trustee
Pete Emery	Trustee
Larry Hathaway	Trustee
Jason Heslop	Trustee

Administrative Employees

Gwen Warner	Office Manager
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FINANCIAL SECTION
FISCAL YEAR 2016
JULY 1, 2015 THROUGH JUNE 30, 2016

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INDEPENDENT ACCOUNTANTS' REPORT

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ACCOUNTANT'S COMPILATION REPORT

Tim Keller, State Auditor, and
The Town Council of
Town of Kirtland

We have compiled the accompanying Statement of Net Position of the Town of Kirtland as of June 30, 2016, and the related Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance for the year then ended. We have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the accrual basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accrual basis of accounting and for the design, implementation and maintenance of the internal controls relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with the statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
November 18, 2016

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF KIRTLAND

STATEMENT OF NET POSITION
June 30, 2016
UNAUDITED

	Governmental <u>Activities</u>
Assets	
Cash and cash equivalents	\$ 216,860
Non-current:	
Non-depreciable assets	<u>26,250</u>
Total assets	<u>243,110</u>
Liabilities	
Accrued liabilities	<u>996</u>
Net Position	
Net investment in capital assets	26,250
Unrestricted	<u>215,864</u>
Total net position	<u>\$ 242,114</u>

STATE OF NEW MEXICO
TOWN OF KIRTLAND

STATEMENT OF ACTIVITIES
 Year Ended June 30, 2016
 UNAUDITED

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 122,323	\$ 3,670	\$ -	\$ -	\$ (118,653)
Public safety	87,810	-	-	-	(87,810)
Public works	1,148	-	-	-	(1,148)
Total governmental activities	\$ 211,281	\$ 3,670	\$ -	\$ -	(207,611)
General revenue:					
					373,678
					49,797
					26,250
				Total general revenues	449,725
				<i>Change in net position</i>	242,114
				Net position - beginning	-
				Net position - ending	\$ 242,114

STATE OF NEW MEXICO
TOWN OF KIRTLAND

GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2016
UNAUDITED

	General
Assets	
Current assets:	
Cash and cash equivalents	<u>\$ 216,860</u>
Liabilities and Fund Balance	
Current liabilities:	
Accrued liabilities	996
Fund balance:	
Unassigned	<u>215,864</u>
Total liabilities and fund balance	<u>\$ 216,860</u>

STATE OF NEW MEXICO
TOWN OF KIRTLAND

RECONCILIATION OF THE BALANCE SHEET-ALL GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

June 30, 2016
UNAUDITED

Amounts reported for governmental activities in the statement of Net Position are different because:

Net position - total governmental funds	\$	215,864
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		<u>26,250</u>
Net position of governmental activities	\$	<u>242,114</u>

STATE OF NEW MEXICO
TOWN OF KIRTLAND

GOVERNMENTAL FUNDS
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Year Ended June 30, 2016
 UNAUDITED

	General
Revenues:	
Taxes	
Gross receipts	\$ 373,678
Gas	49,797
Fees	3,670
Miscellaneous	<u>26,250</u>
Total revenues	<u>453,395</u>
 Expenditures:	
Current:	
General government	122,323
Public safety	87,810
Public works	1,148
Capital outlay	<u>26,250</u>
Total expenditures	<u>237,531</u>
 <i>Net change in fund balance</i>	 215,864
 Fund balance at beginning of the year	 <u>-</u>
Fund balance at end of the year	<u><u>\$ 215,864</u></u>

STATE OF NEW MEXICO
TOWN OF KIRTLAND

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016
UNAUDITED

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	\$ 215,864
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year	
Capital outlay	<u>26,250</u>
Change in net position of governmental activities	<u>\$ 242,114</u>

STATE OF NEW MEXICO
TOWN OF KIRTLAND

GENERAL FUND

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2016
UNAUDITED

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive <u>(Negative)</u>
Revenues:				
Taxes:				
Gross receipts	\$ 306,125	\$ 371,125	\$ 373,678	\$ 2,553
Franchise	50,000	50,000	49,797	(203)
Fees	2,547	2,547	3,670	1,123
Miscellaneous	<u>-</u>	<u>-</u>	<u>26,250</u>	<u>26,250</u>
Total revenues	<u>358,672</u>	<u>423,672</u>	<u>453,395</u>	<u>29,723</u>
Expenditures:				
Current:				
General government	90,679	155,679	122,323	33,356
Public safety	116,553	116,553	87,810	28,743
Public works	<u>10,000</u>	<u>10,000</u>	<u>1,148</u>	<u>8,852</u>
Total expenditures	<u>217,232</u>	<u>282,232</u>	<u>211,281</u>	<u>70,951</u>
 <i>Net change in fund balance</i>	 141,440	 141,440	 242,114	 100,674
 Beginning cash balance budgeted	 -	 -	 -	 -
 Fund balance at beginning of the year	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
Fund balance at end of the year	<u>\$ 141,440</u>	<u>\$ 141,440</u>	242,114	<u>\$ 100,674</u>
RECONCILIATION TO GAAP BASIS:				
Change in inventory			<u>(26,250)</u>	
Fund balance at end of the year (GAAP basis)			<u>\$ 215,864</u>	

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities. A summary of the Town of Kirtland, New Mexico's significant accounting policies applied in the preparation of these financial statements follows.

A. Reporting Entity

Town of Kirtland, New Mexico (Town) was incorporated under provisions of Chapter 3, Article 2, NMSA 1978, and it is administered by a Mayor-Council form of government. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary governments is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Town's financial statements to be misleading or incomplete. The Town provides the usual municipal services with the exception of education, which is administered by other governmental agencies.

The Town's financial statements include all entities over which the Board of Councilors exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units or fiduciary units were included in the financial statements.

Generally Accepted Accounting Principles (GAAP) requires that financial statements present the Town (primary government) and its component units. The Town has no component units that are required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

1. Blended Component Units

The Town does not have any component units reported as blended component units.

2. Discretely Presented Component Units

The Town does not have any component units reported as discretely presented component units.

The summary of significant accounting policies of the Town is presented to assist in the understanding of the Town's financial statements. The financial statements and notes are the representation of Town of Kirtland's management who is responsible for their integrity and objectivity. The financial statements of the Town conform to Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of inter-fund activity has been removed from these statements. Exceptions to this practice include payments and other charges between the Town's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions affected.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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*.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds, and enterprise funds, each reported as a separate column. All remaining governmental funds and enterprise funds are aggregated and reported as non-major funds.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. Available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. The Town considers all revenue as available, if collected within 60 days after year-end. Property taxes, sales and use taxes, franchise taxes, occupational privilege taxes, interest revenue, grant revenue, and charges for services are susceptible to accrual. Other receipts, fines, licenses, and permits revenues become measurable and available when cash is received by the Town and are recognized as revenue at that time. Grant revenue is considered available if expected to be collected within one year and all eligibility requirements are met. Expenditures are recorded when the related liability is incurred, except for debt service expenditures, and certain compensated absences and claims and judgments which are recognized when the payment is due.

The government reports the following major governmental funds:

General Fund – Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, Liabilities, and Net Position or Equity

1. *Deposits and investments*

The government'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 statutes authorize the investment of the Town's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The Town is also allowed to invest in United States Government obligations. All funds for the Town must follow the above investment policies.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan Towns within the geographical boundaries of the Town. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution. The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

2. *Capital assets*

Capital assets, which include land, collections, construction in progress, buildings, equipment (software), and infrastructure assets are reported in the applicable governmental or business-type activities columns of the government-wide financial statements. Beginning July 1, 2005, the threshold for defining Capital assets by the government was raised from \$1,000 to assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such 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 assets or materially extend assets' lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Software costs have been included with the cost of computer equipment and are capitalized with that equipment. The Town does not develop software for internal use or any other use.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

3. *Capital assets* (cont'd)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

Such assets are recorded at cost or estimated cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold of the Town is \$5,000.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 to 45
Furniture, machinery, equipment, and software	5 to 30

No depreciation is recorded for assets held for disposition. Library books and software are depreciated if the single individual cost is \$5,000 or more.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

4. Fund balance

a. Non-Spendable

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

b. Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

c. Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the Town's Council should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the Town's Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Town did not have committed fund balances for the year ended June 30, 2016.

d. Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, (b) that are not classified as non-spendable and are neither restricted nor committed and (c) amounts in the general fund that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent, and removal of, is expressed by the Council. The Town did not have assigned fund balances for the year ended June 30, 2016.

e. Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the Town's policy to use committed first followed by assigned and unassigned resources as they are needed.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Assets, Liabilities, and Net Position or Equity (cont'd)

4. Net Position

Net Position is presented on the Statement of Net Position and may be presented in any of three components.

a. Net investment in capital assets

This component of Net Position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. That portion of the debt is included in restricted for capital projects.

b. Restricted Net Position

Net Position are reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

c. Unrestricted Net Position

Unrestricted Net Position consists of Net Position that does not meet the definition of “net investment in capital assets” or “restricted.”

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 the governmental environment, Net Position often is designated to indicate that management does not consider them to be available for general operations. In contrast to restricted Net Position, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.

F. 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted for all funds except agency funds. All budgets are prepared on the Non-GAAP cash basis. All annual appropriations lapse at fiscal yearend. Carry over funds must be appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as a reserve portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended by Town Council resolution with approval by the State Department of Finance and Administration. Town department heads may make transfers of appropriations within a fund. The legal level of budgetary control is the fund level. Increases or decreases of appropriations between funds require the approval of the governing Council.

The Town follows the following procedures in establishing the budgetary data reflected in the financial statements:

Prior to June 1, the Town Clerk-Treasurer submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayers comments. Prior to September 1, the budget is legally enacted through passage of a resolution.

The Town Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Town Council. Expenditures of the Town may not legally exceed appropriations at the level at which the budget is adopted, that is, expenditures in each fund may not exceed the budgeted appropriation for that fund.

The budgetary information presented in these financial statements have been amended in accordance with the above procedures.

B. Budgetary Violations

The Town did not exceed its legal budget during the year ended June 30, 2016.

C. Deficit Fund Equity

There was not a deficit fund balance as of June 30, 2016.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2016, the carrying amount of the Town's deposits was \$216,860 and the bank balance was \$219,464 with the difference consisting of outstanding checks. Of this balance \$219,464 was covered by federal depository insurance and \$0 was covered by collateral held in joint safekeeping by a third party.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Town for at least one half of the amount on deposit with the institution. The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of June 30, 2016, \$0 of the Town's bank balance of \$219,464 was exposed to custodial risk as follows:

Bank deposits:	<u>Citizens Bank</u>
Uninsured and uncollateralized	\$ -
Uninsured and collateral held by pledging bank's trust dept not in the Town's name	-
Total uninsured	-
 Insured (FDIC)	 219,464
Total deposits	<u>\$ 219,464</u>
 State of New Mexico collateral requirement:	
50% of uninsured public fund bank deposits	\$ -
Pledged security	-
 Over collateralization	 <u>\$ -</u>

The collateral pledged is listed on page 25 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, Town or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the Town. Time deposits, savings deposits and interest bearing "Now" accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

B. Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ -	\$ 26,250	\$ -	\$ 26,250

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. OTHER INFORMATION (cont'd)

A. Contingent Liabilities

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

B. Subsequent Events

Subsequent events were evaluated through November 18, 2016, which is the date the financial statements were available to be issued.

OTHER SUPPLEMENTAL INFORMATION

Supplemental schedules required by the State of
New Mexico to provide additional analysis.

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STATE OF NEW MEXICO
TOWN OF KIRTLAND

SCHEDULE OF PLEDGED COLLATERAL
 June 30, 2016

	Citizens Bank
Checking accounts	\$ 219,464
Savings Accounts	-
Cash on deposit at June 30, 2016	219,464
Less FDIC coverage	219,464
Uninsured funds	\$ -
50% collateral requirement	\$ -
Pledged collateral	-
Excess of pledged collateral	\$ -
Reconciliation to financial statements:	
Total per banks	\$ 219,464
Reconciling items	(2,604)
Total	\$ 216,860
 Total per statement of net assets	 \$ 216,860

I HEREBY CERTIFY THAT THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEBITS ALL FUNDS

Byron Manning
Signature

7-12-16
Date

Fund #	FUND NAME	YEAR-TO-DATE TRANSACTIONS					QTR ENDING CASH BALANCE (1)+(2)-(3)+(4)+(5) (6)	INVESTMENTS (7)	CASH + INVESTMENTS (8)	REQUIRED RESERVES (9)	AVAIL AB CASH (8) - (9)
		BEGINNING CASH BALANCE CURRENT FY (1)	REVENUES TO DATE (2)	TRANSFERS TO DATE (3)	EXPENDITURES TO DATE (4)	ADJUSTMENTS (5)					
101	GENERAL FUND(GF)	\$0	427,145	0	210,285	0	\$216,860	0	\$216,860	17,524	\$199,336
201	CORRECTION	\$0	0	0	0	0	\$0	0	\$0		
202	ENVIRONMENTAL GRT	\$0	0	0	0	0	\$0	0	\$0		
206	EMS	\$0	0	0	0	0	\$0	0	\$0		
207	ENHANCED 911	\$0	0	0	0	0	\$0	0	\$0		
209	FIRE PROTECTION FUND	\$0	0	0	0	0	\$0	0	\$0		
211	LEPP	\$0	0	0	0	0	\$0	0	\$0		
214	LODGERS TAX	\$0	0	0	0	0	\$0	0	\$0		
216	MUNICIPAL STREET RECREATION	\$0	0	0	0	0	\$0	0	\$0		
217	RECREATION	\$0	0	0	0	0	\$0	0	\$0		
218	INTERGOVERNMENTAL GRANTS	\$0	0	0	0	0	\$0	0	\$0		
219	SENIOR CITIZEN	\$0	0	0	0	0	\$0	0	\$0		
223	DWI PROGRAM	\$0	0	0	0	0	\$0	0	\$0		
299	OTHER	\$0	0	0	0	0	\$0	0	\$0		
300	CAPITAL PROJECT FUNDS	\$0	0	0	0	0	\$0	0	\$0		
401	G. O BONDS	\$0	0	0	0	0	\$0	0	\$0		
402	REVENUE BONDS	\$0	0	0	0	0	\$0	0	\$0		
403	DEBT SERVICE OTHER	\$0	0	0	0	0	\$0	0	\$0		
500	ENTERPRISE FUNDS										
	Water Fund	\$0	0	0	0	0	\$0	0	\$0		
	Solid Waste	\$0	0	0	0	0	\$0	0	\$0		
	Waste Water	\$0	0	0	0	0	\$0	0	\$0		
	Airport	\$0	0	0	0	0	\$0	0	\$0		
	Ambulance	\$0	0	0	0	0	\$0	0	\$0		
	Cemetery	\$0	0	0	0	0	\$0	0	\$0		
	Housing	\$0	0	0	0	0	\$0	0	\$0		
	Parking	\$0	0	0	0	0	\$0	0	\$0		
	Other Enterprise (center fund)	\$0	0	0	0	0	\$0	0	\$0		
	Other Enterprise (center fund)	\$0	0	0	0	0	\$0	0	\$0		
	Other Enterprise (center fund)	\$0	0	0	0	0	\$0	0	\$0		
	Other Enterprise (center fund)	\$0	0	0	0	0	\$0	0	\$0		
600	INTERNAL SERVICE FUNDS	\$0	0	0	0	0	\$0	0	\$0		
700	TRUST AND AGENCY FUNDS	\$0	0	0	0	0	\$0	0	\$0		
GRAND TOTAL		\$0	\$427,145	\$0	\$210,285	\$0	\$216,860	\$0	\$216,860	\$17,524	\$199,336

COMPLIANCE SECTION

Independent Accountants Report Agreed Upon Procedures

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Schedule of Findings and Responses

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Summary Schedule of Prior Year Audit Findings

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Required Disclosures

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INDEPENDENT ACCOUNTANTS' REPORT
APPLYING AGREED-UPON PROCEDURES

Tim Keller, State Auditor, and
The Town Council of
Town of Kirtland

I have performed the procedures enumerated below which were agreed to by State of New Mexico Town of Kirtland (Town) and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Town's financial reporting relating to its Cash, Capital Assets, Revenues, Expenditures, Journal Entries, Budget, and Capital Outlay information and its compliance with Section 12-6-3 NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended June 30, 2016. The Town is responsible for its financial reporting as described above. 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, I 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.

In accordance with Tier 6 of the Audit Act – Section 12-6-3 B (5) NMSA 1978 and Section 2.2.2.16 NMAC, my procedures and associated findings are as follows:

1. TIER CALCULATION

Procedures

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

Results of Procedures

The tiered reporting is accurate for the Tier 6

2. CASH

Procedures

- b) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
 - a. For purposes of performing my procedures "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for by the Town.
- c) 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 Department of Finance & Administration - Local Government Division (DFA-LGD).
 - a. For purposes of performing my procedures "accuracy" means that reconciling items agree to deposit slips and subsequent bank or investment statements, and the reconciliations are mathematically correct.
- d) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Results of Procedures

For the procedure of whether bank accounts were complete and reconciled timely, the results were 2 of 12 reconciliations were tested for accuracy and traced to the general ledger without exception. One of the bank reconciliations was not completed in a timely manner (see finding 2016-04). Financial reports were submitted to DFA without exception. 2 of 12 months were tested for uninsured bank balances. The financial institution was not required to provide pledged collateral as required by state statute.

Tim Keller, State Auditor, and
The Town Council of
Town of Kirtland

3. CAPITAL ASSETS

Procedure

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

Results of Procedure

The Town's only asset at year end was the land. The town performed their annual capital asset inventory without exception.

4. DEBT

Procedure

- 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.

Results of Procedure

The Town did not have any debt at year end.

5. REVENUE

Procedures

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

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

Select a sample of revenues based on accountant's judgment and test using the following attributes:

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

Results of Procedures

Revenue was analytically tested and there were variances in tax distributions from expected and budgeted amounts. The receipts tested were 35. The receipts were determined to be properly recorded as to amount, classification and period. Ten of the 35 receipts were late (not deposited within a 24 hour period). The Clerk was not aware of the law until January during the year. After January, the Town had two late receipts, showing a marked improvement (See finding 2016-03).

Tim Keller, State Auditor, and
The Town Council of
Town of Kirtland

6. EXPENDITURES

Procedures

Select a sample of cash disbursements based on accountant's judgment and test using the following attributes:

- d) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- e) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- f) 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Results of Procedures

Thirty-two disbursements were tested. Disbursements tested were accurate as to amount, payee, date and description, were properly authorized, and were in compliance with the budget, procurement code, and the Per Diem and Mileage Act, where applicable. No exceptions were noted. The Town was just starting in July of 2015, and did not have a purchase order system in place. There were twelve purchases without a purchase order, and three purchases prior to approval (See finding 2016-01). There were also four invoices that were paid late (after 30 days of the invoice date) (see finding 2016-02). We tested two payroll checks, the personnel file was missing the w-4 and I-9 (See finding 2016-05).

7. JOURNAL ENTRIES

Procedures

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

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

Results of Procedures

Journal entries are reviewed and approved in accordance with Town policies. No exceptions were noted.

8. BUDGET

Procedures

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

- d) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- e) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- f) 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.

Results of Procedures

The budget and budget amendment were reviewed and determined to be properly authorized by the Town Council and certified by DFA-LGD. Expenditures were less than budgeted amounts for all funds at the fund level, which is the legal level of budgetary control. The Schedule of Revenues and Expenditures - Budget and Actual (Cash Basis) for all funds are presented on pages 10 through 13 of this report.

Tim Keller, State Auditor, and
The Town Council of
Town of Kirtland

9. CAPITAL OUTLAY APPROPRIATIONS

Procedures

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 and perform the following:

Test all capital outlay expenditures during the fiscal year to:

Procedure

- j) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.

Results of Procedure

There were not any capital outlay payments during the current year.

Procedure

- k) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.

Results of Procedure

There were not any capital disbursements, this step is not applicable

Procedure

- l) 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 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).

Results of Procedure

There was not any procurement completed during the year, this step is not applicable.

Procedure

- m) Determine the physical existence (by observation) of the capital asset based on expenditures to date.

Results of Procedure

There were not any capital disbursements, this step is not applicable

Procedure

- n) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.

Results of Procedure

There were not any capital projects in progress, this step is not applicable.

Tim Keller, State Auditor, and
The Town Council of
Town of Kirtland

Procedure

- o) 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.

Results of Procedure

The project was not funded in advance, therefore this step is not applicable.

Procedure

- p) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.

Results of Procedure

No expenditures for capital assets were incurred during the year ended as of June 30, 2016

Procedure

- q) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.

Results of Procedure

No expenditures for capital assets were incurred during the year ended as of June 30, 2016

Procedure

- r) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

Results of Procedure

There were not in reimbursement requests, therefore this step is not applicable.

10. OTHER


Procedure

- 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.

Results of Procedures

Nothing else was noted that is required to be disclosed.

I was not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the Town's financial reporting to the State Auditor as described above. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you. This report is intended solely for the information and use of State of New Mexico Town of Kirtland, New Mexico Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than those specified parties.


Farmington, New Mexico
November 18, 2016

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF AUDIT RESULTS

	<u>Yes</u>	<u>No</u>	<u>Occurrences</u>
FINANCIAL STATEMENTS:			
Type of auditor's report issued: <u>Unmodified</u>			
Internal control over financial reporting:			
Material weakness(es) identified?	—	<u>✓</u>	—
Significant Deficiency(ies) identified?	—	<u>✓</u>	—
Noncompliance material to financial statements noted?	—	<u>✓</u>	—

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2016

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

2016 – 001 PURCHASES MADE PRIOR TO APPROVAL

Other noncompliance

Condition: Of the Thirty-two disbursements tested, fifteen purchases were made prior to the approval of purchase orders totaling \$81,444. Purchase orders are used to control cash and to authorize the purchases in accordance with the authorized budget.

Criteria: Authorization for a purchase is acquired through the completion of a purchase order, which is signed by a person given authority over purchase control. The purchase order must be approved prior to the purchase or ordering of goods as per PSAB Supplement 13.

Effect of condition: Personnel initiated and/or completed purchases prior to obtaining approval for the purchase in accordance with established policies and regulations.

Cause: The Town was incorporated on July 1, 2015, and in the set up of the town they did not have the funds set up to purchase a computer, software or a process. It took until January to get almost everything in place and running well.

Recommendation: The Town needs to update the internal control policies and procedures so that they agree with the state law.

Management's Response: Being a newly Incorporated Town there were many policies and procedures not in place and that need to be implemented. The Town Clerk is working with the Mayor and Council to put internal control policies and procedures in place in accordance with state law, as they are identified. The Town is currently creating Purchase Orders prior to making purchases.

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2016

II. FINDINGS RELATED TO FINANCIAL STATEMENTS (cont'd)

2016 – 002 UNTIMELY PAYMENT OF PURCHASES

Other noncompliance

Condition: Four of the Thirty-two disbursements tested were purchases that were not paid within 30 days of being invoiced totaling \$78,693

Criteria: The Town did not pay for purchases within an appropriate time.

Effect of condition: Late fees can be added to the cost of purchases made that are not paid for in a timely manner. Payment of such late fees is not an allowable cost under the guidelines established by the federal government.

Cause: The District did not pay for purchases within an appropriate time.

Recommendation: A system should be implemented to ensure that invoices are paid within a period not to exceed thirty days from the invoice date.

Management's Response: Being newly incorporated, the Town did not have sufficient funds until GRT and CFT were received. With the GRT and CFT funds being received and accounting software in place, this Finding has been resolved. The Town Clerk is ensuring invoices are paid within the thirty-day period.

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2016

II. FINDINGS RELATED TO FINANCIAL STATEMENTS (cont'd)

2016 – 003 UNTIMELY DEPOSITS

Other noncompliance

Condition: Ten of the thirty-five receipts reviewed were not deposited within one banking day. The total amount of the receipts was \$410.

Criteria: NMAC 6.20.2.14(c) states that money received and receipted shall be deposited in the bank within 24 hours or one banking day.

Effect of condition: Deposits at times were taking more than 24 hours to be deposited in the bank.

Cause: The Town is in violation of NMAC 6.20.2.14(c). Cash retained by management for extended periods of time are susceptible to misuse or fraud. The Town was not aware of the law when they since they were incorporated on July 1, 2015. When they became aware of the law they tried to follow the law. In the first half of the year the Town had 8 late receipts and in the second half of the year the Town had 2 late receipts.

Recommendation: A system should be implemented to ensure receipts are deposited within 24 hours the Town receipting the funds.

Management's Response: The Town was unaware of the law requiring receipts be deposited within 24 hours of receiving funds. With this knowledge, the Clerk is now depositing receipts within the 24-hour period as required by law. This Finding has been corrected.

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2016

II. FINDINGS RELATED TO FINANCIAL STATEMENTS (cont'd)

2016 – 004 BANK ACCOUNTS WERE NOT RECONCILED TO GENERAL LEDGER IN A TIMELY MANNER
Other noncompliance

Condition: The reconciliations for bank accounts were not completed in a timely manner at the beginning of the year as the village was getting the accounting software set up.

Criteria: Bank statements should be reconciled to the balances in the general ledger and subsidiary accounts as required by 1978 NMSA 6-10-2 and 6-NMAC-2.2.1.14.11 in a timely manner.

Effect of condition: The village is not in compliance with 1978 NMSA 6-10-.

Cause: The accounting software was not setup at the beginning of the year when the village began operating as an entity.

Recommendation: A system should be implemented to ensure receipts are deposited within 24 hours the Town receipting the funds.

Management's Response: The accounting software was not in place until the computer and software were purchased. With the accounting software in place, the bank account, receipts, and deposits were recorded going back to the incorporation. The Clerk is reconciling the bank account to a general ledger, and receipts are now being deposited within 24 hours of the Town receiving the funds. This Finding has been corrected.

2016 – 005 MISSING OR INCOMPLETE FORM W-4 AND I-9
Other noncompliance

Condition: One out of one employee files selected for testing had missing or incomplete W-4 and I-9 forms.

Criteria: In accordance with the federal Immigration and Nationality Act Section 274A, employees are required to prove their citizenship or legal immigrant status prior to employment.

Effect of condition: The village is not in compliance with requirements for the Immigration and Nationality Act

Cause: The village began operations in July of 2015 and the two employees did not get all the personnel documentation.

Recommendation: A system should be implemented to ensure that every employee file is complete prior to employment.

Management's Response: There is only one employee for the Town of Kirtland. While it is true, the W-4 and I-9 forms were not on file at the Town office, they were on file with the Accountant who assisted in setting up the Town's Financial. The finding has been corrected as of 18 November 2016, and the W-4 and I-9 are now on file at the Town office.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2016

I. RESOLVED

There were no findings to be reported from the prior year.

II. NOT RESOLVED

There were no findings to be reported from the prior year.

REQUIRED DISCLOSURE

YEAR ENDED JUNE 30, 2016

The financial statements were prepared by the independent public accountants.

An exit conference was held November 18, 2016, during which the audit findings were discussed. The exit conference was attended by the following individuals:

TOWN OF KIRTLAND

Larry Hathaway	Trustee
Mark Duncan	Mayor
Gwyn Warner	Office Manager
Byron Manning, CPA	Consultant

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA	Partner
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