



NEW MEXICO DEPARTMENT OF
FINANCE & ADMINISTRATION
LOCAL GOVERNMENT DIVISION

BEST FINANCIAL PRACTICES

2024 LGD Budget Conference
November 22, 2024

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NEW MEXICO DEPARTMENT OF
FINANCE & ADMINISTRATION
LOCAL GOVERNMENT DIVISION

TOPICS/ISSUES

- Audit Reports
- Budgeting
- Quarterly Reports
- Other Topics/Issues



Audit Reports



Audit Reports cont.

Try to get a copy of the DRAFT audit report prior to the Exit Conference. Review and dispute any errors.

FOR AUDITORS — AUDIT PROCESS

- Draft of audit report should be complete at exit conference (2.2.2.10.M NMAC)
 - Confidential until public
- Only one version of the final report
 - Even minor changes require re-submission to OSA
- Do not work without a contract or under an expired contract
- Disputed findings- before and after report release



Audit Reports cont.

Verify information for reasonableness

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Notes to Financial Statements

June 30, 2014

3. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 6/30/12	Add	Del	Balance 6/30/13
Capital assets not being depreciated:				
Land	\$ 76,920			\$ 76,920
Total assets not being depreciated	76,920			76,920
Capital assets being depreciated:				
Buildings and Improvements	\$ 14,581,503	\$	\$	14,581,503
Improvements - Infrastructure	21,587,999			21,587,999
Machinery and Equipment	7,791,319			7,791,319
Construction in Progress				
	44,037,741			44,037,741
Less accumulated depreciation for:				
Buildings and Improvements	(10,371,321)	(305,214)		(10,676,535)
Improvements - Infrastructure	(20,279,968)	(431,760)		(20,711,728)
Machinery and Equipment	(7,858,225)	(634,065)		(8,492,290)
Construction in Progress				
Total accumulated depreciation	(38,509,514)	(1,371,039)		(39,880,553)

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Audit Reports cont.

Get Governmental Entity type correct

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015

V. OTHER INFORMATION (cont'd)

C. Post-Retirement Health Care Benefits (cont'd)

The District's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$11,204, \$10,695, and \$10,797, respectively, which equal the required contributions for each year.

D. Contingent Liabilities

Litigation

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

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial

11:16 AM
11/11/2017



Audit Reports cont.

Municipalities and disposal of property

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**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

CURRENT YEAR FINDINGS:

2016-001 Asset Deletions - Notification – Non Compliance

Statement of Condition – An auction was held to sell 16 obsolete and out of service assets but no notification was sent to the State Auditor for the asset deletions.

Criteria – In accordance with Sections 13-6-1 and 13-6-2 NMSA 1978, a written notification of the official finding and proposed disposition must be sent to the State Auditor.

Cause – Oversight, lack of appropriate review.

Effect – Non compliance with notification requirements.

Recommendation – The state auditor’s office should be notified of all future deletions.

Management’s Response – The Town agrees with the auditor recommendation. While the [REDACTED] did inform DFA they did fail to notify the State Auditor. The Town Treasurer will send written notification for all future deletions to the State Auditor’s office.

11:46 AM
11/11/2017



Audit Reports cont.

Municipalities NOT required to report to OSA

Updated by: KLN
April 8, 2015

OFFICE OF THE STATE AUDITOR (OSA)
PROPERTY DISPOSITION NOTIFICATION PROCEDURES

These are the OSA Property Disposition Notification review procedures and related guidance for agencies.

Review Section 13-6-1 through 13-6-5 NMSA 1978, and the following information to become familiar with how agencies must notify the State Auditor about the proposed disposition of property, and what methods of disposition are permitted under New Mexico law.

- Note that pursuant to Section 13-6-4, NMSA 1978, municipalities are not required to notify the State Auditor when they dispose of property.
- Note that Section 33-2-5 NMSA 1978 is the specific statute that applies to Department of Corrections' (DOC's) property dispositions. The requirement to submit a notification to the OSA regarding such dispositions is the only portion of Section 13-6-1 NMSA 1978 that applies to DOC.
- The Office of the State Auditor's interpretation of Subsection A of Section 13-6-1, NMSA 1978, has been that if an agency is going to dispose of tangible personal property **on the capital asset list** ("public inventory" per Subsection A of Section 13-6-1, NMSA 1978) then the agency should notify the State Auditor regarding the proposed disposition as required by Section 13-6-1 NMSA 1978. If the item(s) to be disposed of are not on the agency's capital asset list (because they did not meet the



Audit Reports cont.

Progress on correcting audit findings. Also, can have impact on EO-6 Audit Reviews.

FOR AUDITORS - FINDINGS

Findings should have all required information (2.2.2.10.L)

- Condition: progress or lack of progress towards implementing prior year corrective actions
- Agency response: specific planned corrective actions with timeline and responsible party



Audit Reports cont.

FY2013 Audit Report

FY2015 Audit Report

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013

SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2015

Schedule VII

FS 2013-11 Exceeded Budget Authority – Significant Deficiency – Repeated and Revised (continued)

Condition: The County had the following expenditure functions where actual expenditures exceeded budgetary authority:

Major Funds:

General Fund – General Government	\$ 2,556,548
General Fund – Health and Welfare	53,092
Indigent Special Revenue Fund – Health and Welfare	1,042,348
CDBG Planning Grant Special Revenue Fund – Public Works	401,577
Grants Special Revenue Fund – General Government	2,747
Grants Special Revenue Fund – Public Safety	30,385
Grants Special Revenue Fund – Public Works	1,215
Debt Service Fund – Principal	58,811
Debt Service Fund – Interest	17,951
Detention Center Enterprise Fund – Personnel Services	207,038
Subtotal Major Funds	<u>4,371,712</u>

Nonmajor Funds:

Recreation Special Revenue Fund – Culture and Recreation	120
Fire Protection Special Revenue Fund – Transfers	156,316
Computer Equipment and Software Capital Projects Fund – Capital Outlay	36,112
Computer and Software Debt Capital Projects Fund – General Government	26,884
Capital Outlay Transfers Capital Projects Fund – Public Works	114,708
Capital Outlay Transfers Capital Projects Fund – Capital Outlay	4,216
Subtotal Nonmajor Funds	<u>338,356</u>

Total Primary Government **\$ 4,710,068**

Section II — Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978 - Continued

2013-011 — Exceeded Budget Authority (Other) (Repeated)

Condition: The County had the following expenditure functions where actual expenditures exceeded budgetary authority:

Major funds

General Fund - Culture and Recreation	\$ 37,106
General Fund - Health and Welfare	2,500
General Fund - Capital Outlay	66,665
Comp Drain Special Revenue Fund - Capital Outlay	1,143,391
Debt Service Fund - Principal	267,525
Debt Service Fund - Interest	188,566
Debt Service Fund - Bond issuance cost	390,754
Detention Center Enterprise Fund - Personal services	160,988
Detention Center Enterprise Fund - Contractual services	220,931
Detention Center Enterprise Fund - Maintenance and materials	172,416
Detention Center Enterprise Fund - Other operating expenses	<u>143,796</u>
Total Major funds	<u>2,794,638</u>

Nonmajor funds

VFD Special Revenue Fund - Capital outlay	58,311
Farm & Range Special Revenue Fund - Health and welfare	5,285
Road Special Revenue Fund - General Government	30,402
Road Special Revenue Fund - Public work	272,083
Grant Special Revenue Fund - Public safety	102,002
Total nonmajor funds	<u>468,083</u>

Total primary government **\$ 3,262,721**



Audit Reports cont.

DON'T EVER RESPOND TO AN AUDIT FINDING LIKE THIS!

Views of Responsible Officials and Planned Corrective Actions – Management did not respond.

This was the response to all 32 audit findings. This response all but guarantees a Fiscal Agent recommendation for any grant applications.



Audit Reports cont.

Other Common Items Found in Audit Report

- Incorrect names on Roster Page
- Incorrect use of Calendar/Fiscal year
- Citing Assets/Liabilities or Banks that don't exist
- Incorrect statements regarding existence of Policies and Procedures
- Citing Schedules or Exhibits that don't exist
- Citing incorrect Schedule or Exhibit numbers or page #s
- References to nonexistent benefits such as PERA or NMRHC
- Inaccurate attendance list at Exit Conference



Audit Reports cont.

Transfers In and Transfers Out

- Make sure they net to Zero (0)
 - Try to avoid having Transfers In and Transfers Out within the same funds
 - GF to WF
 - WF to GF
 - Know your auditors position regarding budgeted Transfers Out.
 - Do they combine Transfers Out with all other expenses
- OR**
- Do they treat Transfers Out as an independent expense category.



Audit Reports cont.

- One last comment about audits...
- If you maintain your financial records by:
 - Manual Ledgers
 - Excel Spreadsheet
 - QuickBooks Software

Please state this fact in your RFP or when soliciting quotes. Many auditors will not audit these types of records.



Audit Reports cont.

Anything else regarding Audits, or Audit Reports,
you would like to address?



Budgeting



Budgeting

10 FINANCIAL HEALTH RED FLAGS

1. Uncashed Checks (We'll see example later)
2. Failure to withhold payroll taxes (or pay those previously withheld)
3. No procedures to verify cash in bank with cash on Balance Sheet or reported to LGD
4. No procedures to verify that vendors exist
5. Vendors with lots of outstanding payments



Budgeting cont.

10 FINANCIAL HEALTH RED FLAGS cont.

6. Vendor Checks hand delivered vs. mailed
7. Paychecks sent to retired, terminated, or deceased employees (Salaried)
8. Individual departments maintain their own checking accounts
9. Financial audit identifies material weaknesses on internal controls
10. Staff not trained on new financial systems or policies



Budgeting cont.

7 Policies/Practices that Promote Financial Health

1. Policy on “Rainy Day” Fund or Bank Account
2. Policy on Targeting Ending Fund/Cash Balance
3. Policy on use of “One-Time” Revenue Sources
4. Policy on Long-Term Financial Plan (Master Plan)
5. Policy on Inter-Fund Transfers
6. Policy/Procedures on Indirect Cost Allocations
7. Policy on Capital Investment vs. Operation Costs



Budgeting cont.

Budgeting Gimmicks

- Rosy Revenue Estimates (Inflate)
- Rosy Expense Estimates (Deflate)
- One-Shot Revenues (Asset Sales)
- Smoke and Mirrors (Fund Transfers)
- Shift & Shaft (Hide expense in other places)
- Wishful Thinking (Just guess & hope for best)



Budgeting cont.

Budget Monitoring

- Enter approved budget into finance software
- At least monthly, weekly if necessary, monitor actual revenues/expenditures vs. budget
- Expense budgets are based on “expected revenues”. If revenues don’t materialize, cut back on expenses.
 - March 31 – 25% of Revenue Received vs 80% Expended
- **Use DFA Quarterly Report as a LAST RESORT**



Budgeting cont.

Budget Monitoring cont.

- Monthly financial update to Governing Body
- Present the DFA Quarterly Report to Governing Body even if by consent agenda
- Use of Budget Divisions: Payroll, Operating and Capital. Switching between them.



Budgeting cont.

Budgeting DOs and DON'Ts

- Never Budget Recurring costs – i.e. full time employees from non-recurring revenues
- Periodically review need for programs, projects, and departments (furloughs/layoffs)
- Try to minimize the number of funds used
- DON'T artificially inflate revenues or deflate expenses



Budgeting cont.

- **BARs: LOCAL BARs SHOULD BE APPROVED BY GOVERNING BODY**
- BARs: Year-end vs. Quarterly vs. Periodically
- Verify the Governing Body “approved” budget is the same budget sent to DFA/LGD for approval
- Verify the DFA/LGD “approved” budget is the same budget entered in your financial software
- Transfers between General Fund and Enterprise Funds (either way) is legal but not desirable



Budgeting cont.

- GRT Enactments – Be sure to send to Tax and Revenue
- Budgets are monetary plans, communication tools, public policy, and legally binding contracts
- Verify new/retired debt obligations and adjust debt service payment budget accordingly
- Don't write a budget and give it to Department Managers – make them write a budget and give it to YOU!



Budgeting cont.

- If unionized, review union contract(s) for any wage/benefit changes
- Minimum Wage Increases-SB437-2019 Session
60% Increase between 2019 and 2023
 - \$7.50 December 31, 2019
 - \$9.00 January 1, 2020 to December 31, 2020
 - \$10.50 January 1, 2021 to December 31, 2021
 - \$11.50 January 1, 2022 to December 31, 2022
 - \$12.00 January 1, 2023 to ?



Budgeting cont.

- Minimum Wage Increases cont.
 - Not just for your lowest paid employees. Those above minimum wage will also want increases to keep par.
 - Who remembers the 41% increase between 2007 & 2009
- When completing Supplemental Budget Schedules, be sure they agree to budgeted amounts.
 - Property Taxes
 - GRT Revenue Checklist
 - Debt Service Payments



Budgeting cont.

Anything else regarding Budgets, or the Budgeting Process, you would like to address?



Quarterly Reports



Quarterly Report

June 30 vs. July 1 Cash Balance

OTHER IMPORTANT ISSUE FROM

**New Mexico State Auditor
Audit Rule 2017 Handout**

Ending balance in 4th quarter LGD cash report should reconcile to the audited cash balance reported in the financial statements, difference = finding

Issue I Worked on

Cash Balances as of July 1, 2017			
	Per County	Reported	
DFA #	Balance Sheets	to DFA	Difference
Grand Total	4,461,680.32	8,287,174.00	(3,825,493.68)



Quarterly Report cont.

MUNICIPAL QUARTERLY REPORT ADJUSTMENT SCHEDULE - September 30, 2017

FUND	TOTAL Adjustment AMOUNT	Detailed adjustment	Explanation
GENERAL FUND - Operating (GF)	(169,182)	(169,113)	Correct 7/1/2017 Beginning Cash Balance - \$236,241 Actual vs. \$405,354 Reported
		(68)	Change in CD Value-6/30/17 \$23,756.57 vs. 9/30/17 \$23,824.68
		(1)	Rounding
CORRECTION	71,561	71,561	Correct 7/1/2017 Beginning Cash Balance - \$128,972 Actual vs. \$57,411 Reported
EMS	(8,220)	(5,959)	Correct 7/1/2017 Beginning Cash Balance - \$142,267 Actual vs. \$148,226 Reported
		(2,262)	Change in NMFA Account Value-6/30/17 \$1,529.59 vs. 9/30/17 \$3,791.53
		1	Rounding
FIRE PROTECTION FUND	1,741	3,140	Correct 7/1/2017 Beginning Cash Balance - \$101,650 Actual vs. \$98,510 Reported
		(1,399)	Change in NMFA Account Value-6/30/17 \$142.86 vs. 9/30/17 \$1,541.65
LEPF	47,302	27,187	Correct 7/1/2017 Beginning Cash Balance - \$27,187 Actual vs. \$-0- Reported
		(16,868)	Change in NMFA DS Account Value-6/30/17 \$49.13 vs. 9/30/17 \$16,917.47
		36,984	Change in NMFA Prog. Account Value-6/30/17 \$38,363.83 vs. 9/30/17 \$1,380.13
		(1)	Rounding
LODGERS' TAX	(1,718)	(1,718)	Correct 7/1/2017 Beginning Cash Balance - \$12,680 Actual vs. \$14,398 Reported
RECREATION	(627)	(627)	Correct 7/1/2017 Beginning Cash Balance - \$-0- Actual vs. \$627 Reported
INTERGOVERNMENTAL GRANTS			
SENIOR CITIZEN			
DWI PROGRAM			
OTHER	4,312	(40)	Correct 7/1/2017 Beginning Cash Balance - \$-0- Actual vs. \$40 Reported
		4,352	Reclass Muni. Court Escrow from Trust to Other
Water Fund	70,389	70,927	Correct 7/1/2017 Beginning Cash Balance - \$80,807 Actual vs. \$9,880 Reported
		(21)	Change in CD Value-6/30/17 \$9,743.72 vs. 9/30/17 \$9,764.98
		(517)	Change in Accounts Receivable 6/30/17 \$17,617.14 vs. 9/30/17 \$18,134.05
Solid Waste	(8,939)	(9,657)	Correct 7/1/2017 Beginning Cash Balance - \$1,530 Actual vs. \$11,187 Reported
		718	Change in Accounts Receivable 6/30/17 \$15,699.62 vs. 9/30/17 \$14,981.21
Waste Water	(99,330)	(100,394)	Correct 7/1/2017 Beginning Cash Balance - \$1,372 Actual vs. \$101,766 Reported
		1,064	Change in Accounts Receivable 6/30/17 \$7,833.02 vs. 9/30/17 \$6,769.36
Cemetery	214	214	Correct 7/1/2017 Beginning Cash Balance - \$16,572 Actual vs. \$16,358 Reported
TRUST AND AGENCY FUNDS	(29,215)	1,307	Correct 7/1/2017 Beginning Cash Balance - \$31,501 Actual vs. \$30,194 Reported - Fund 705
		(29)	Change in CD Value-6/30/17 \$13,115.31 vs. 9/30/17 \$13,144.10
		(25,842)	Correct 7/1/2017 Beginning Cash Balance - \$4,352 Actual vs. \$30,194 Reported - Fund 798
		(300)	Change in Bond Deposits Held for Others 6/30/17 \$300.00 vs. 9/30/17 \$0.00
		(4,352)	Reclass Muni. Court Escrow from Trust to Other
		1	Rounding
			This amount won't change during FY2017-2018
	(121,712)	(121,712)	



Quarterly Report cont.

Municipal QUARTERLY REPORT ADJUSTMENT SCHEDULE - September 30, 2017

FUND	TOTAL Adjustment AMOUNT	Detailed adjustment	Explanation
GENERAL FUND - Operating (GF)	(162,752)	653	Increase in Total Liabilities - 6/30 (\$14,471.00) vs 9/30 \$ (13,817.76)
		(159,078)	Increase in investments - 6/30 \$ 344,657.29 vs. 9/30 \$ 503,735.30
		1,385	Decrease in Assets-due from water
		(4,962)	Decrease in Liabilities-due to general from water
		(750)	Decrease in Liabilities-due to general youth council
MUNICIPAL STREET	(10,477)	(10,477)	Decrease in total liabilities 09/30 \$ (10,477.25)
SENIOR CITIZEN	2	2	Rounding Difference
OTHER	3,000	2,250	Decrease in Wells Fargo Bank Account
		750	Decrease in Assets-due from general fund
CAPITAL PROJECT FUNDS	282,448	(48)	increase to cash held NMFA -DS 6/30 \$ 45,012.00 vs. 9/30 \$ 45,059.38
		(747)	increase to cash held NMFA -DS 6/30 \$ 360,831.00 vs. 9/30 \$361,577.60
		125,256	decrease to cash held NMFA -DS 6/30 \$ 4,768,719.57 vs. 9/30 \$ 4,643,463.54
		205,653	Increase in liabilities 09/30 - \$ 205,652.86
		(47,666)	Unknown Decrease in Fund Balance between 6/30/2017 and 9/30/2017-Fund 31
	(4,135)	(8,096)	Increase in Non-Cash Assets - 6/30 \$285,038.00 vs. 09/30 \$ 276,941.76
		4,962	Decrease in Assets-due from General
		(1,385)	Decrease in Fund Equity (Liability)-due to General
		385	Net Increase in Water Meter Deposits
		(1)	Rounding Difference
Solid Waste	(1,932)	(1,932)	Increase in Non-Cash Total Assets - 6/30 \$ 309,190.52 vs. 9/30 \$ 311,122.21
Waste Water	(1,854)	(1,854)	Increase in Non-Cash Total Assets - 6/30 \$ 108,021.00 vs. 09/30 \$ 109,874.88
	104,300	104,300	



Quarterly Report cont.

FUND EQUITY

June 30, 2017

UNAPPROPRIATED FUND BALANCE:

REVENUE OVER EXPENDITURES - YTD

5,349,816.47

FUND EQUITY

September 30, 2017

UNAPPROPRIATED FUND BALANCE:

FUND BALANCE

5,302,150.57

REVENUE OVER EXPENDITURES - YTD

(247,839.93) ✓



Quarterly Report cont.

Municipal QUARTERLY REPORT ADJUSTMENT SCHEDULE - September 30, 2017			
FUND	TOTAL Adjustment AMOUNT	Detailed adjustment	Explanation
GENERAL FUND - Operating (GF)	(42,215)	(194)	Increase in Total Savings and Investments - 6/30/17 \$470,759.62 vs. 9/30/2017 \$470,953.93
		(2,815)	Increase in Total Other Current Assets - 6/30/17 \$(0) vs. 9/30/2017 \$2,814.85
		(2,377)	Increase in Total Fixed Assets - 6/30/17 \$14,236,682.26 vs 9/30/2017 \$14,239,059.22
		(6,898)	Decrease in Total Liabilities - 6/30/17 \$157,953.58 vs. 9/30/2017 \$151,055.48
		(29,929)	Unknown Change in 6/30/2017 Ending cash balance by fee CPA
		(2)	Rounding Difference
			These amounts won't change during FY2017-2018
	(42,215)	(42,215)	



Quarterly Report cont.

On July 20, The Cash Balance was \$863,740.43

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07/20/17

Cash Basis

VILLAGE OF **[REDACTED]**

Balance Sheet

As of June 30, 2017

Jun 30, 17

ASSETS

Current Assets

Checking/Savings

Checking Accounts

EMS - Wells Fargo

12,444.31

Fire Fighters - Wells Fargo

36,112.37

MVD - Wells Fargo

497.14

Wells Fargo Main Account

Wells Fargo-General Fund

616,189.61

Wells Fargo-Road Fund

170,356.00

Wells Fargo-Senior Center

4,730.00

Wells Fargo-Water Utility

23,411.00

Total Wells Fargo Main Account

814,686.61

Total Checking Accounts

863,740.43



Quarterly Report cont.

On Oct 17, The Cash Balance was \$833,811.43

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10/17/17

Cash Basis

VILLAGE OF [REDACTED]
Balance Sheet
As of June 30, 2017

Jun 30, 17

ASSETS

Current Assets

Checking/Savings

Checking Accounts

EMS - Wells Fargo

12,444.31

Fire Fighters - Wells Fargo

36,112.37

MVD - Wells Fargo

497.14

Wells Fargo Main Account

Wells Fargo-General Fund

586,486.16

Wells Fargo-Road Fund

170,356.00

Wells Fargo-Senior Center

4,730.00

Wells Fargo-Water Utility

23,185.45

Total Wells Fargo Main Account

784,757.61

Total Checking Accounts

833,811.43



Quarterly Report cont.

MUNICIPAL QUARTERLY REPORT ADJUSTMENT SCHEDULE - June 30, 2017

FUND	TOTAL Adjustment AMOUNT	Detailed adjustment	Explanation
GENERAL FUND - Operating (GF)	6,737	9,235	Correct 7/1/2016 Beginning Cash Balance - \$216,812.64 Actual vs. \$207,578 Reported
		(7,453)	Reclass Investment Cash from Beginning Cash Balance to Investments
		(10)	YTD Interest Income on CD
		(3)	YTD Interest Income on NMFA Bank Account
		(352)	Cash Transfer from General Fund to NMFA Investment Account
		1,362	Debt Service Payments Paid From NMFA Bank Account
		(281)	Change in Petty Cash - 6/30/2016 \$90.00 vs. 6/30/2017 \$370.51
		3,680	Change in Total Accounts Receivable - 6/30/2016 \$5,711.05 vs. 6/30/2017 \$2,031.15
		(1,733)	Change in Total Other Current Assets - 6/30/2016 \$56.80 vs. 6/30/2017 \$1,790.18
		11,340	Change in Accounts Payable - 6/30/2016 \$0.00 vs. 6/30/2017 \$11,340.00
		0	Transfer \$34,939.00 from Garnishment Liability to Opening Balance Equity - Net Impact \$0.00
		0	Transfer \$21.99 from Direct Deposit Liability to Opening Balance Equity - Net Impact \$0.00
		5,760	Change in Total Liabilities (net of DD & Garnish) - 6/30/2016 \$207,287.35 vs. 6/30/2017 \$213,047.63
		(9,823)	Unable to Locate the Source of this Transfer between Water and General Fund - Oct to Dec 2016
		(2,743)	Unable to Locate the Source of this Transfer between Water and General Fund - Jan to Mar 2017
		(2,242)	Unable to Locate the Source of this Transfer between Water and General Fund - Apr to Jun 2017
FIRE PROTECTION FUND	(77)	50	Correct 7/1/2016 Beginning Cash Balance - \$53,642.98 Actual vs. \$53,593 Reported
		(51)	Reclass Investment Cash from Beginning Cash Balance to Investments
		(25,833)	FY2017 Fire Protection Fund Distribution Intercepted by NMFA for Debt Service Payment
		(75)	YTD Interest Income for NMFA Bank Account
		25,833	Debt Service Payments Paid From NMFA Bank Account
		(1)	Rounding
OTHER	(13,404)	(13,404)	Correct 7/1/2016 Beginning Cash Balance - \$0.00 Actual vs. \$13,404 Reported
CAPITAL PROJECT FUNDS	195	195	Correct 7/1/2016 Beginning Cash Balance - \$196.00 Actual vs. \$1 Reported
Water Fund	20,332	(3,195)	Correct 7/1/2016 Beginning Cash Balance - \$52,033.47 Actual vs. \$55,228 Reported
		(1,164)	Reclass Investment Cash from Beginning Cash Balance to Investments (Solid Waste)
		(1)	YTD Interest Income on Water Reserve Bank Account
		9,883	Cash Transfer from Waste Water Fund to Water Fund to Cover Cash Deficit
		9,823	Unable to Locate the Source of this Transfer between Water and General Fund - Oct to Dec 2016
		2,743	Unable to Locate the Source of this Transfer between Water and General Fund - Jan to Mar 2017
		2,242	Unable to Locate the Source of this Transfer between Water and General Fund - Apr to Jun 2017
		1	Rounding
Waste Water	(9,883)	(9,883)	Cash Transfer from Waste Water Fund to Water Fund to Cover Cash Deficit
			This amount won't change during FY2016-2017 - Corrections to Beginning Cash Balances
			This amount won't change during FY2016-2017 - Corrections to Classification of Investment Cash
	3,900	3,900	



Quarterly Reports cont.

Anything else regarding Quarterly Reports you would like to address?



Other Topics/Issues



Other Topics/Issues

EMS Fund Act Distributions

- DOH has right of reversion just like DFA has on LEPF funding – so spend it!
- Don't recommend combining EMS Fund Act distributions with Ambulance Operations
 - Leave EMS Fund Act in Fund 206
 - Put Ambulance Operations either in Fund 299 or in Fund 505 Ambulance Enterprise Fund



Other Topics/Issues cont.

Bank Reconciliations

- Complete monthly, not just to complete DFA's Quarterly Report
- Put a "Void After" date on all checks
 - NM Statute 6-10-57 Cancellation of Warrants (1 year)
- If a lot of ACH debits or credits, couple of times a week print bank activity and record the activity immediately instead of once a month
- Just don't "do" a bank reconciliation, actually review it for reasonableness (Next 3 slides)



Other Topics/Issues cont.

Bank Reconciliations cont.

Actual July 2017

Outstanding Deposits

Item Date	Reference	Item Type	Description	Amount
10/31/2014	<u>9999</u>	Deposit	POS AMOUNTS FROM 2013-2014	27,141.87
12/21/2015	<u>DEP0000479</u>	Deposit	B00000144 CLPKT00146 BG:EFT	50.00
10/31/2016	<u>DEP0001474</u>	Deposit	OCTOBER 2016 DISTRIBUTION	105,748.17
03/31/2017	<u>DEP0001822</u>	Deposit	FEBRUARY 2017 DISTRIBUTION	91,177.62
07/31/2017	<u>DEP0002165</u>	Deposit	B00000686 CLPKT00712 BG:Cash/Check	19,631.39
07/31/2017	<u>DEP0002172</u>	Deposit	JUNE 2017 DISTRIBUTION	55,683.13
Total Outstanding Deposits (6)				299,432.18



Other Topics/Issues cont.

Bank Reconciliations cont.

Actual July 2017

Outstanding Checks

Item Date	Reference	Item Type	Description	Amount
12/31/2013	<u>00001</u>	Check	OUTSTANDING CHECKS PRIOR TO 2014	-100,985.47
12/31/2013	<u>111111</u>	Check	Prior 2014 Lump Sum	-108,894.21
01/10/2014	<u>73738</u>	Check	CIBOLA COUNTY BEACON	-517.53
01/16/2014	<u>73810</u>	Check	CITIZEN BANK	-15.59
02/18/2014	<u>74157</u>	Check	ERNEST R. BARELA	-22.25
02/18/2014	<u>74161</u>	Check	LORRAINE GARICA TRUST	-476.45
03/20/2014	<u>74612</u>	Check	AURELIA CRAIG	-14.57
04/04/2014	<u>74737</u>	Check	GARY DAVIDSON	-104.94
06/13/2014	<u>75420</u>	Check	DAVID CARTY	-14.95
06/18/2014	<u>75599</u>	Check	MONTANO, VERONICA	-150.00
09/05/2014	<u>76564</u>	Check	STATE OF NEW MEXICO-RMD	-97,262.95
09/19/2014	<u>76627</u>	Check	STATE OF NEW MEXICO-RMD	-96,311.91

List goes on for another 23 checks to Jan 2017



Other Topics/Issues cont.

Bank Reconciliations cont.

Actual July 2017

- Total outstanding “stale” checks \$598,779
- Finally...

Outstanding Miscellaneous

Item Date	Reference	Item Type	Description	Amount
08/28/2014	<u>9999</u>	Miscellaneous	NEG AMOUNTS FROM 2013 - 2014	-38,967.31
06/11/2015	<u>INT0000013</u>	Interest	INTEREST MOVED FROM CCA PROTEST AC	23.91
09/16/2015	<u>EFT0000025</u>	EFT	WEB PAYMENTS TRANSFER TO PROPERTY	-0.07
01/13/2016	<u>EFT0000070</u>	Electronic Fund Transfer Re	CYFS DISTRIBUTION DECEMBER 2015	90.00
06/09/2017	<u>R-28202</u>	Electronic Fund Transfer Re	GARCIA, RUDY E	885.95
Total Outstanding Miscellaneous (5)				-37,967.52



Other Topics/Issues cont.

Chief Procurement Officer (CPO) Designations

- Have at least 1, preferably 2 (vacations, turnover)
- Be sure primary is registered with State Purchasing Office <http://www.generalservices.state.nm.us/statepurchasing/>
- Audit Finding for failure to have CPO

HOT TOPICS — PROCUREMENT

- **Agencies lack CPOs (Risk Advisory)**
- **Directives to move forward against CPO recommendations**
 - **Legal counsel, upper management**



Other Topics/Issues cont.

Election Years

- Elected Officials - Wages can now be changed
- Budget – Proportionate share must be available for newly elected officials
 - Counties -
- **6-6-7. [Limitation on county expenditures during year official's term expires; exceptions.]**
 - It shall be unlawful for the board of county commissioners, the county clerk or any other county official authorized to make purchases to disburse, expend or obligate any sum in excess of fifty per centum of the approved budget for the fiscal year during which the terms of office of any such official will expire...
 - **January 1st 50%**



Other Topics/Issues cont.

– Municipalities –

- **6-6-9. [Limitation on municipal expenditures during year officials' terms expire.]**
 - It shall be unlawful for the governing board or council of any city, town or village in the state of New Mexico to disburse, expend or contract for the expenditure of more than the proportionate share of the fiscal year budget during any fiscal year in which the terms of office of such officials will expire, as the number of months such officials are in office bears to the entire fiscal year.
 - **67-71% depending when the election is held in March**
 - **50% if the election is held in November**



Other Topics/Issues cont.

- Not required to pay Federal Unemployment (940) taxes. Refer to IRS Publications.



Other Topics/Issues cont.

- Monitor Utility Accounts Receivable

- Increased Delinquency of Utility Billing Accounts Receivable

- **As of close of business yesterday, July 20, 2015:**

- \$195,227 of \$222,517 (87.7%) is greater than 51 days past due. This is up from 74% when I was here in May 2015.
 - 228 accounts are greater than 51 days past due out of 798 total accounts in the system, 28.57%.
 - 4 accounts have balances greater than \$10,000 \$52,317
 - 6 accounts have balances >\$5,000 but <\$10,000 \$54,954
 - 29 accounts have balances >\$1,000 but <\$5,000 \$65,514
 - A total of 39 accounts (4.89%) owe a total of \$172,786 to the Village, 88.5% of the total delinquent balance

- Refer to the OSA's Risk Advisory: Municipal Utilities (July 26, 2016) for more information



Other Topics/Issues cont.

Governmental Gross Receipts Tax (GGRT)

- Section 7-9-4.3 NMSA 1978 establishes the governmental gross receipts tax and sets the rate at 5%. (Per Tax & Rev FYI-240)
 - **Refuse collection or disposal or both** -- Receipts from performing refuse collection or disposal are governmental gross receipts regardless of how or for whom they are performed
 - **Sewage services** -- Receipts from supplying sewage services are governmental gross receipts regardless of how or for whom they are performed
 - **Sale of water** by a utility owned or operated by a county, municipality or other political subdivision of the state
- **Caution:** government sales of gas or electricity or sales of cable television systems are subject to “regular” gross receipts tax at the rate in effect at the location of the meter or receiver (Section 7-9-13 NMSA 1978).



Other Topics/Issues cont.

Balance Sheets

Municipality Averages 3 Employees

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Other Current Liabilities

Direct Deposit Liabilities

21 99

Garnishment

34,939 00

Payroll Liabilities

207,287 35

Total Other Current Liabilities

242,248 34



Other Topics/Issues cont.

Balance Sheets cont.

Municipality Averages 6 to 10 Employees

600- Payroll

Payroll LiabilitiesHealth Insur	-4,341.46
2100 · Payroll Liabilities	
42010 - Social Security Company	46,501.31
42010 -Social Security Employee	43,193.67
42020 - Medicare Company	10,833.18
42020 - Medicare Employee	10,867.64
42030 - PERA Company (R)	-10,655.56
42030 - PERA Employee (R)	15,240.98
42050 - Health Ins. Company	237,897.49
42050 - Health Ins. Employee	33,684.31
42080 - Workers Comp Company	434.55
42080 - Workers Comp Employee	157.25
42900 - PARA Prepaid Legal	-295.48
Child Support	1,724.02
Federal W/H	41,810.92
Garnishment Payable	450.00

Health Ins Water Employee	4,149.42
Health Insurance 6	1,955.61
Health Insurance Gas Employee	927.60
Health Insurance 7	158.40
Payroll Liabilitieshealth ins 7	1,660.90
PERA	4,304.28
Pera Company (M)	-142.86
SWH Payable	5,621.29
2100 · Payroll Liabilities · Other	93,456.65
Total 2100 · Payroll Liabilities	543,935.57

Total 600- Payroll 539,594.11



Other Topics/Issues cont.

Balance Sheets cont.


Cash Balances

FSB #2009641-CONSOLIDATED ACCT	
Cash-2nd Well	-116,099.35
Cash-DWI	-3,126.53
Cash-Fire Protection	82,876.78
Cash-General Fund	-130,327.18
Cash-Lodger's Tax	10,889.91
Cash-Los Joveries	4,196.63
Cash-Maps and Roads	-64,660.57
Cash-State Highway COOP	16,360.63
Cash-Street Improvements (DS)	126,005.77
Cash-TPE	-19,220.30
Cash-Water & Sewer	134,819.25
Total FSB #2009641-CONSOLIDATED ACCT	41,715.04

Municipality Averages 4 Employees

CURRENT LIABILITIES	
Compensated Absences	5,668.00
Current Portion NMFA Loans Pay	567.00
Gross Receipts Tax Payable	-2,257.26
Other Current Liabilities	-12,460.92
Payroll Tax Liabilities	
Federal, M'Care & FICA	-6,911.49
Health Insurance Prem Payables	-608.81
PERA Premiums Payable	-6,993.64
RHCA Retiree Health Care Author	-355.89
State Taxes Payable	-693.59
Workman's Insurance	-0.20
Total Payroll Tax Liabilities	-15,563.62



A man with dark hair, wearing a dark suit jacket, a light-colored shirt, and a dark tie, is looking towards the camera with a surprised or concerned expression. The background is a plain, light-colored wall.

“DURING TIMES OF
UNIVERSAL DECEIT,
TELLING THE TRUTH
BECOMES A
REVOLUTIONARY ACT.”

-GEORGE ORWELL



Other Topics/Issues cont.

Dealing with the Media

The Media is **not** our enemy and **not** our friend!

They have a job to do just like us.

- Avoid if possible. Pass to manager or Governing Body – Mayor, Commissioner, Council if possible.
- Try to avoid “No Comment” – They will still write the story and you will look bad.
- Always answer truthfully to the best of your knowledge. Don’t add detail and don’t withhold detail. You never know what will be published.
- Answer only what is asked of you. DON’T READ into the question. You may not have all the facts.



Other Topics/Issues cont.

Any other Topics/Issues you would like to address?



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