

***STATE OF NEW MEXICO***

***VILLAGE OF CORONA***

***AUDIT REPORT***

***For the Year Ended June 30, 2007***

***(with Auditor's Report Thereon)***

***RICE & ASSOCIATES***  
***CERTIFIED PUBLIC ACCOUNTANTS***

STATE OF NEW MEXICO

VILLAGE OF CORONA

AUDIT REPORT

For The Year Ended June 30, 2007

(with Auditor's Report Thereon)

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VILLAGE OF CORONA  
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STATE OF NEW MEXICO  
VILLAGE OF CORONA  
Official Roster  
Year Ended June 30, 2007

Village Council

<u>Name</u>	<u>Title</u>
Mr. Bill Hignight	Mayor
Ms. April Bailey	Member
Ms. Sherrill Bradford	Member
Ms. Terri Racher	Member
Mr. Sam Seely	Member

Village Administration

Ms. Janet Verna	Clerk/Treasurer
-----------------	-----------------

# Rice and Associates, C.P.A.

AUDITING  
BOOKKEEPING  
(505) 292-8275

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11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

## INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas  
New Mexico State Auditor  
and  
Honorable Mayor and Village Council  
Village of Corona  
Corona, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Corona, as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's non-major governmental funds and enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007 as listed in the table of contents. These financial statements are the responsibility of the Village of Corona's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village of Corona's internal control over financial reporting. According, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

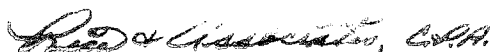
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the

Village of Corona, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the General and Fire Protection Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund and enterprise funds of the Village of Corona, as of June 30, 2007, and the respective changes in financial position, thereof and the budgetary comparisons for the non-major governmental funds and enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2008 on our consideration of the Village of Corona's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Village has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements and the combining and individual fund financial statements and the budgetary comparisons of Village of Corona. The accompanying financial information listed as Schedule of Changes in Assets and Liabilities - All Agency Funds is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds taken as a whole.



April 2, 2008



FINANCIAL STATEMENTS

STATE OF NEW MEXICO  
VILLAGE OF CORONA  
Statement of Net Assets  
June 30, 2007

Statement 1  
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash	\$ 165,235	\$ 245,948	\$ 411,183
Accounts receivable (net of uncollectible accounts)	<u>3,377</u>	<u>10,338</u>	<u>13,715</u>
Total current assets	<u>168,612</u>	<u>256,286</u>	<u>424,898</u>
Restricted Assets (Cash)			
Customer meter deposits	<u>-</u>	<u>8,518</u>	<u>8,518</u>
Total restricted assets	<u>-</u>	<u>8,518</u>	<u>8,518</u>
Capital Assets			
Land	34,625	-	34,625
Land improvements	5,654	14,531	20,185
Equipment	134,830	55,813	190,643
Buildings and improvements	1,104,633	-	1,104,633
Furniture and fixtures	5,996	-	5,996
Heavy equipment	388,560	-	388,560
Vehicles	8,280	-	8,280
Plant/Infrastructure	<u>302,368</u>	<u>1,117,603</u>	<u>1,419,971</u>
Total capital assets	<u>1,984,946</u>	<u>1,187,947</u>	<u>3,172,893</u>
Less accumulated depreciation	<u>(710,871)</u>	<u>(463,339)</u>	<u>(1,174,210)</u>
Total capital assets (net of accumulated depreciation)	<u>1,274,075</u>	<u>724,608</u>	<u>1,998,683</u>
Total assets	<u>\$ 1,442,687</u>	<u>\$ 989,412</u>	<u>\$ 2,432,099</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF CORONA  
Statement of Net Assets  
June 30, 2007

Statement 1  
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts payable	\$ 3,261	\$ 4,152	\$ 7,413
Customer meter deposits (restricted)	-	8,198	8,198
Total current liabilities	3,261	12,350	15,611
Non-Current Liabilities			
Compensated absences payable	2,133	739	2,872
Total non-current liabilities	2,133	739	2,872
Total liabilities	5,394	13,089	18,483
Net Assets			
Invested in capital assets net of related debt	1,274,075	724,608	1,998,683
Unrestricted	163,218	251,715	414,933
Total net assets	1,437,293	976,323	2,413,616
Total liabilities and net assets	\$ 1,442,687	\$ 989,412	\$ 2,432,099

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF CORONA  
Statement of Activities  
Year Ended June 30, 2007

Statement 2

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 127,777	\$ 1,528	\$ 75,872	\$ -	\$ (50,377)	\$ -	\$ (50,377)
Highways and streets	43,316	-	-	93,247	49,931	-	49,931
Public safety	27,205	-	58,088	-	30,883	-	30,883
Culture and recreation	22,300	-	-	-	(22,300)	-	(22,300)
Health and welfare	-	-	-	-	-	-	-
Depreciation - unallocated	51,527	-	-	-	(51,527)	-	(51,527)
Total governmental activities	272,125	1,528	133,960	93,247	(43,390)	-	(43,390)
Business-type activities:							
Water services	64,959	44,635	11,871	132,082	-	123,629	123,629
Gas services	120,020	115,597	-	-	-	(4,423)	(4,423)
Solid waste services	41,038	27,739	-	-	-	(13,299)	(13,299)
Depreciation - unallocated	17,302	-	-	-	-	(17,302)	(17,302)
Total business-type activities	243,319	187,971	11,871	132,082	-	88,605	88,605
Total all activities	\$ 515,444	\$ 189,499	\$ 145,831	\$ 225,329	(43,390)	88,605	45,215
General Revenues:							
Property taxes					7,307	-	7,307
Gross receipts taxes					47,075	-	47,075
Environmental gross receipts taxes					-	662	662
Gasoline taxes					6,418	-	6,418
Motor vehicle taxes					2,810	-	2,810
Cigarette taxes					594	-	594
State aid not restricted to special purpose							
General					35,000	-	35,000
Investment earnings					3	4,316	4,319
Total general revenues					99,207	4,978	104,185
Change in net assets					55,817	93,583	149,400
Net assets - beginning					1,381,476	882,740	2,264,216
Net assets - ending					\$ 1,437,293	\$ 976,323	\$ 2,413,616

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CORONA  
 Balance Sheet  
 Governmental Funds  
 June 30, 2007

Statement 3

	General Fund	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash on deposit	\$ 117,738	\$ 41,440	\$ 6,057	\$ 165,235
Accounts receivable	<u>3,308</u>	<u>-</u>	<u>69</u>	<u>3,377</u>
Total assets	<u><u>\$ 121,046</u></u>	<u><u>\$ 41,440</u></u>	<u><u>\$ 6,126</u></u>	<u><u>\$ 168,612</u></u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 3,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,261</u>
Total liabilities	<u>3,261</u>	<u>-</u>	<u>-</u>	<u>3,261</u>
<b>FUND BALANCE</b>				
Unreserved:				
Undesignated reported in:				
General fund	117,785	-	-	117,785
Special revenue funds	<u>-</u>	<u>41,440</u>	<u>6,126</u>	<u>47,566</u>
Total fund balance	<u>117,785</u>	<u>41,440</u>	<u>6,126</u>	<u>165,351</u>
Total liabilities and fund balance	<u><u>\$ 121,046</u></u>	<u><u>\$ 41,440</u></u>	<u><u>\$ 6,126</u></u>	<u><u>\$ 168,612</u></u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF CORONA  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2007

Statement 4

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

Total fund balances - governmental funds		\$ 165,351
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds		
The cost of capital assets	1,984,946	
Accumulated depreciation	<u>(710,871)</u>	
		1,274,075
Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:		
Compensated absences	<u>(2,133)</u>	
		<u>(2,133)</u>
Net assets of governmental activities		<u>\$ 1,437,293</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF CORONA  
Governmental Funds

Statement 5

Statement of Revenues, Expenditures and Changes in Fund Balances  
For the year ended June 30, 2007

	General Fund	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 35,516	\$ -	\$ -	\$ 35,516
Charges for services	916	-	-	916
Licenses and permits	612	-	-	612
Local sources	45,809	150	-	45,959
State sources	158,310	57,938	-	216,248
Federal sources	-	-	-	-
State shared taxes	23,477	-	5,211	28,688
Earnings from investments	3	-	-	3
Total revenues	<u>264,643</u>	<u>58,088</u>	<u>5,211</u>	<u>327,942</u>
<b>EXPENDITURES</b>				
Current:				
General government	127,777	-	-	127,777
Highways and streets	43,316	-	-	43,316
Public safety	-	27,205	-	27,205
Health & welfare	-	-	-	-
Culture and recreation	22,300	-	-	22,300
Capital outlay	<u>114,125</u>	<u>-</u>	<u>-</u>	<u>114,125</u>
Total expenditures	<u>307,518</u>	<u>27,205</u>	<u>-</u>	<u>334,723</u>
Excess (deficiency) revenues over expenditures	(42,875)	30,883	5,211	(6,781)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	15,000	-	-	15,000
Operating transfers out	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>
	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>
Net change in fund balances	(27,875)	30,883	(9,789)	(6,781)
Fund balance beginning of year	<u>145,660</u>	<u>10,557</u>	<u>15,915</u>	<u>172,132</u>
Fund balance end of year	<u>\$ 117,785</u>	<u>\$ 41,440</u>	<u>\$ 6,126</u>	<u>\$ 165,351</u>

See accompanying notes to financial statements.

## STATE OF NEW MEXICO

Statement 6

## VILLAGE OF CORONA

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ (6,781)

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

Capital outlays to purchase or build capital  
assets are reported in governmental funds as  
expenditures. However, for governmental  
activities those costs are shown in the statement  
of net assets and allocated over their estimated  
useful lives as annual depreciation expenses in the  
statement of activities. This is the amount by which  
capital outlays exceeds depreciation expense in the period.

Capital outlays	114,125
Depreciation expense	<u>(51,527)</u>

Excess of capital outlay over depreciation expense	<u>62,598</u>
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Change in net assets of governmental activities	<u>\$ 55,817</u>
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See accompanying notes to financial statements.



STATE OF NEW MEXICO  
 VILLAGE OF CORONA  
 General Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 35,700	\$ 35,700	\$ 35,516	\$ (184)
Charges for services	6,300	6,300	916	(5,384)
Licenses and permits	600	600	612	12
Local sources	3,000	3,000	45,809	42,809
State sources	591,471	591,471	158,310	(433,161)
Federal sources	42,000	42,000	-	(42,000)
State shared taxes	34,775	34,775	32,222	(2,553)
Earnings from investments	-	-	3	3
	<u>713,846</u>	<u>713,846</u>	<u>273,388</u>	<u>(440,458)</u>
<b>Total revenues</b>	<b>\$ 713,846</b>	<b>\$ 713,846</b>	<b>\$ 273,388</b>	<b>\$ (440,458)</b>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 550,528	\$ 550,528	\$ 125,891	\$ 424,637
Highways and streets	50,000	50,000	43,316	6,684
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	2,500	2,500	22,300	(19,800)
Capital outlay	150,000	150,000	114,125	35,875
	<u>753,028</u>	<u>753,028</u>	<u>305,632</u>	<u>447,396</u>
<b>Total expenditures</b>	<b>\$ 753,028</b>	<b>\$ 753,028</b>	<b>\$ 305,632</b>	<b>\$ 447,396</b>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
<b>Total other financing sources</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>	<b>\$ -</b>
<b>BUDGETED CASH BALANCE</b>	<b>\$ 24,182</b>	<b>\$ 24,182</b>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CORONA  
 Fire Protection Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ 150	\$ 150
State sources	<u>55,501</u>	<u>55,501</u>	<u>57,938</u>	<u>2,437</u>
Total revenues	<u>\$ 55,501</u>	<u>\$ 55,501</u>	<u>\$ 58,088</u>	<u>\$ 2,587</u>
EXPENDITURES				
Public safety	<u>\$ 55,501</u>	<u>\$ 55,501</u>	<u>\$ 27,205</u>	<u>\$ 28,296</u>
Total expenditures	<u>\$ 55,501</u>	<u>\$ 55,501</u>	<u>\$ 27,205</u>	<u>\$ 28,296</u>
BUDGETED CASH BALANCE	<u>\$ 6,308</u>	<u>\$ 6,308</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF CORONA  
Proprietary Funds  
Statement of Net Assets  
June 30, 2007

Statement 9

	Water Fund	Gas Fund	Solid Waste Fund	Total
<b>ASSETS</b>				
Current Assets				
Cash on deposit	\$ 45,731	\$ 170,920	\$ 29,297	\$ 245,948
Accounts receivable (net)	<u>5,716</u>	<u>3,243</u>	<u>1,379</u>	<u>10,338</u>
Total Current Assets	<u>51,447</u>	<u>174,163</u>	<u>30,676</u>	<u>256,286</u>
Non-Current Assets				
Restricted Assets (Cash)				
Customer meter deposits	<u>4,335</u>	<u>4,183</u>	<u>-</u>	<u>8,518</u>
Total Non-Current Assets	<u>4,335</u>	<u>4,183</u>	<u>-</u>	<u>8,518</u>
Capital Assets				
Land	-	-	-	-
Land improvements	-	-	14,531	14,531
Equipment	7,650	48,163	-	55,813
Plant/infrastructure	1,009,276	108,327	-	1,117,603
Accumulated depreciation	<u>(295,206)</u>	<u>(156,490)</u>	<u>(11,643)</u>	<u>(463,339)</u>
Total Capital Assets	<u>721,720</u>	<u>-</u>	<u>2,888</u>	<u>724,608</u>
Total Assets	<u>\$ 777,502</u>	<u>\$ 178,346</u>	<u>\$ 33,564</u>	<u>\$ 989,412</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 2,256	\$ -	\$ 1,896	\$ 4,152
Customer meter deposits payable from Restricted Assets	<u>4,015</u>	<u>4,183</u>	<u>-</u>	<u>8,198</u>
Total Current Liabilities	<u>6,271</u>	<u>4,183</u>	<u>1,896</u>	<u>12,350</u>
Long-Term Liabilities				
Compensated absences payable	<u>-</u>	<u>739</u>	<u>-</u>	<u>739</u>
Total Long-Term Liabilities	<u>-</u>	<u>739</u>	<u>-</u>	<u>739</u>
Total Liabilities	<u>6,271</u>	<u>4,922</u>	<u>1,896</u>	<u>13,089</u>
<b>NET ASSETS</b>				
Invested in Capital Assets	721,720	-	2,888	724,608
Unrestricted	<u>49,511</u>	<u>173,424</u>	<u>28,780</u>	<u>251,715</u>
Total Net Assets	<u>771,231</u>	<u>173,424</u>	<u>31,668</u>	<u>976,323</u>
Total Liabilities and Net Assets	<u>\$ 777,502</u>	<u>\$ 178,346</u>	<u>\$ 33,564</u>	<u>\$ 989,412</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CORONA  
 Proprietary Funds  
 Statement of Revenues, Expenses and Changes in Fund Net Assets  
 For the Year Ended June 30, 2007

	Water Fund	Gas Fund	Solid Waste Fund	Total
OPERATING REVENUES				
Sales and services	\$ 44,635	\$ 115,597	\$ 27,739	\$ 187,971
Local sources	11,871	-	-	11,871
State sources	<u>132,082</u>	<u>-</u>	<u>662</u>	<u>132,744</u>
Total operating revenue	<u>188,588</u>	<u>115,597</u>	<u>28,401</u>	<u>332,586</u>
OPERATING EXPENSES				
Personal services	28,104	25,365	21,641	75,110
Maintenance and operations	36,855	30,388	18,501	85,744
Major contractual services	-	64,267	-	64,267
Other operating expenses	-	-	896	896
Depreciation	<u>17,127</u>	<u>-</u>	<u>175</u>	<u>17,302</u>
Total operating expenses	<u>82,086</u>	<u>120,020</u>	<u>41,213</u>	<u>243,319</u>
Operating income (loss)	<u>106,502</u>	<u>(4,423)</u>	<u>(12,812)</u>	<u>89,267</u>
NON-OPERATING REVENUE (EXPENSE)				
Investment income	276	4,040	-	4,316
Investment expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenue (Expense)	<u>276</u>	<u>4,040</u>	<u>-</u>	<u>4,316</u>
Change in Net Assets	106,778	(383)	(12,812)	93,583
Total net assets, beginning of year	<u>664,453</u>	<u>173,807</u>	<u>44,480</u>	<u>882,740</u>
Total net assets, end of year	<u>\$ 771,231</u>	<u>\$ 173,424</u>	<u>\$ 31,668</u>	<u>\$ 976,323</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF CORONA  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2007

Statement 11

	Water Fund	Gas Fund	Solid Waste Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 42,071	\$ 115,007	\$ 28,048	\$ 185,126
Cash received from local sources	11,871	-	-	11,871
Cash received from state sources	132,082	-	896	132,978
Cash payments to employees and to suppliers for goods and services	(71,515)	(119,528)	(40,365)	(231,408)
Net cash provided by operating activities	114,509	(4,521)	(11,421)	98,567
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition of capital assets	(132,082)	-	-	(132,082)
Investment expense	-	-	-	-
Net cash provided (used) by capital and related financing activities	(132,082)	-	-	(132,082)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income	276	4,040	-	4,316
Net cash provided by investing activities	276	4,040	-	4,316
Net increase (decrease) in cash	(17,297)	(481)	(11,421)	(29,199)
Cash, beginning of year	67,363	175,584	40,718	283,665
Cash, end of year	\$ 50,066	\$ 175,103	\$ 29,297	\$ 254,466
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 106,502	\$ (4,423)	\$ (12,812)	\$ 89,267
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	17,127	-	175	17,302
Changes in assets and liabilities:				
(Increase) decrease in receivables	(2,564)	(630)	543	(2,651)
Increase (decrease) in accounts payable	(6,456)	-	673	(5,783)
Increase (decrease) in compensated absences	-	492	-	492
Increase (decrease) in meter deposits payable	(100)	40	-	(60)
Net cash provided (used) by operating activities	\$ 114,509	\$ (4,521)	\$ (11,421)	\$ 98,567

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF CORONA  
Statement of Fiduciary  
Assets and Liabilities - Agency Funds  
June 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 649
Total Assets	<u>\$ 649</u>
LIABILITIES	
Deposits held for others	\$ 649
Total Liabilities	<u>\$ 649</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF CORONA  
Notes to Financial Statements  
Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Corona is incorporated under Section 3 New Mexico State Statutes Annotated 1978 Compilation operating under a Mayor-Council form of government and provides the following services as authorized: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation and general administrative services.

The financial statements of the Village of Corona have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Village had no component units.

## Notes to Financial Statements (continued)

### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which is normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 operation 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 financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. 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.



## Notes to Financial Statements (continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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.

The *Fire Protection Fund* (Special Revenue Fund) is to account for the operations and maintenance of the Fire Department. It is financed by a specific allotment from the State Fire Marshall's Office. The authority is NMSA 59A-53-1.

### Fiduciary Funds

Agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the district holds for other in an agency capacity.

The Village also reports additional Government funds as non-major. They include:

Special Revenue Funds - these funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Village reports the following Proprietary Fund types:

Enterprise Fund - Water Fund - To account for the provision of water services to the residents of Corona, New Mexico. All activities necessary to provide these services are accounted for in this fund.

Enterprise Fund - Gas Fund - To account for the provision of natural gas services to the residents of Corona, New Mexico. All activities necessary to provide these services are accounted for in this fund.

Notes to Financial Statements (continued)

Enterprise Fund - Solid Waste Fund - To account for revenue and expenditures for the maintenance of the solid waste operations. All activities necessary to provide these services are accounted for in this fund.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Village's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues. Program revenues include: 1) charges for services to taxpayers or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions and 3) program specific capital grants and contributions including special assessments.

Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund is charged to customers for sales and services. The enterprise fund also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Notes to Financial Statements (continued)

D. Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Village Clerk-Treasurer submits to the Village 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 based on previous year's history. Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Village Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Village Council and New Mexico State Department of Finance, Division of Local Governments. The original budget that was adopted in July, 1998 was amended during the fiscal year in a legally permissible manner.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Project Funds.
4. Encumbrances are not reported in the budgets or financial statements.
5. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year end.
6. Budgets for the General and Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principals. Throughout the year the accounting records are maintained on the Non-GAAP basis of cash receipts and disbursements. Accordingly, certain revenues and the related assets are recognized when paid rather than when the obligation is incurred. The financial statements are presented on the modified accrual basis of accounting. Budgetary comparisons presented for General and Special Revenue Funds in this report are on the Non-GAAP budgetary basis and actual (cash basis). The budget of the Enterprise Fund is adopted on a Non-GAAP cash basis.

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest bearing accounts with local financial institutions and the State Treasurer Pool.

Notes to Financial Statements (continued)

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Village. The pledged securities remain in the name of the financial institution.

F. Inventories

The cost of inventories are recorded as expenditures when purchased rather than when consumed.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated Capital Assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. The cost 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	35
Building improvements	10-25
Public domain infrastructure	40
System infrastructure	20-30
Vehicles	8-10
Equipment	5-25
Heavy equipment	10

## Notes to Financial Statements (continued)

The Village does not capitalize computer software or software developed for internal use (if applicable) unless it exceeds the \$5,000 threshold.

### H. Compensated Absences

It is the policy of the Village of Corona to permit certain employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon separation from the Village's service. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Sick pay does not vest and is recorded as an expenditure when it is paid.

### I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

### J. Restricted Assets

Certain long-term assets in the proprietary funds are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purpose such as "deposits held in trust for others".

### K. Net Assets

The governmental activities and business-type activities financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt - This category reflects the portion of net assets that are associates with capital assets less outstanding capital asset related debt.

Restricted net assets - This category reflects the portion of net assets that have third party limitation on their use.

Unrestricted net assets - This category reflects net assets of the Village not restricted for any project or other purposes.

## Notes to Financial Statements (continued)

### L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change. The Village designates the portion of the year-end fund balance, not otherwise designated or reserved, for subsequent years' expenditures. These designations are established to earmark resources for specific future use and to indicate that the fund equity does not represent available spendable resources.

### M. 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.

### N. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village carries commercial insurance for these risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the current fiscal year.

## 2. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semi-annual installments by November 10 and April 10 of the subsequent year. Taxes are collected on behalf of the Village by the County Treasurer, and are remitted to the Village in the month following collection. Because the Treasurer for the county in which the Village is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the Village.

The Village is permitted to levy taxes for general operating purposes based on taxable value for both residential and nonresidential property, taxable value being defined as one-third of the fully assessed value. In addition, the Village is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the Village.

Notes to Financial Statements (continued)

The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues. The Village has no means of determining the amount of delinquent taxes, and no delinquent taxes are recorded on the Villages financial records.

3. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

Governmental Funds

During the year ended June 30, 2007, the following changes occurred in the liabilities reported in the Governmental Funds:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences payable	<u>\$ 2,133</u>	<u>\$ 1,120</u>	<u>\$ 1,120</u>	<u>\$ 2,133</u>	<u>\$ -</u>

The liability will be liquidated by the General Fund.

Enterprise Fund

During the year ended June 30, 2007, the following changes occurred in certain long-term liabilities reported in the Enterprise Fund:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences payable	<u>\$ 247</u>	<u>\$ 692</u>	<u>\$ 200</u>	<u>\$ 739</u>	<u>\$ -</u>

This liability will be paid out of the Gas Fund.

4. DEPOSITS HELD FOR OTHERS, ENTERPRISE FUND

Deposits in the Water Utility Enterprise Fund consist of the following:

Hydrant Meter deposits \$ 4,015

Water meter deposits are charged to new customers and consist of the following:

Residential properties	\$ 40
Commercial properties	\$ 40

Deposits in the Gas Utility Enterprise Fund consist of the following:

Gas Meter deposits \$ 4,183

Notes to Financial Statements (continued)

Gas meter deposits are charged to new customers and consist of the following:

Residential properties	\$	50
Commercial properties	\$	50

5. DEPOSITORY COLLATERAL

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the Village's 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 \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

The following is the Cash on Deposit at each financial institution.

Wells Fargo	MVD	Checking	\$ 63
Wells Fargo	General	Checking	258,887
Wells Fargo	Firemens		
	Recreation Fund	Savings	649
Wells Fargo	Water Meter Fund	Checking	4,335
Wells Fargo	Gas Meter Fund	Checking	4,183
Wells Fargo	CDBG Fund	Checking	10
Wells Fargo	Gas Fund	Certificate of Deposit	131,820
Wells Fargo	Cemetery Fund	Certificate of Deposit	16,060
Wells Fargo	General Fund	Certificate of Deposit	4,815
Wells Fargo	Water Fund	Certificate of Deposit	<u>13,479</u>
			<b><u>\$434,301</u></b>
	Total amount on deposit		\$434,301
	Deposit in transit		510
	Outstanding checks		<u>(14,461)</u>
	Total per financial statements		<b><u>\$420,350</u></b>

The following schedule details the public money held by Wells Fargo and the pledged collateral provided for the Village follows:

	<u>Wells Fargo</u>
Cash on deposit at June 30	\$ 434,301
Less FDIC	<u>(200,000)</u>
Uninsured funds	234,301
Funds needing collateralization at 50% (required by State Law)	117,151
Pledged collateral at June 30	<u>436,188</u>
Excess of Pledged Collateral	<b><u>\$ 319,037</u></b>



Notes to Financial Statements (continued)

*Custodial Credit Risk - Deposits* - Custodial Credit Risk is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$234,301 of the Village's bank balance \$434,301 was exposed to custodial credit risk as follows:

A.	Uninsured and Uncollateralized	\$ -
B.	Uninsured and collateralized with securities held by the pledging banks trust department, but not in the Village's name	<u>234,301</u>
	Total	<u><b>\$ 234,301</b></u>

NM 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 cooperative for at least one half of the amount on deposit with the institution. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. The collateral pledged is shown as follows:

<u>WFBS/WFBNW</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
<u>Wells Fargo California</u>		
FNCL CUSIP #31410SP92	06-01-36	\$ 382,463
FNCL CUSIP #31385HXE7	11-01-31	<u>53,725</u>
		<u><b>\$ 436,188</b></u>

6. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

<u>Revenues</u>	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Non-Major Special Revenue Funds</u>	<u>Proprietary Fund</u>
Actual	\$264,643	\$ 58,088	\$ 5,211	\$ 336,902
Budget	<u>273,388</u>	<u>58,088</u>	<u>5,211</u>	<u>334,251</u>
Increase (decrease) in receivables	<u><b>\$ (8,745)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 2,651</b></u>
<u>Expenditures</u>				
Actual	\$307,518	\$ 27,205	\$ -	\$ 243,319
Budget	305,632	27,205	-	363,883
Depreciation	-	-	-	(17,302)
Purchase of Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,085</u>
Increase (decrease) in payables	<u><b>\$ 1,886</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ (5,784)</b></u>

Notes to Financial Statements (continued)

7. CAPITAL ASSETS

The amount of property, plant and equipment in the Business-Type Activities consists of the following:

	Balance June 30, 2006	Additions	Adjustments	Deletions	Balance June 30, 2007
Land improvements	\$ 3,500	\$ -	\$ 11,030	\$ -	\$ 14,530
Plant/Infrastructure	997,910	132,082	(7,650)	(4,740)	1,117,602
Equipment	73,219	-	(3,380)	(14,026)	55,813
Sub-total	<u>1,074,629</u>	<u>132,082</u>	<u>-</u>	<u>(18,766)</u>	<u>1,187,945</u>
Less: accumulated depreciation					
Land improvements	437	175	11,030	-	11,642
Plant/Infrastructure	391,146	17,127	(7,650)	(4,740)	395,883
Equipment	73,219	-	(3,380)	(14,026)	55,813
Sub-total	<u>464,802</u>	<u>17,302</u>	<u>-</u>	<u>(18,766)</u>	<u>463,338</u>
Net capital assets	<u>\$ 609,827</u>	<u>\$ 114,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 724,607</u>

The amount of property, plant and equipment in the Governmental-Type Activities consists of the following:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Land	\$ 34,625	\$ -	\$ -	\$ 34,625
Total capital assets not being depreciated	<u>34,625</u>	<u>-</u>	<u>-</u>	<u>34,625</u>
Land improvements	5,654	-	-	5,654
Building and improvements	1,104,633	-	-	1,104,633
Infrastructure	188,243	114,125	-	302,368
Heavy equipment	388,560	-	-	388,560
Vehicles	8,280	-	-	8,280
Equipment	134,830	-	-	134,830
Furniture & fixtures	5,996	-	-	5,996
Total capital assets being depreciated	<u>1,836,196</u>	<u>114,125</u>	<u>-</u>	<u>1,950,321</u>
Less accumulated depreciation for:				
Land improvements	(5,654)	-	-	(5,654)
Building and improvements	(252,194)	(27,485)	-	(279,679)
Infrastructure	(28,542)	(10,412)	-	(38,954)
Heavy equipment	(238,535)	(12,188)	-	(250,723)
Vehicles	(7,550)	(150)	-	(7,700)
Equipment	(125,316)	(850)	-	(126,166)
Furniture & fixtures	(1,553)	(442)	-	(1,995)
Total accumulated depreciation	<u>(659,344)</u>	<u>(51,527)</u>	<u>-</u>	<u>(710,871)</u>
Total capital assets being depreciated	<u>1,176,852</u>	<u>62,598</u>	<u>-</u>	<u>1,239,450</u>
Net capital assets	<u>\$ 1,211,477</u>	<u>\$ 62,598</u>	<u>\$ -</u>	<u>\$ 1,274,075</u>

Notes to Financial Statements (continued)

8. ACCOUNTS RECEIVABLES

Receivables as of June 30, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables from customers	\$ -	\$ 10,281
Less allowance for uncollectible accounts	<u>-</u>	<u>-</u>
Subtotal	-	10,281
Gross receipts taxes receivable	<u>3,377</u>	<u>57</u>
 Total	 <u><u>\$ 3,377</u></u>	 <u><u>\$ 10,338</u></u>

9. RETIREMENT PLAN

The Village has elected not to participate in the Public Employees Retirement Association.

10. RETIREE HEALTH CARE ACT CONTRIBUTIONS

The Village has elected not to participate in the Retiree Health Care Act of New Mexico's retiree health care program.

11. MOTOR VEHICLE DEPARTMENT

The Village offers services to residents for motor vehicle licenses, license plates, etc. These revenues are remitted daily to the State of New Mexico. These amounts received and remitted have not been included in the financial statements contained herein.

12. TRANSFERS

The composition of interfund transfers for Governmental Activities during the year ended June 30, 2007 are as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Total</u>
<u>\$ (15,000)</u>	<u>\$ 15,000</u>	<u>\$ -0-</u>

Transfer from Streets Gas Tax Fund to General Fund for operating expenses.

NON-MAJOR FUNDS

NON-MAJOR  
SPECIAL REVENUE FUNDS

**RECREATION FUND** - To account for the operation and maintenance of recreation facilities in the Village. Financing is provided by a specific annual cigarette tax levy. Authority: NMSA 7-12-1 and 7-12-15.

**STREETS GAS TAX FUND** - To account for the receipt of the Statewide increase of two cents per gallon of gasoline tax, which one cent is redistributed, to municipalities for highway and street maintenance. (Authority is NMSA 24A-3)

STATE OF NEW MEXICO  
VILLAGE OF CORONA  
Non-Major Governmental Funds  
Combining Balance Sheet  
June 30, 2007

Statement A-1

	Recreation Fund	Streets Gas Tax Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash on deposit	\$ 899	\$ 5,158	\$ 6,057
Accounts receivable	69	-	69
Total assets	\$ 968	\$ 5,158	\$ 6,126
<b>FUND BALANCE</b>			
Unreserved:			
Undesignated for subsequent year's expenditures	\$ 968	\$ 5,158	\$ 6,126
Total fund balance	\$ 968	\$ 5,158	\$ 6,126

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CORONA

Statement A-2

Non-Major Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the year ended June 30, 2007

	Recreation Fund	Streets Gas Tax Fund	Total Governmental Funds
<b>REVENUES</b>			
Charges for services	\$ -	\$ -	\$ -
State shared taxes	207	5,004	5,211
Earnings from investments	-	-	-
	<u>207</u>	<u>5,004</u>	<u>5,211</u>
<b>Total revenues</b>	<b>207</b>	<b>5,004</b>	<b>5,211</b>
<b>EXPENDITURES</b>			
Current:			
General government	-	-	-
Highways & streets	-	-	-
Public safety	-	-	-
Culture and recreation	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) revenues over expenditures	207	5,004	5,211
<b>OTHER FINANCING (USES)</b>			
Operating transfers	-	(15,000)	(15,000)
	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>
<b>Total other financing (uses)</b>	<b>-</b>	<b>(15,000)</b>	<b>(15,000)</b>
Net change in fund balances	207	(9,996)	(9,789)
Fund balance beginning of year	761	15,154	15,915
	<u>761</u>	<u>15,154</u>	<u>15,915</u>
Fund balance end of year	<u>\$ 968</u>	<u>\$ 5,158</u>	<u>\$ 6,126</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CORONA  
 Non-Major Special Revenue Fund - Recreation Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State shared taxes	\$ 200	\$ 200	\$ 207	\$ 7
Total revenues	\$ 200	\$ 200	\$ 207	\$ 7
EXPENDITURES				
Culture and recreation	\$ -	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements.



STATE OF NEW MEXICO  
 VILLAGE OF CORONA  
 Non-Major Special Revenue Fund - Streets Gas Tax Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State shared taxes	\$ 4,500	\$ 4,500	\$ 5,004	\$ 504
Total revenues	<u>\$ 4,500</u>	<u>\$ 4,500</u>	<u>\$ 5,004</u>	<u>\$ 504</u>
EXPENDITURES				
Highways & streets	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OTHER FINANCING (USES)				
Transfer out	\$ (15,000)	\$ (15,000)	\$ (15,000)	\$ -
Total other financing (uses)	<u>\$ (15,000)</u>	<u>\$ (15,000)</u>	<u>\$ (15,000)</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 15,154</u>	<u>\$ 15,154</u>		

See accompanying notes to financial statements.

PROPRIETARY FUND DETAIL

### PROPRIETARY FUNDS BUDGETS

**WATER FUND** - To account for the provision of water services to the residents of Corona, New Mexico. All activities necessary to provide these services are accounted for in this fund.

**GAS FUND** - To account for the provision of natural gas services to the residents of Corona, New Mexico. All activities necessary to provide these services are accounted for in this fund.

**SOLID WASTE FUND** - To account for revenue and expenditures for the maintenance of the solid waste operations. All activities necessary to provide these services are accounted for in this fund.

STATE OF NEW MEXICO  
 VILLAGE OF CORONA  
 Proprietary Funds  
 Water Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and services	\$ 25,807	\$ 25,807	\$ 42,071	\$ 16,264
Local sources	35,000	35,000	11,871	(23,129)
State sources	200,000	200,000	132,082	(67,918)
Interest income	-	-	276	276
<b>Total revenues</b>	<b><u>\$ 260,807</u></b>	<b><u>\$ 260,807</u></b>	<b><u>\$ 186,300</u></b>	<b><u>\$ (74,507)</u></b>
<b>EXPENDITURES</b>				
Personal services	\$ 28,305	\$ 28,305	\$ 28,105	\$ 200
Maintenance and operations	50,000	50,000	43,311	6,689
Capital outlay	200,000	200,000	132,082	67,918
<b>Total expenditures</b>	<b><u>\$ 278,305</u></b>	<b><u>\$ 278,305</u></b>	<b><u>\$ 203,498</u></b>	<b><u>\$ 74,807</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 17,498</u></b>	<b><u>\$ 17,498</u></b>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CORONA  
 Proprietary Funds  
 Gas Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and services	\$ 123,237	\$ 123,237	\$ 114,967	\$ (8,270)
Interest income	-	-	4,040	4,040
Total revenues	<u>\$ 123,237</u>	<u>\$ 123,237</u>	<u>\$ 119,007</u>	<u>\$ (4,230)</u>
EXPENDITURES				
Personal services	\$ 25,565	\$ 25,565	\$ 25,365	\$ 200
Maintenance and operations	56,621	56,621	30,388	26,233
Contractual services	65,000	65,000	64,267	733
Total expenditures	<u>\$ 147,186</u>	<u>\$ 147,186</u>	<u>\$ 120,020</u>	<u>\$ 27,166</u>
BUDGETED CASH BALANCE	<u>\$ 23,949</u>	<u>\$ 23,949</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF CORONA  
 Proprietary Funds  
 Solid Waste Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and services	\$ 30,308	\$ 30,308	\$ 28,048	\$ (2,260)
State shared taxes	<u>-</u>	<u>-</u>	<u>896</u>	<u>896</u>
Total revenues	<u>\$ 30,308</u>	<u>\$ 30,308</u>	<u>\$ 28,944</u>	<u>\$ (1,364)</u>
EXPENDITURES				
Personal services	\$ 21,926	\$ 21,926	\$ 21,641	\$ 285
Maintenance and operations	<u>20,000</u>	<u>20,000</u>	<u>18,724</u>	<u>1,276</u>
Total expenditures	<u>\$ 41,926</u>	<u>\$ 41,926</u>	<u>\$ 40,365</u>	<u>\$ 1,561</u>
BUDGETED CASH BALANCE	<u>\$ 11,618</u>	<u>\$ 11,618</u>		

See accompanying notes to financial statements.

**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
VILLAGE OF CORONA  
Schedule of Changes in Assets  
and Liabilities - All Agency Funds  
Year Ended June 30, 2007

	<u>Balances</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2007</u>
<b>ASSETS</b>				
Cash of deposit	\$ 649	\$ -	\$ -	\$ 649
Total assets	<u>\$ 649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 649</u>
<b>LIABILITIES</b>				
Deposits held for others	\$ 649	\$ -	\$ -	\$ 649
Total liabilities	<u>\$ 649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 649</u>

See accompanying notes to financial statements.



*Rice and Associates, C.P.A.*

AUDITING  
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Albuquerque, NM 87112

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TAX PREPARATION  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Mr. Hector H. Balderas  
New Mexico State Auditor  
and  
Honorable Mayor and Village Council  
Village of Corona  
Corona, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General Fund and Fire Protection Fund of the Village of Corona, as of and for the year ended June 30, 2007, and have issued our report thereon dated April 2, 2008. We also have audited the financial statements of each of the Village of Corona's non-major governmental funds and proprietary funds and budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying Status of

Comments to be significant deficiencies in internal control over financial reporting. Those significant deficiencies are described as Capital Asset Listing (05-02), Water/Gas Meter Deposits (06-01), Old Meter Deposits (06-02) and Depreciation of Capital Assets (06-04).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Status of Comments as Late Audit Report (05-03).

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings Water/Gas Meter Deposits (06-01) and Old Meter Deposits (06-02).

The Village of Corona's responses to the findings identified in our audit are described in the accompanying Status of Comments and Responses. We did not audit the Village of Corona's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of Management, the Mayor, the Village Council, the Office of the State Auditor, the New Mexico State Legislature and the New Mexico Department of Finance and Administration and is not intended to be used by anyone other than these specified parties.



April 2, 2008

**STATUS OF COMMENTS**

**Prior Year Audit Findings**

1. Certificates of Deposit (05-01) - Resolved.
2. Capital Asset Listing (05-02) - Repeated.
3. Late Audit Report (05-03) - Repeated.
4. Budget Overruns (05-04) - Resolved.
5. Water/Gas Meter Deposits (06-01) - Repeated.
6. Old Meter Deposits (06-02) - Repeated.
7. Depreciation Policy (06-03) - Resolved.
8. Depreciation of Capital Assets (06-04) - Repeated.
9. Water Improvements Through Special Appropriation Project (06-05)  
- Resolved.
10. Gross Receipts Taxes Paid (06-06) - Resolved.

**Current Year Audit Findings**

NONE

Capital Asset Listing  
(05-02)

CONDITION	A complete capital asset listing including current year additions and deletions was not available.
CRITERIA	A complete capital asset listing including current year additions and deletions should be maintained at all times. This is to comply with 1 NMAC 1.2.1.8 and 12-6-10 NMSA 1978.
CAUSE	The current management has worked on compiling a listing, however, it is still not complete.
EFFECT	The capital asset records could be overstated/understated.
RECOMMENDATION	The Village should continue to reconcile all capital assets to the prior years audit reports and bring it current.
RESPONSE	The Village of Corona Board of Trustees adopted Resolution #08-03 on January 22, 2008 regarding a policy for a Capital Asset Listing. The Village staff is currently working on an accurate Capital Asset Listing. This is 75% complete and will be ready to submit for all future audits.

Late Audit Report  
(05-03)

CONDITION                    The audit report was submitted to the State Auditor after the required deadline of December 1, 2007. The report was received by the State Auditor's Office on May 7, 2008.

CRITERIA                    Village audits are required to be submitted to the State Auditor by December 1 as required by NMAC 2.2.2.9A(1)(d).

CAUSE                        The previous years (2006) audit report was submitted late which then caused the current audit report to be late.

EFFECT                      NMAC 2.2.2.9A(1)(d) was not followed. Also, the user of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc. do not have timely audit reports and financial statements for their review. Late audit reports could have an effect on state and federal funding and also further delay timely submission of future audit reports.

RECOMMENDATION            The Village is working closely with the contracted auditor to ensure all future audits are submitted timely.

RESPONSE                    The 2005 audit report was late due to a delay created by the contract auditor. Unfortunately, this did not allow us to contract for 2006 and 2007 audits until the 2005 audit was complete and approved, therefore causing the subsequent two audit reports to also be submitted late. We feel confident that we have caught up and will be able to submit all future audits on time.

Water/Gas Meter Deposits

(06-01)

CONDITION	The Village is not reconciling their monthly Water and Gas meter deposits to the bank accounts each month.
CRITERIA	The monthly meter deposit lists should be reconciled and agreed to the reconciled bank account each month.
CAUSE	Management is aware of this situation but has not completed an accurate meter deposit list (water and gas) and reconciled it to the reconciled bank account on a monthly basis.
EFFECT	Available resources could not be budgeted for and used in the Water Fund or in the Gas Fund.
RECOMMENDATION	Management should perform this duty each month, identify differences and resolve those differences.
RESPONSE	The Village of Corona Board of Trustees adopted Ordinance #08-01 and Ordinance #08-02 on February 12, 2008 regarding a policy for water and natural gas meter deposits. The accounts could not be reconciled due to the holding of deposits and old, closed and unknown accounts. The policy directs the Village staff to refund deposits so only current deposits for recent accounts will be held. These deposits will be reconciled to both the bank statements and utility billing software.

Old Meter Deposits  
(06-02)

CONDITION	The Village has failed to create a policy providing guidance on when meter deposits (water and gas) could be returned after a designated time period.
CRITERIA	The Village may determine that meter deposits could be returned after a certain time period, instead of keeping them indefinitely.
CAUSE	A policy has never been prepared.
EFFECT	Staff time is wasted on keeping track of \$5 meter deposits that are over 10 years old.
RECOMMENDATION	The Village should prepare a policy as soon as possible and return these deposits.
RESPONSE	The Village of Corona Board of Trustees adopted Ordinance #08-01 and Ordinance #08-02 regarding a policy for water and natural gas meter deposits as stated in Finding 06-01. The policy defined the requirements account holders must meet in order to be eligible for meter deposit refunds after establishing a 12 month history. The policy directs the Village staff to refund deposits if the customer meets the requirements. This initial process to purge the system of old deposits has been complicated and time consuming, but it will be completed by June 30, 2008.

Depreciation of Capital Assets

(06-04)

CONDITION	The Village has not successfully managed to depreciate their capital assets.
CRITERIA	In accordance with GASB 34 all capital assets must be depreciated in accordance with the entity's policy approved by the Village Board.
CAUSE	Management has not created a depreciation schedule.
EFFECT	The financial statements could be misstated.
RECOMMENDATION	Management needs to create a depreciation schedule and keep it current.
RESPONSE	The Village of Corona Board of Trustees adopted Resolution #08-03 as stated in Finding 05-02 identifying a Capital Asset Depreciation Schedule that will be reviewed and updated during our annual budget sessions.



## FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2007 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 112.

## EXIT CONFERENCE

An exit conference was held on March 25, 2008. In attendance were Ms. Janet Verna, Clerk/Treasurer, Ms. Sherill Bradford, Member, Mr. Bill Hignight, Mayor, Mr. Sam Seely, Member, Ms. Kimberlee Smith, Member and Ms. Pamela A. Rice, CPA, Contract Auditor. A quorum was present at the exit conference. A properly advertised closed Special Session was held.