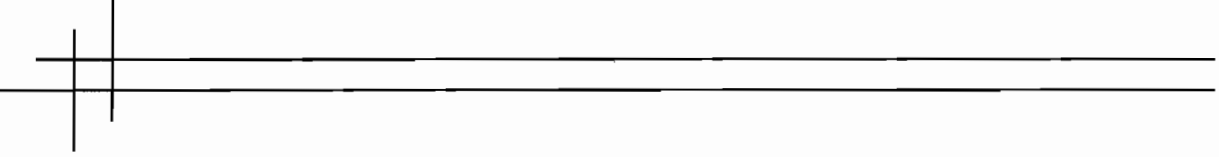




STATE OF NEW MEXICO
VILLAGE OF FOLSOM

ANNUAL FINANCIAL REPORT
June 30, 2008

De'Aun Willoughby CPA, PC
Certified Public Accountant
Melrose, New Mexico



STATE OF NEW MEXICO
VILLAGE OF FOLSOM
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STATE OF NEW MEXICO
VILLAGE OF FOLSOM
Official Roster
June 30, 2008

VILLAGE COUNCIL

Bradley P Atwater	Mayor
Vicki Ebell	Councilman
Timothy Krusi	Councilman
Dusty Russell	Councilman
Pennie Brown	Councilman

ADMINISTRATIVE OFFICIALS

Diane Brown	Clerk/Treasurer
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De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

Independent Auditor's Report

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Members of the VILLAGE OF FOLSOM

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the VILLAGE OF FOLSOM, (Village), as of and for the year ended June 30, 2008, 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 nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Village'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 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, business-type activities, each major fund, and the aggregate remaining fund information of the Village as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund and the major special revenue 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 nonmajor governmental fund of the Village as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparisons for all the nonmajor 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 June 30, 2009, on our consideration of the Town's internal control over financial reporting and on 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Village has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DeAnn Willoughby CPA PC

June 30, 2009

FINANCIAL SECTION

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
 Government-wide Statement of Net Assets
 June 30, 2008

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 235,275
Receivables	
Taxes	770
Interest	874
Due from Grantor	417
Total Current Assets	<u>237,336</u>

Capital Assets

Capital Assets	1,420,014
Less Accumulated Depreciation	(419,691)
Total Noncurrent Assets	<u>1,000,323</u>

Total Assets	<u>1,237,659</u>
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LIABILITIES

Current Liabilities

Accounts Payable	0
Current Portion of Long-Term Debt	33,207
Total Current Liabilities	<u>33,207</u>

Noncurrent Liabilities

Notes Payable	289,811
Total Noncurrent Liabilities	<u>289,811</u>

Total Liabilities	<u>323,018</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	677,305
Unrestricted	237,336
Total Net Assets	<u>\$ 914,641</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
 Government-wide Statement of Activities
 For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
General Government	\$ 60,672	\$ 1,301	\$ 35,000	\$ 0
Public Safety	182,631	0	139,524	0
Public Works	1,193	0	0	0
Interest on Long-Term Obligations	10,473	0	0	0
Total Governmental Activities	<u>254,969</u>	<u>1,301</u>	<u>174,524</u>	<u>0</u>
General Revenues				
Gross Receipts Taxes				\$ 6,574
Gasoline Taxes				5,048
Property Taxes				2,733
Other Taxes				307
Interest Income				22,187
Miscellaneous				917
Total General Revenues and Transfers				<u>37,766</u>
Change in Net Assets				(41,378)
Net Assets - beginning				<u>956,019</u>
Net Assets - ending				<u>\$ 914,641</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2008

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Road Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 118,970	\$ 38,555	\$ 75,092
Receivables			
Taxes Receivables	770	0	0
Interest	467	151	256
Due from Grantor	0	0	417
Interfund Balance	0	0	0
Total Assets	<u>\$ 120,207</u>	<u>\$ 38,706</u>	<u>\$ 75,765</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	6	0	0
Total Liabilities	<u>6</u>	<u>0</u>	<u>0</u>
 Fund Balances			
Unreserved Reported In:			
General Fund	120,201	0	0
Special Revenue Fund	0	38,706	75,765
Total Fund Balances	<u>120,201</u>	<u>38,706</u>	<u>75,765</u>
 Total Liabilities and Fund Balances	 <u>\$ 120,207</u>	 <u>\$ 38,706</u>	 <u>\$ 75,765</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2008

	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,658	\$ 235,275
Receivables		
Taxes Receivables	0	770
Interest	0	874
Due from Grantor	0	417
Interfund Balance	6	6
Total Assets	<u>\$ 2,664</u>	<u>\$ 237,342</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 0	\$ 0
Interfund Balance	0	6
Total Liabilities	<u>0</u>	<u>6</u>
 Fund Balances		
Unreserved Reported In:		
General Fund	0	120,201
Special Revenue Fund	2,664	117,135
Total Fund Balances	<u>2,664</u>	<u>237,336</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,664</u>	 <u>\$ 237,342</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Assets
 June 30, 2008

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

Total Fund Balance - Governmental Funds	\$	237,336
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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	\$	1,420,014	
Accumulated depreciation is		<u>(419,691)</u>	1,000,323

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 :

Bond payable	<u>(323,018)</u>
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Total net assets - governmental activities	\$	<u><u>914,641</u></u>
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The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2008

	General Fund	Fire Fund	Road Fund
Revenues			
Taxes			
Gross Receipt Taxes	\$ 6,574	\$ 0	\$ 0
Gas Taxes	0	0	5,048
Property Taxes	2,733	0	0
Cigarette Taxes	0	0	0
Motor Vehicle Taxes	298	0	0
License, Fees and Fines	0	0	0
State Grants	35,000	125,326	0
Country Subsidy	0	0	0
Interest	4,745	14,609	2,398
Miscellaneous	327	0	0
Total Revenues	<u>49,677</u>	<u>139,935</u>	<u>7,446</u>
Expenditures			
Current			
General	58,638	0	0
Public Safety	0	59,132	0
Public Works	0	0	1,193
Capital Outlay	0	462,326	0
Debt Service			
Principal	0	31,596	0
Interest	0	10,473	0
Total Expenditures	<u>58,638</u>	<u>563,527</u>	<u>1,193</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,961)	(423,592)	6,253
Fund Balances at Beginning of Year	<u>129,162</u>	<u>462,298</u>	<u>69,512</u>
Fund Balance End of Year	<u>\$ 120,201</u>	<u>\$ 38,706</u>	<u>\$ 75,765</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2008

	Non-Major Governmental Funds	Total Governmental Funds
Revenues		
Taxes		
Gross Receipt Taxes	\$ 0	\$ 6,574
Gas Taxes	0	5,048
Property Taxes	0	2,733
Cigarette Taxes	9	9
Motor Vehicle Taxes	0	298
License, Fees and Fines	1,301	1,301
State Grants	9,199	169,525
Country Subsidy	5,000	5,000
Interest	435	22,187
Miscellaneous	590	917
Total Revenues	<u>16,534</u>	<u>213,592</u>
Expenditures		
Current		
General	0	58,638
Public Safety	28,054	87,186
Public Works	0	1,193
Capital Outlay	0	462,326
Debt Service		
Principal	0	31,596
Interest	0	10,473
Total Expenditures	<u>28,054</u>	<u>651,412</u>
Excess (Deficiency) of Revenues Over Expenditures	(11,520)	(437,820)
Fund Balances at Beginning of Year	<u>14,184</u>	<u>675,156</u>
Fund Balance End of Year	<u>\$ 2,664</u>	<u>\$ 237,336</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2008

Net Change in Fund Balance \$ (437,820)

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 depreciation exceeds capital outlays in the period.

Depreciation expense	\$	(97,478)	
Capital Outlays		<u>462,326</u>	364,848

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

31,594

Changes in Net Assets of Governmental Activities \$ (41,378)

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Taxes				
Gross Receipts	\$ 13,850	\$ 8,337	\$ 7,678	\$ (659)
Property Taxes	1,985	2,228	2,228	0
Motor Vehicle	250	226	274	48
Small Cities Assistance	35,000	35,000	35,000	0
Interest Income	1,000	2,115	4,724	2,609
Miscellaneous	460	322	327	5
Total Revenues	<u>52,545</u>	<u>48,228</u>	<u>50,231</u>	<u>2,003</u>
Expenditures				
Executive/Legislative				
Personnel Services	5,880	4,962	4,962	0
Total Financial	<u>5,880</u>	<u>4,962</u>	<u>4,962</u>	<u>0</u>
Financial				
Personnel Services	7,660	7,660	7,918	(258)
Operating Expense	34,100	13,843	13,585	258
Total Financial	<u>41,760</u>	<u>21,503</u>	<u>21,503</u>	<u>0</u>
Election				
Operating Expense	2,900	1,677	1,677	0
Total Election	<u>2,900</u>	<u>1,677</u>	<u>1,677</u>	<u>0</u>
Fire				
Personnel Services	2,400	2,217	2,217	0
Operating Expense	0	191	191	0
Total Public Safety	<u>2,400</u>	<u>2,408</u>	<u>2,408</u>	<u>0</u>
EMS				
Operating Expense	2,400	2,400	2,218	182
Total Public Safety	<u>2,400</u>	<u>2,400</u>	<u>2,218</u>	<u>182</u>
Highway & Streets				
Operating Expense	1,500	1,938	1,938	0
Total Highway & Streets	<u>1,500</u>	<u>1,938</u>	<u>1,938</u>	<u>0</u>
Sanitation				
Operating Expense	3,500	5,500	5,496	4
Total Parks	<u>\$ 3,500</u>	<u>\$ 5,500</u>	<u>\$ 5,496</u>	<u>\$ 4</u>

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
GENERAL FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Parks & Recreation				
Operating Expense	\$ 0	\$ 0	\$ 723	\$ (723)
Capital Outlay	15,000	19,155	18,392	763
Total Parks	<u>15,000</u>	<u>19,155</u>	<u>19,115</u>	<u>40</u>
Total Expenditures	<u>75,340</u>	<u>59,543</u>	<u>59,317</u>	<u>226</u>
Excess (Deficiency) of Revenues Over Expenditures	(22,795)	(11,315)	(9,086)	2,229
Cash Balance Beginning of Year	<u>128,056</u>	<u>128,056</u>	<u>128,056</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 105,261</u>	<u>\$ 116,741</u>	<u>\$ 118,970</u>	<u>\$ 2,229</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (9,086)	
Net Change in Taxes Receivables			(575)	
Net Change in Accrued Interest			21	
Net Change in Account Payables			289	
Net Change in Payroll Payables			390	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (8,961)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
SPECIAL REVENUE FUND-FIRE FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
State Grants	\$ 112,000	\$ 112,000	\$ 125,326	\$ 13,326
Interest Income	3,150	3,150	16,510	13,360
Total Revenues	<u>115,150</u>	<u>115,150</u>	<u>141,836</u>	<u>26,686</u>
Expenditures				
Public Safety				
Operating	39,500	39,500	59,237	(19,737)
Capital Outlay	496,000	496,000	462,326	33,674
Debt Service				
Interest	0	0	10,473	(10,473)
Principal	0	0	31,596	(31,596)
Total Expenditures	<u>535,500</u>	<u>535,500</u>	<u>563,632</u>	<u>(28,132)</u>
Excess (Deficiency) of Revenues Over Expenditures	(420,350)	(420,350)	(421,796)	(1,446)
Cash Balance Beginning of Year	<u>460,351</u>	<u>460,351</u>	<u>460,351</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 40,001</u>	<u>\$ 40,001</u>	<u>\$ 38,555</u>	<u>\$ (1,446)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (421,796)	
Net Change in Accrued Interest			(1,900)	
Net Change in Accounts Payables			104	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (423,592)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
SPECIAL REVENUE FUND-ROAD FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Gas Tax	\$ 5,504	\$ 5,504	\$ 5,048	\$ (456)
Interest	1,500	1,500	2,301	801
Total Revenues	<u>7,004</u>	<u>7,004</u>	<u>7,349</u>	<u>345</u>
Expenditures				
Public Safety				
Operating Expense	9,500	1,193	1,193	0
Total Expenditures	<u>9,500</u>	<u>1,193</u>	<u>1,193</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,496)	5,811	6,156	345
Cash Balance Beginning of Year	<u>68,936</u>	<u>68,936</u>	<u>68,936</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 66,440</u>	<u>\$ 74,747</u>	<u>\$ 75,092</u>	<u>\$ 345</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 6,156	
Net Change in Accrued Interest			97	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 6,253</u>	

The notes to the financial statements are an integral part of this statement.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Folsom (Village) ,has 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. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) prior to November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*. Some of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD & A) providing an analysis of the Village's overall financial position and results of operations.
- Financial Statements prepared using full-accrual accounting for all the Village's activities.
- A change in fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements) as of June 30, 2008.

In addition, in June 2001, the GASB issued Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus* - an amendment of GASB Statement No. 21 and No. 34 and Statement No. 38, *Certain Financial Note Disclosures*. These two statements clarify, modify, establish and rescind certain disclosure requirements under GASB No. 34. Both statements are being implemented in conjunction with GASB Statement No. 34. These statements do not have an impact on the results of operations or the financial position of the Village.

Financial Reporting Entity

The Village was incorporated under the laws of the State of New Mexico. The Village operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The Village has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected Village members are financially accountable. There are no other primary governments with which the Village Board Members are financially accountable. There are no other primary governments with which the Village has a significant relationship.

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the Village are classified into governmental funds. The governmental funds are divided into separate fund types. The fund classification and a description of each existing fund type follows below.

Basis of Presentation and Basis of Accounting

Government-Wide Financial Statements (GWFS)

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Village. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are 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 program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular program and 3) capital grants or contributions restricted to meeting capital requirements of a particular program. Taxes and other items not properly included amount program revenues are reported instead as general revenues.

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental activities. These statements present each major fund as separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Village and accounts for all revenues and expenditures of the Village not encompassed within other funds.

Fire Fund

To account for the operation and maintenance of the Village Fire Department. Financing is primarily from an annual state fire allotment. The fund was created by the authority of state grant provisions. (NMSA 59A-53-1).

Road Fund

To account for the operation and maintenance of the streets in the Village. Financing is provided by a gasoline tax.

Additionally, the Village reports the following non-major funds types:

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

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resource measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred.

The specific revenue recognition policy for property taxes are recognized when levied, derived tax revenue (such as gross receipts tax) are recognized when the underlying transaction takes place, and grants are recognized when all of the eligibility requirements have been met.

The revenues susceptible to accrual are property taxes, licenses, charges for service, interest income and intergovernmental revenues. Gross Receipts taxes collected and held by the state at year on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Budgetary Control

1. Prior to June 1, the Village's Clerk-Treasurer submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration.

3. The Village treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Trustees and the State Department of Finance and Administration.

4. Formal budgetary integration is employed as a management control device during the year for all funds.

5. Legal budget control for expenditures is by fund.

Cash and Cash Equivalents

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Village is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the Village may be invested in :

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or Village which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or

- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

- (c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Prepaid Items

Prepaid balances are for payments made by the Village in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Capital Assets

Capital assets, which includes property, plant, equipment (including software), and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The construction period interest is not capitalized in the proprietary funds.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings, Improvements and Infrastructure	20-50 Years
Equipment	3-15 Years

Use of Restricted Funds

When both restricted and unrestricted resources are available for use, it is the Villages' policy to use restricted resources first, then unrestricted resources as they are needed.

Revenue

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

Accumulated Unpaid Vacation and Sick Leave Benefits

The Village does not provide for vacation or sick leave benefits.

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
Notes to the Financial Statements
June 30, 2008

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available it will first be applied to restricted resources.

NOTE B: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

Reconciliations are located at the bottom of each budget actual.

NOTE C: CASH AND INVESTMENTS

The Village is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<u>Name of Account</u>	Balance Per Bank 06-30-08	Reconciled Balance	<u>Type</u>
General Fund	\$ 83,152	\$ 78,001	Checking
Fire Fund	22,960	13,560	Checking
EMS Fund	5,176	1,802	Checking
Recreation Fund	856	856	Saving
Road Fund	52,280	52,280	Saving
Village of Folsom CD-Fire	16,598	16,598	Saving
Village of Folsom CD-Road	7,522	7,522	Saving
Village of Folsom CD-Road	15,290	15,290	Saving
Village of Folsom CD-General	40,969	40,969	Saving
TOTAL Deposited	<u>244,803</u>	<u>\$ 226,878</u>	
Less: FDIC Coverage	<u>(193,363)</u>		
Uninsured Amount	51,440		
50% collateral requirement	25,720		
Pledged securities	285,000		
Over (Under) requirement	<u>\$ 259,280</u>		

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
Notes to the Financial Statements
June 30, 2008

The difference between the bank balance and reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

The following securities are pledged:

Description	Type	CUSIP #	Market Value	Maturity Date	Location
US Treasury Note	Bond	3133XDTA9	\$ 285,000	12/10/10	FHLB, Dallas TX

Bank of Albuquerque

Name of Account	Balance Per Bank 06-30-08	Reconciled Balance	Type
Village of Folsom	\$ 8,397	\$ 8,397	Checking
TOTAL Deposited	8,397		
Less: FDIC Coverage	(8,397)		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	0		
Over (Under) requirement	\$ 0		

Custodial Credit Risk-Deposits

Depository Account	Bank Balance
Insured	\$ 201,760
Collateralized:	
Collateral held by the pledging bank in Village's name	51,440
Uninsured and uncollateralized	0
Total Deposits	\$ 253,200

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2008 none of the Village's bank balance of \$253,201 was exposed to custodial credit risk.

NOTE D: CAPITAL ASSETS

Capital Assets Balances and Activity for the Year Ended June 30, 2008, is as follows:

	Balance 6/30/07	Increases	Decreases	Balance 6/30/08
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 3,980	\$ 0	\$ 0	\$ 3,980
Capital Assets, being Depreciated				
Infrastructure	12,000	0	0	12,000

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
Notes to the Financial Statements
June 30, 2008

Buildings	167,101	0	0	167,101
Equipment	<u>774,607</u>	<u>462,326</u>	<u>0</u>	<u>1,236,933</u>
Total Capital Assets, being Depreciated	<u>953,708</u>	<u>462,326</u>	<u>0</u>	<u>1,416,034</u>
Total Capital Assets	<u>\$ 957,688</u>	<u>\$ 462,326</u>	<u>\$ 0</u>	<u>\$ 1,420,014</u>
Less Accumulated Depreciation				
Infrastructure	\$ 12,000	\$ 0	\$ 0	\$ 12,000
Buildings	49,955	4,686	0	54,641
Equipment	<u>260,258</u>	<u>92,792</u>	<u>0</u>	<u>353,050</u>
Total Accumulated Depreciation	<u>322,213</u>	<u>97,478</u>	<u>0</u>	<u>419,691</u>
Capital Assets, net	<u>\$ 635,475</u>	<u>\$ 364,848</u>	<u>\$ 0</u>	<u>\$ 1,000,323</u>

Depreciation expense was allocated to governmental activities as follows:

General	\$ 2,034
Public Safety	<u>95,444</u>
Total depreciation expenses	<u>\$ 97,478</u>

NOTE E: LONG TERM DEBT

A summary of activity in the Long-Term Debt is as follows:

	Balance 6/30/07	Additions	Reductions	Balance 6/30/08	Amounts Due Within One Year
2004 NMFA	\$ 138,397	0	16,149	122,248	16,428
2006 NMFA	<u>216,217</u>	<u>0</u>	<u>15,447</u>	<u>200,770</u>	<u>16,779</u>
Total	<u>\$ 354,614</u>	<u>0</u>	<u>31,596</u>	<u>323,018</u>	<u>33,207</u>

All activities of bonds and loans payable at June 30, 2008 are comprised of the following individual issues:

The Village acquired a loan from the New Mexico Finance Authority on November 1, 2004 to purchase a 2005 Freight Liner Class A Pumper. The loan was for \$169,005 for 10 years at an annual rate of 4.0% to 4.07%. The annual payments are due on November 1 and May 1 of each year.

The Village acquired a loan from the New Mexico Finance Authority on December 1, 2006 to purchase a rescue pumper truck. The loan was for \$216,217 for ten years at an annual rate of 3.32% to 3.73%. The annual payments are due on November 1 and May 1 of each year.

The annual requirements to amortize the NMFA Loans as of June 30, 2008, including interest payments are as follows:

	Principal	Interest	Total
2009	\$ 33,207	\$ 7,851	\$ 41,058
2010	33,820	7,158	40,978
2011	34,471	6,424	40,895

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
Notes to the Financial Statements
June 30, 2008

2010	35,158	5,651	40,809
2011	35,887	4,831	40,718
2012-2015	150,475	10,179	160,654
	<u>\$ 323,018</u>	<u>\$ 42,094</u>	<u>\$ 365,112</u>

NOTE F: PROPERTY TAXES

The County collects the Village's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the Village on a monthly basis. The Village accounts for its share of property taxes in the General, Debt Service and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

NOTE G: INTERFUND PAYABLES, AND TRANSFERS

An interfund balance at the end of the year was owed from the General Fund to the Recreation Fund for \$6.

NOTE H: RISK MANAGEMENT

The Village participates in the New Mexico Self-Insurers Fund for medical insurance coverage for their employees. Commercial Insurance covers all other losses. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. There are no claim liabilities at year end.

NOTE I: SURETY BOND

The officials and certain employees of the Village are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

NOTE J: BUDGET VIOLATIONS

The follows is a schedule of budget violations:

SPECIAL REVENUE FUND-FIRE FUND	\$	(28,132)
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**SUPPLEMENTAL INFORMATION RELATED TO
NON MAJOR FUNDS**

NONMAJOR SPECIAL REVENUE FUNDS

Emergency Medical Services

To account for the operation and maintenance of the Town EMS Department. Financing is primarily from an annual EMS allotment and fees collected for emergency transportation. The fund was created by the authority of state grant provisions. (NMSA 59A-53-1)

Recreation

To account for the operation and maintenance of the Town's youth recreation program. Financing is provided by the state shared cigarette tax. The fund was created by the authority of state statute. (NMSA 7-12-15)

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2008

	Emergency Medical Services	Recreation Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,802	\$ 856	\$ 2,658
Interfund Balance	0	6	6
Total Assets	<u>1,802</u>	<u>862</u>	<u>2,664</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Unreserved Reported In:			
Special Revenue	1,802	862	2,664
Total Fund Balance	<u>1,802</u>	<u>862</u>	<u>2,664</u>
Total Liabilities and Fund Balance	<u>\$ 1,802</u>	<u>\$ 862</u>	<u>\$ 2,664</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2008

	Emergency Medical Services	Recreation Fund	Total
Revenues			
Taxes-Cigarette	\$ 0	\$ 9	\$ 9
License, Fees and Fines	1,301	0	1,301
State Grants	9,199	0	9,199
County Subsidy	5,000	0	5,000
Interest	435	0	435
Miscellaneous	590	0	590
Total Revenues	<u>16,525</u>	<u>9</u>	<u>16,534</u>
Expenditures			
Current			
Public Safety	<u>28,054</u>	<u>0</u>	<u>28,054</u>
Total Expenditures	<u>28,054</u>	<u>0</u>	<u>28,054</u>
Excess (Deficiency) of Revenues Over Expenditures	(11,529)	9	(11,520)
Fund Balances at Beginning of Year	<u>13,331</u>	<u>853</u>	<u>14,184</u>
Fund Balance End of Year	<u>\$ 1,802</u>	<u>\$ 862</u>	<u>\$ 2,664</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
SPECIAL REVENUE FUND-EMERGENCY MEDICAL SERVICES
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
County Subsidy	\$ 11,000	\$ 11,000	\$ 5,000	\$ (6,000)
State Grant	8,500	8,500	9,199	699
Interest Income	850	850	435	(415)
License, Fees and Fines	3,100	3,100	2,702	(398)
Other	100	100	590	490
Total Revenues	<u>23,550</u>	<u>23,550</u>	<u>17,926</u>	<u>(5,624)</u>
Expenditures				
Public Safety				
Operating Expense	<u>28,200</u>	<u>28,200</u>	<u>28,200</u>	<u>0</u>
Total Expenditures	<u>28,200</u>	<u>28,200</u>	<u>28,200</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,650)	(4,650)	(10,274)	(5,624)
Cash Balance Beginning of Year	<u>12,076</u>	<u>12,076</u>	<u>12,076</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 7,426</u>	<u>\$ 7,426</u>	<u>\$ 1,802</u>	<u>\$ (5,624)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (10,274)	
Net Change in Receivables			(1,401)	
Net Change in Accounts Payables			146	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (11,529)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
SPECIAL REVENUE FUND-RECREATION
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Cigarette Tax	\$ 6	\$ 9	\$ 9	\$ 0
Other	0	0	0	0
Total Revenues	<u>6</u>	<u>9</u>	<u>9</u>	<u>0</u>
Expenditures				
Operating Expense	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	6	9	9	0
Cash Balance Beginning of Year	<u>847</u>	<u>847</u>	<u>847</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 853</u>	<u>\$ 856</u>	<u>\$ 856</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>9</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>9</u>	

The notes to the financial statements are an integral part of this statement.

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 Balderas
State Auditor of the State of New Mexico
Board Members of the VILLAGE OF FOLSOM

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, and the combining and individual funds presented as supplemental information of the VILLAGE OF FOLSOM (Village), as of and for the year ended June 30, 2008, and have issued our report thereon dated June 30, 2009. 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 the audit procedures for the purpose of expressing 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 Village'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.

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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 07-3, 07-4, 08-1, 08-2, 08-3 and 08-4.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the New Mexico State Legislature and its committees, the Office of the State Auditor, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

 DeAnn Willoughby, CPA PC

June 30, 2009

STATE OF NEW MEXICO
VILLAGE OF FOLSOM
 Schedule of Findings and Responses
 For the Year Ended June 30, 2008

Prior Year Audit Findings

		<u>Status</u>
07-1	Underpayment of payroll withholdings	Resolved
07-2	All checks require two signatures	Resolved
07-3	Late Audit Report	Repeated & Modified
07-4	Expenditures exceeded the budget	Repeated & Modified

Current Year Audit Findings

07-3 Late Audit Report Condition

The audit report was not submitted to the Office of the State Auditor by the December 1st deadline.

Criteria

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

Effect

The field work was completed after the December 1 deadline.

Cause

The current auditor was waiting on the submission and approval of the previous year audit.

Recommendation

The audit should be filed timely.

Response

The Village has hired the current auditor and hopes to be timely with all future audits.

07-4 Expenditures Exceeded The Budget Condition

The Village incurred expenditures in excess of the approved budget in the following fund.

<u>Fund</u>	<u>Approved Budget</u>	<u>Actual Expenditures</u>	<u>Amount over Expended</u>
<u>Special Revenue</u>			
Fire Fund	535,500	563,632	(28,132)

Criteria

Section 6-6-6, NMSA 1978, requires the Village to keep expenditures within budgeted amounts.

Effect

State statute may have been violated subjecting those responsible to the penalty provisions of the statute.

Cause

Purchases were approved in excess of available budget or budget adjustments were not approved to cover the expenditures approved.

Recommendation

The Village should consider preparing and reviewing budget to actual reports on a monthly

Response

The Village will implement a system of controls to monitor budget to ensure budgets are not exceeded.

08-1 Department of Labor Condition

The Quarterly report for quarters ending 09/30/07 and 12/31/07, were not filed timely.

Criteria

According to New Mexico Department of Labor regulations all wages paid to employees are to reported quarterly. Also, any wages paid over the taxable base rate of \$17,900 are to be considered excess wages and reported as such on the quarterly report.

Effect

The Village could be subject to additional taxes and penalties.

Cause

Documents were not kept in a orderly fashion and the employee was unable to locate the documents.

Recommendation

We recommend that the Village keeps important documents in organized and designated area to be easily found when requested and to ensure the timeliness of filing.

Response

Department of Labor reports have all been filed and all documents placed into a filing system.

08-2 Inadequate Maintenance of Deductions, Pay Schedules, Personnel Files

Condition

During our test work of payroll and payroll related reports we noted the employee's did not include proper I-9 form documentation, W-4's and authorized deductions.

Criteria

The Immigration Reform and Control Act of 1986 requires all employees hired after November 6, 1986 to complete a Form I-9 within 3 days of hire. This form is to be retained for three years after the date of hire or one year after employment ends, whichever is later.

Effect

The Village is not in compliance with the Immigration Reform & Control Act of 1986 and could be subject to penalties and fines.

Cause

The Village was unaware of this regulation and requirement to obtain and maintain forms.

Recommendation

The Village must require all employees to complete the necessary forms and retain the necessary documents in each employee's personnel file. In addition, the Village should make

Response

Now that we are aware of this we have all I-9 forms filled out and are now in the locked file in the Village office.

08-3 Failure to File Tax Form 941

Condition

The Village did not file their 941 quarterly reports ending 03/31/08 and 06/30/08 timely.

Criteria

IRS Tax Code Title 29 requires the filing of Form 941 after each quarter reporting wages paid employer payroll taxes to be paid.

Effect

The Village is in violation of the IRS Tax Code Title 29 and subject to the penalties set within for failure to file Form 941.

Cause

The Village failed to file the Form 941 on time.

Recommendation

The Village must implement controls to ensure that compliance to all IRS Tax Code requirements are adhere to completely.

Response

The Village will implement a system to ensure that all reports are filed and filed timely. All 941 forms have been filed. There were no interest or penalties assessed by the IRS.

08-4 SAS 112 Compliance**Condition**

The Auditing Standards Board has issued *Statement on Auditing Standards No. 112, Communicating Internal Control Related Matters Identified in an Audit* (SAS 112). The new standard provides guidance to auditors on communicating matters related to an audit of financial statements. The standard requires the auditor to evaluate identified control

Criteria

Statement on Auditing Standards (SAS) 112, Communication of Internal Control Related Matters Identified in an Audit, requires that management clearly accept responsibility for preparing all financial information and company's financial statements.

Effect

The Village's management may not be able to detect errors in reporting or financial presentation if they exist. Management may not be qualified to review the financial statements prepared by the auditor.

Cause

The Villages staff has not been trained on Governmental Accounting Standards and related procedures to prepare financial statements.

Recommendation

We recommend that the employees who participate in the accounting function obtain training in governmental accounting and the preparation of financial statements.

Response

The Village will continue to rely upon the auditors to prepare the financial statements. Because the village clerk has a full-time position; she is unable to attend the governmental accounting trainings and sessions as they are held at times that interfere with her regular job. As a village, we have hired another part-time position who should be able to attend these trainings in the future.

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held June 30, 2009. Present were Bradley Atwater, Mayor, Diane Brown, Clerk and DeAun Willoughby, CPA.