

THE VILLAGE OF MAXWELL
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JUNE 30, 2006

STATE AUDITOR
STATE OF NEW MEXICO
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THE VILLAGE OF MAXWELL

OFFICIAL ROSTER

JUNE 30, 2006

Elected Officials

<u>Name</u>	<u>Title</u>
Anthony Mitchell	Mayor
Mike Marquez	Mayor Pro-Tem
Larry Trujillo	Councilman
David Wright	Councilman
Lawrence Menapace	Councilman

Administrative Staff

Agnes Urban	Clerk-Treasurer
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of The Village of Maxwell (the "Village"), as of and for the year ended June 30, 2006, 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, and nonmajor enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2006, 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 opinion.

The Village of Maxwell changed its capitalization threshold from \$1,000 to \$5,000 in accordance with the State of New Mexico Legislative change. The effect of this change on current year earnings is disclosed in Note 5 to the financial Statements.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of The Village of Maxwell, as of June 30, 2006, the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison of the general fund, fire protection fund and law enforcement fund, thereof 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 and nonmajor enterprise fund of The Village of Maxwell, as of June 30, 2006, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons of the nonmajor governmental and enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mr. Hector H. Balderas, New Mexico State Auditor and
The Honorable Mayor and Members of Village Council
The Village of Maxwell
Maxwell, New Mexico
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The Village of Maxwell has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2010 on our consideration of The Village of Maxwell'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 *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Kriegel/Gray/Shaw & Co., P.C.
Kriegel/Gray/Shaw & Co., P.C.

April 28, 2010

THE VILLAGE OF MAXWELL

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities	Business-Type Activities	Primary Government Total	Component Unit Housing Authority
ASSETS				
Current Assets:				
Cash and cash equivalents	\$313,989	\$11,346	\$325,335	\$65,098
Investments	0	4,372	4,372	0
Prepaid insurance	0	0	0	0
Funds held by others	1,404	0	1,404	0
Receivables (net of allowance for doubtful accounts)	29,455	9,710	39,165	307
Inventory	0	0	0	400
Other taxes receivable	5,729	0	5,729	0
Property taxes receivable	1,484	0	1,484	0
Due from other funds	(4,014)	4,014	0	0
<i>Total current assets</i>	<u>348,047</u>	<u>29,442</u>	<u>377,489</u>	<u>65,805</u>
Noncurrent Assets:				
Restricted cash and investments	0	7,732	7,732	3,391
Capital assets, net of depreciation	346,124	933,398	1,279,522	213,977
<i>Total noncurrent assets</i>	<u>346,124</u>	<u>941,130</u>	<u>1,287,254</u>	<u>217,368</u>
<i>Total assets</i>	<u>694,171</u>	<u>970,572</u>	<u>1,664,743</u>	<u>283,173</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and current liabilities	3,493	390	3,883	800
Accrued payroll and benefits	9,019	4,483	13,502	1,122
Deferred revenue	0	0	0	500
Prepays	0	0	0	55
Notes payable, current portion	14,515	1,280	15,795	0
<i>Total current liabilities</i>	<u>27,027</u>	<u>6,153</u>	<u>33,180</u>	<u>2,477</u>
Long-term Liabilities:				
Meter deposits/security deposits	0	8,093	8,093	3,401
Long term debt	93,984	17,258	111,242	0
Compensated absences	0	1,073	1,073	0
<i>Total long-term liabilities</i>	<u>93,984</u>	<u>26,424</u>	<u>120,408</u>	<u>3,401</u>
<i>Total liabilities</i>	<u>121,011</u>	<u>32,577</u>	<u>153,588</u>	<u>5,878</u>
NET ASSETS				
Invested in capital assets, net of related debt	237,625	914,860	1,152,485	213,977
Unrestricted	335,535	23,135	358,670	63,318
<i>Total net assets</i>	<u>\$573,160</u>	<u>\$937,995</u>	<u>\$1,511,155</u>	<u>\$277,295</u>

The Notes to Financial Statements are an integral part of these statements.

THE VILLAGE OF MAXWELL
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General government	\$176,634	\$8,807	\$79,101	\$6,900	(\$81,826)	\$0	(\$81,826)	\$0
Public safety	45,603	22,256	120,383	0	97,036	0	97,036	0
Public works	180	0	0	0	(180)	0	(180)	0
Cultural and recreation	26,248	0	24,047	0	(2,201)	0	(2,201)	0
Interest on long-term debt	2,783	0	0	0	(2,783)	0	(2,783)	0
<i>Total governmental activities</i>	<i>251,448</i>	<i>31,063</i>	<i>223,531</i>	<i>6,900</i>	<i>10,046</i>	<i>0</i>	<i>10,046</i>	<i>0</i>
Business-Type Activities:								
Water and sewer	93,399	76,639	0	138,743	0	121,983	121,983	0
Garbage	21,533	19,492	0	0	0	(2,041)	(2,041)	0
Cemetery	1,206	2,163	0	0	0	957	957	0
<i>Total business-type activities</i>	<i>116,138</i>	<i>98,294</i>	<i>0</i>	<i>138,743</i>	<i>0</i>	<i>120,899</i>	<i>120,899</i>	<i>0</i>
Total primary government	\$367,586	\$129,357	\$223,531	\$145,643	\$10,046	\$120,899	\$130,945	\$0
Component Unit:								
Housing Authority	\$111,905	\$36,067	\$38,705	\$39,539				\$2,406

General Revenues

Taxes:				
Property taxes, levied for general purposes	\$9,652	\$0	\$9,652	\$0
State shared taxes	38,961	0	38,961	0
Licenses and permits	757	0	757	0
Miscellaneous	834	0	834	0
Investment earnings	7,398	683	8,081	2,539
Operating transfers, net	(1,715)	1,715	0	0
<i>Total general revenues and transfers</i>	<i>55,887</i>	<i>2,398</i>	<i>58,285</i>	<i>2,539</i>
Change in net assets	65,933	123,297	189,230	4,945
Net assets, beginning	507,227	814,698	1,321,925	272,350
Restatements	0	0	0	0
<i>Net assets, beginning restated</i>	<i>507,227</i>	<i>814,698</i>	<i>1,321,925</i>	<i>272,350</i>
Net assets, ending	\$573,160	\$937,995	\$1,511,155	\$277,295

The Notes to Financial Statements are an integral part of these statements.

THE VILLAGE OF MAXWELL

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2006

	General Fund	Fire Protection Fund	Law Enforcement Fund	Nonmajor Governmental Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$220,467	\$69,579	\$23,943	\$0	\$313,989
Investments	0	0	0	0	0
Intergovernmental receivables	18,073	11,382	0	0	29,455
Taxes receivable	7,213	0	0	0	7,213
Funds held by others	0	0	0	1,404	1,404
Due from other funds	17,743	0	10	0	17,753
Total assets	\$263,496	\$80,961	\$23,953	\$1,404	\$369,814
LIABILITIES					
Accounts payable	\$3,198	\$295	\$0	\$0	\$3,493
Accrued payroll and benefits	9,019	0	0	0	9,019
Deferred revenue	538	0	0	0	538
Due to other funds	21,006	761	0	0	21,767
Total liabilities	33,761	1,056	0	0	34,817
Fund Balances					
Reserved for:					
Debt service	0	0	0	1,404	1,404
Unreserved, undesignated	229,735	79,905	23,953	0	333,593
Total fund balances	229,735	79,905	23,953	1,404	334,997
Total liabilities and fund balances	\$263,496	\$80,961	\$23,953	\$1,404	\$369,814

The Notes to Financial Statements are an integral part of these statements.

THE VILLAGE OF MAXWELL
RECONCILIATION OF THE FUND BALANCE OF GOVERNMENTAL FUNDS
TO GOVERNMENTAL ACTIVITIES NET ASSETS
JUNE 30, 2006

FUND BALANCE of Governmental Funds	\$334,997
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(108,499)
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the funds.	346,124
Certain assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	538
<hr/>	
<i>Net assets of governmental activities</i>	<i>\$573,160</i>

The Notes to Financial Statements are an integral part of these statements.

THE VILLAGE OF MAXWELL

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General Fund	Fire Protection Fund	Law Enforcement Fund	Non-major Governmental Fund	Total Governmental Funds
REVENUES					
Taxes - property	\$9,176	\$0	\$0	\$0	\$9,176
Other taxes	3,459	0	0	0	3,459
Taxes - state shared	35,502	0	0	0	35,502
Licenses and permits	757	0	0	0	757
Intergovernmental	103,148	100,383	20,000	0	223,531
Charges for services	364	22,256	0	0	22,620
Interest	6,706	0	0	692	7,398
Rents	8,443	0	0	0	8,443
Miscellaneous	834	0	0	0	834
<i>Total revenues</i>	<u>168,389</u>	<u>122,639</u>	<u>20,000</u>	<u>692</u>	<u>311,720</u>
EXPENDITURES					
Current:					
General government	95,854	0	0	0	95,854
Public safety	0	31,424	2,992	0	34,416
Public works	180	0	0	0	180
Cultural and recreation	26,248	0	0	0	26,248
Capital outlay	5,000	7,541	3,646	0	16,187
Debt service	0	0	0	17,047	17,047
<i>Total expenditures</i>	<u>127,282</u>	<u>38,965</u>	<u>6,638</u>	<u>17,047</u>	<u>189,932</u>
Excess (deficiency) of revenues over expenditures	41,107	83,674	13,362	(16,355)	121,788
Other Financing Sources (Uses):					
Operating transfers in	0	0	0	17,047	17,047
Operating transfers (out)	(1,715)	(17,047)	0	0	(18,762)
<i>Total other financing sources (uses)</i>	<u>(1,715)</u>	<u>(17,047)</u>	<u>0</u>	<u>17,047</u>	<u>(1,715)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	39,392	66,627	13,362	692	120,073
Fund balance, beginning of year	190,343	13,278	10,591	712	214,924
<i>Total fund balance, at end of year</i>	<u>\$229,735</u>	<u>\$79,905</u>	<u>\$23,953</u>	<u>\$1,404</u>	<u>\$334,997</u>

The Notes to Financial Statements are an integral part of these statements.

THE VILLAGE OF MAXWELL
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balances - Governmental Funds	\$120,073
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$11,900 were exceeded by depreciation \$80,780 in the current period.	(68,880)
Certain revenues are deferred in the funds based on available and measurable criteria, whereas they are recorded as revenue in Statement of Activities.	476
Governmental funds record principal debt payments as expenditures. These debt payments are shown as a reduction in the liability on the Statement of Net Assets.	14,264
<u>Change in net assets of governmental activities</u>	<u>\$65,933</u>

THE VILLAGE OF MAXWELL

GENERAL FUND

STATEMENT OF REVENUES AND EXPENDITURES BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS) FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Taxes	\$52,989	\$48,621	\$45,655	(\$2,966)
Licenses and permits	580	932	744	(188)
Intergovernmental	67,326	67,326	85,191	17,865
Charges for services	25	41,300	364	(40,936)
Reimbursements	0	0	823	823
Interest	0	0	6,706	6,706
Rent	8,400	0	8,443	8,443
Miscellaneous	0	0	516	516
<i>Total revenues</i>	<u>129,320</u>	<u>158,179</u>	<u>148,442</u>	<u>(9,737)</u>
EXPENDITURES				
Current:				
General government	7,543	120,525	96,677	23,848
Public Works	5,466	5,928	180	5,748
Cultural and recreation	4,116	200	26,248	(26,048)
Capital outlay	0	0	5,000	(5,000)
<i>Total expenditures</i>	<u>17,125</u>	<u>126,653</u>	<u>128,105</u>	<u>(1,452)</u>
Excess (deficiency) of revenues over expenditures	112,195	31,526	20,337	(11,189)
Other Financing Sources (Uses):				
Operating transfers in	0	0	0	0
Operating transfers (out)	(34,000)	(14,000)	(1,715)	12,285
<i>Total other financing sources (uses)</i>	<u>(34,000)</u>	<u>(14,000)</u>	<u>(1,715)</u>	<u>12,285</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$78,195</u>	<u>\$17,526</u>	<u>\$18,622</u>	<u>\$1,096</u>
 Budgetary - GAAP Reporting Reconciliation:				
Excess (deficiency) of revenues over expenditures and other financing sources (uses)			\$18,622	
Adjustments for revenue accruals			19,947	
Adjustments for expenditures accruals			823	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)			<u>\$39,392</u>	

The Notes to Financial Statements are an integral part of these statements.

THE VILLAGE OF MAXWELL
FIRE PROTECTION FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$46,229	\$46,185	\$100,383	\$54,198
Miscellaneous	0	10,000	9,676	(324)
Donations	0	0	1,198	1,198
<i>Total revenues</i>	46,229	56,185	111,257	55,072
EXPENDITURES				
Public safety	29,144	39,182	31,424	7,758
Capital outlay	0	0	7,541	(7,541)
<i>Total expenditures</i>	29,144	39,182	38,965	217
Excess (deficiency) of revenues over expenditures	17,085	17,003	72,292	55,289
Other Financing Sources (Uses):				
Transfers in	0	0	0	0
Transfers (out)	(17,047)	(17,047)	(17,047)	0
<i>Total other financing sources (uses)</i>	(17,047)	(17,047)	(17,047)	0
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	38	(44)	\$55,245	\$55,289
Budgeted cash carryover	44	44		
	\$82	\$0		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$55,245
Adjustments for revenue accruals	11,382
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$66,627

The Notes to Financial Statements are an integral part of these statements.

THE VILLAGE OF MAXWELL
LAW ENFORCEMENT FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$20,000	\$20,000	\$20,000	\$0
Investment income	0	0	0	0
Miscellaneous	0	0	0	0
<i>Total revenues</i>	20,000	20,000	20,000	0
EXPENDITURES				
Public safety	19,000	25,703	2,992	22,711
Capital outlay	0	0	3,646	(3,646)
<i>Total expenditures</i>	19,000	25,703	6,638	19,065
Excess (deficiency) of revenues over expenditures	1,000	(5,703)	13,362	19,065
Other Financing Sources (Uses):				
Transfers in	0	0	0	0
Transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	0	0	0	0
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	1,000	(5,703)	<u>\$13,362</u>	<u>\$19,065</u>
Budgeted cash carryover	5,703	5,703		
	<u>\$6,703</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$13,362
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$13,362</u>

THE VILLAGE OF MAXWELL

PROPRIETARY FUNDS

STATEMENTS OF NET ASSETS

JUNE 30, 2006

	Business-Type Activities			Total Enterprise Funds
	Water & Sewer Fund	Garbage Fund	Nonmajor Enterprise Fund	
ASSETS				
Current Assets:				
Cash	\$6,797	\$4,238	\$311	\$11,346
Investments	0	0	4,372	4,372
Accounts receivable (net of allowances for uncollectible)	7,878	1,832	0	9,710
Due from other funds	20,743	0	1,050	21,793
<i>Total current assets</i>	<i>35,418</i>	<i>6,070</i>	<i>5,733</i>	<i>47,221</i>
Non-Current Assets:				
Restricted Assets:				
Cash and investments	7,732	0	0	7,732
Capital Assets, net	933,398	0	0	933,398
<i>Total noncurrent assets</i>	<i>941,130</i>	<i>0</i>	<i>0</i>	<i>941,130</i>
Total assets	\$976,548	\$6,070	\$5,733	\$988,351
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities:				
Accounts payable	\$301	\$89	\$0	\$390
Accrued payroll and benefits	4,483	0	0	4,483
Current portion of long term debt	1,280	0	0	1,280
Due to other funds	16,114	787	878	17,779
<i>Total current liabilities</i>	<i>22,178</i>	<i>876</i>	<i>878</i>	<i>23,932</i>
Non-Current Liabilities:				
Meter deposits	8,093	0	0	8,093
Compensated absences	1,073	0	0	1,073
Long term debt	17,258	0	0	17,258
<i>Total noncurrent liabilities</i>	<i>26,424</i>	<i>0</i>	<i>0</i>	<i>26,424</i>
Total liabilities	48,602	876	878	50,356
Net Assets:				
Invested in capital assets, net of related debt	914,860	0	0	914,860
Unrestricted	13,086	5,194	4,855	23,135
<i>Total net assets</i>	<i>927,946</i>	<i>5,194</i>	<i>4,855</i>	<i>937,995</i>
Total liabilities and net assets	\$976,548	\$6,070	\$5,733	\$988,351

The Notes to Financial Statements are an integral part of these statements.

THE VILLAGE OF MAXWELL
PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Business-Type Activities			Total Enterprise Funds
	Water & Sewer Fund	Garbage Fund	Nonmajor Enterprise Fund	
OPERATING REVENUES				
Water and sewer service	\$76,639	\$0	\$0	\$76,639
Charges for services	0	19,492	1,875	21,367
Other operating revenue	0	0	288	288
<i>Total operating revenues</i>	76,639	19,492	2,163	98,294
OPERATING EXPENSES				
Personnel services	39,629	0	0	39,629
Utilities	4,324	0	0	4,324
Depreciation	15,292	0	0	15,292
Other operating expenses	33,486	21,533	1,206	56,225
<i>Total operating expenses</i>	92,731	21,533	1,206	115,470
<i>Operating income (loss)</i>	(16,092)	(2,041)	957	(17,176)
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental	138,743	0	0	138,743
Interest income	274	213	196	683
Interest expense	(668)	0	0	(668)
<i>Total non-operating revenues (expenses)</i>	138,349	213	196	138,758
<i>Income before operating transfers</i>	122,257	(1,828)	1,153	121,582
OTHER FINANCING SOURCES (USES):				
Operating transfers in	1,715	0	0	1,715
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	1,715	0	0	1,715
<i>Change in net assets</i>	123,972	(1,828)	1,153	123,297
Total net assets, at beginning of year,	803,974	7,022	3,702	814,698
<i>Total net assets, at end of year</i>	\$927,946	\$5,194	\$4,855	\$937,995

The Notes to Financial Statements are an integral part of these statements.

THE VILLAGE OF MAXWELL
PROPRIETARY FUND TYPES
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Business-Type Activities			Total Enterprise Funds
	Water & Sewer Fund	Garbage Fund	Nonmajor Enterprise Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers, grants and misc.	\$78,704	\$19,583	\$2,163	\$100,450
Cash used for salaries and related benefits	(36,392)	0	0	(36,392)
Cash used for suppliers of goods and services	(42,600)	(22,729)	(1,206)	(66,535)
<i>Net cash provided (used) by operating activities</i>	(288)	(3,146)	957	(2,477)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advances (repayments) to/from other funds	3,333	608	(668)	3,273
Operating transfers in (out)	1,715	0	0	1,715
<i>Net cash provided (used) by noncapital financing activities</i>	5,048	608	(668)	4,988
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital grants received	138,743	0	0	138,743
Payment for capital acquisitions	(138,743)	0	0	(138,743)
Principal payments on long-term debt	(1,046)	0	0	(1,046)
Interest paid	(668)	0	0	(668)
Meter deposits received	569	0	0	569
<i>Net cash provided (used) by capital and related financing activities</i>	(1,145)	0	0	(1,145)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investment securities	0	0	0	0
Proceeds from sale and maturities of investment securities	0	0	0	0
Interest income	274	213	22	509
<i>Net cash provided by investing activities</i>	274	213	22	509
INCREASE (DECREASE) IN CASH	3,889	(2,325)	311	1,875
CASH AT BEGINNING OF YEAR	10,640	6,563	0	17,203
CASH AT END OF YEAR	\$14,529	\$4,238	\$311	\$19,078
Reconciliation of net cash provided (used) by operating activities				
Operating income (loss)	(\$16,092)	(\$2,041)	\$957	(\$17,176)
Depreciation	15,292	0	0	15,292
Bad debt expense	114	0	0	114
(Increase) Decrease in:				
Accounts receivable	1,951	91	0	2,042
Increase (Decrease) in:				
Accounts payable	(4,790)	(1,196)	0	(5,986)
Accrued payroll and benefits	3,164	0	0	3,164
Other liabilities	73	0	0	73
<i>Net cash provided by operating activities</i>	(\$288)	(\$3,146)	\$957	(\$2,477)

The Notes to Financial Statements are and integral part of these statements.

THE VILLAGE OF MAXWELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Village's combined financial statements include the accounts of all Village operations. The criteria for including organizations as component units within the Village's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

1. the organization is legally separate (can sue and be sued in their own name).
2. the Village holds the corporate powers of the organization.
3. the Village appoints a voting majority of the organization's board.
4. the Village is able to impose its will on the organization.
5. the organization has the potential to impose a financial benefit/burden on the Village.
6. there is fiscal dependency by the organization on the Village.

The Village of Maxwell has one discretely presented component unit; the Village of Maxwell Housing Authority. The financial data of the component unit is reported in a separate column to emphasize that they are legally separate from the Village. The separate financial statements of the component unit can be obtained from the Housing Authority at P.O. Box 188, Maxwell, New Mexico 87728.

Basis of Presentation, Basis of Accounting

Government-Wide Statements - The statement of net assets and the statement of activities display information about the primary government (the Village). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Village. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Village and for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements - The fund financial statements provide information about the Village's funds, including its fiduciary funds. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

THE VILLAGE OF MAXWELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Village reports the following major governmental funds:

General Fund – This fund is the Village’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds:

Fire Protection – To account for revenue from the State of New Mexico Fire Protection Fund that is designated for use in operation, maintenance, and betterment of the fire department.

Law Enforcement – To account for monies under state grant.

The Village reports the following major proprietary funds:

Water & Sewer Fund - To account for the provision of water/sewer services to residents. All activities necessary to provide such services are accounted for in this fund, including administration, operation, maintenance, financing, billing and collection. Construction costs are also accounted for in this fund.

Garbage Fund – To account for the garbage collection services to residents. All activities necessary to provide such services are accounted for in this fund.

Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements - the government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and derived tax revenues such as gross receipts tax and gasoline tax are recognized when the underlying transaction takes place. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Village’s policy to first apply cost- reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

THE VILLAGE OF MAXWELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All governmental and business-type activities and enterprise funds of the Village follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Budgetary Information

Annual budgets are adopted for all funds except agency funds. Budgets are not consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at fiscal year end. Carry over funds may be appropriated in the budget of the subsequent fiscal year.

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

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

Prior to June 1, the Village Manager 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. Public hearings are conducted to obtain taxpayers comments. Prior to September 1, the budget is legally enacted through passage of a resolution.

The Village Manager is authorized to transfer budget amounts between departments within any fund. However, the Village Council must approve any revisions that alter the total expenditures of any fund. Expenditures of the Village may not legally exceed appropriations at the level at which the budget is adopted, that is, expenditures in each fund may not exceed the budgeted appropriation for that fund.

Budgets are not adopted on a basis consistent with generally accepted accounting principles (GAAP). The accounting records are maintained on a non-GAAP basis of cash receipts and disbursements; consequently, certain revenues and the related assets are recognized when received rather than earned and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the budgets are adopted on the cash basis of accounting. Budgetary comparisons presented in this report are on the non-GAAP budgetary basis.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash includes cash on hand and amounts in demand deposits held within financial institutions.

Investments

Investments include certificates of deposit. The Village invests in accordance with the State Statute Section 6-10-10, NMSA 1978.

THE VILLAGE OF MAXWELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advance to Other Funds

Non-current portions of long-term interfund loans receivable are reported as advances and are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Receivables and Payables

All trade receivables are shown net of the allowance for uncollectible accounts.

Capital Assets

Purchased or constructed capital assets are reported at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. The government defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Computer software is capitalized over its useful life. 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.

The capitalization threshold was changed from \$1,000 in prior years to \$5,000. (See Note 5 for the effect of this change of estimate.)

The Village of Maxwell's capitalization policy includes all items with a unit cost in excess of \$5,000. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	50
Furniture and equipment	10

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation and sick leave balances.

Vacation pay accumulates to retirement and at retirement is paid to the employees at their current salary or wage scale. Vacation leave has no established limit that may be carried over to another fiscal year. All accrued vacation is accrued when incurred in the government-wide and proprietary fund financial statements.

THE VILLAGE OF MAXWELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets are displayed in three components:

Invested in Capital Assets, net of related debt – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – Net assets are reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – Net assets that do not meet the definition of “restricted” and “Invested in capital assets, net of related debt.”

Fund Balance

Reserved – The portion of fund balance that is not appropriable for expenditure or is legally segregated for specific future use.

Unreserved – The portion of fund balance that is not reserved but may be designated as noted below.

Designated – The position of fund balance established to indicate tentative plans for financial resources utilization in a future period.

THE VILLAGE OF MAXWELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

The Village maintains cash in various financial institutions within the Village. In addition, the Village has invested idle cash in certificates of deposit. The cash invested in certificates of deposit is reflected as investments or cash equivalents. Please refer to Note 3. As of June 30, 2006, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks.

A reconciliation of cash and cash equivalents as shown on the Statement of Net Assets for the Village follows:

	Reconciled Balance	On Deposit June 30, 2006	Account Type
Bank of America – Fire Discretionary Fund	\$17,007	\$17,400	Checking
Bank of America – NM State Fire Fund	52,572	52,733	Checking
International Bank – Garbage Fund	4,238	6,128	Checking
International Bank – Water Meter Deposits	6,797	6,797	Checking
International Bank – Police Department	23,943	23,988	Checking
International Bank – Water & Sewer	7,732	8,072	Checking
International Bank – Cemetery Fund	311	346	Checking
International Bank – General Fund	70,771	79,829	Checking
International Bank – General Fund	136,278	136,278	Savings
International Bank – Certificate of Deposit (cash equivalent)	13,418	13,418	CD
First National Bank – Certificate of Deposit	4,372	4,372	CD
<i>Total cash deposits</i>	\$337,439	\$349,361	

Cash per financial statements:

Cash and cash equivalents	\$325,335
Investments	4,372
Restricted cash and investments	7,732
<i>Total</i>	\$337,439

THE VILLAGE OF MAXWELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Village. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in accounts equal to at least 50% of the Village's carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the State of New Mexico is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation. The accounts above are collateralized with securities held by the pledging financial institution or its agent but not in The Village of Maxwell's name.

	Bank of America	International Bank	First National Bank
Cash in Bank per June 30, 2006 statements:			
Checking accounts	\$70,133	125,160	\$0
Savings account	0	136,278	0
Certificates of deposit (see Investment Note 3.)	0	13,418	4,372
<i>Total deposits</i>	70,133	274,856	4,372
Less FDIC - checking	(70,133)	(100,000)	0
Less FDIC - Time deposit	0	(100,000)	(4,372)
Uninsured public funds	0	74,856	0
50% Collateral requirements	0	37,428	0
Pledged securities	0	200,162	0
Over (under)	\$0	\$162,734	\$0

Custodial Credit Risk - Deposits

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, 2006, \$74,856 of the Village's bank balance of \$349,361 was exposed to custodial credit risk.

Uninsured and collateralized	\$0
Uninsured and collateralized held by pledging banks agent not in the Village's name	74,856
<i>Total</i>	\$74,856

THE VILLAGE OF MAXWELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

The following is a schedule of pledged collateral to secure the deposits of The Village of Maxwell as of June 30, 2006:

International Bank
P.O. Drawer 1028
Raton, New Mexico

Safekeeping Location:
Federal Home Loan Bank of Dallas
5605 N. MacArthur Blvd.
Irving, TX

Description	CUSIP No.	Maturity Par Value	Maturity Date	Par Value/ Market Value
Federal Home Loan	3133MJUR9	\$50,000	11/15/2006	\$50,215
Federal Home Loan	3133MTQB7	150,000	11/15/2007	149,946
Total		\$200,000		\$200,162

Component Unit:

Housing Authority

There were no uninsured bank deposits (not covered by F.D.I.C).

Restricted cash represents cash held for security deposits.

	International Bank
Amount held in bank	\$69,644
Less F.D.I.C.	(69,644)
Amount uninsured	\$0

100% Collateral requirement \$0

Cash on Deposit

	Bank Balance	Carrying Amounts
<u>International Bank</u>		
Public Fund – regular checking	\$1,000	\$0
Public Fund – interest checking	50,203	50,203
Public Fund – regular checking	3,391	3,391
Certificate of deposit	15,050	15,050
Total cash on deposit	\$69,644	68,464

Petty cash 25

Total cash \$68,489

THE VILLAGE OF MAXWELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3. INVESTMENTS

The Village is authorized to invest idle cash by state statutes and Village resolutions. The following are descriptions of the investments held as of June 30, 2006.

Certificates of Deposit - The Village has invested \$17,790 in certificates of deposit held in various financial institutions and brokerage houses. The amounts held at First National Bank and International Bank are properly collateralized as required by New Mexico state statutes. The certificate of deposit at International Bank is shown as a cash equivalent.

Savings Accounts - The Village has \$136,278 in savings accounts held at International Bank. Although the Village carries this balance as investments on their books it has been reclassified as cash on these statements.

Credit Risk

The Village has adopted the state statute as their investment policy which limits investments in commercial paper to those rated "prime" by a national rating service, asset backed obligations with a maturity not to exceed five years and a rating of AAA or its equivalent, medium term notes and corporate notes with maturities not exceeding five years that are rated A or equivalent, shares of diversified investment companies that invest in U.S. fixed income securities, securities of U.S. government agencies backed by the full faith and credit of the U.S. government and state-owned securities for periods not to exceed one year. The Village has no investment policy that would further limit its investment choices. As of June 30, 2006 the Village's certificates of deposit were not rated.

Concentration of Risk

The Village places no limit on the amount that may be invested in one issuer. The Village had no concentrations of greater than 5% with any one issuer at June 30, 2006.

Interest Rate Risk

The Village does not limit its exposure to fair value losses arising from rising interest rates other than those imposed by state statute.

	Fair Value	Maturity in Years
Certificates of Deposit	\$17,790	3 Months to 18 Months
Less cash equivalents	(13,418)	
	\$4,372	

THE VILLAGE OF MAXWELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4. RECEIVABLES

As of June 30, 2006, the Village had included receivables within the governmental fund types and the proprietary enterprise funds. The receivables of the governmental fund types consist primarily of revenues earned as of June 30, 2006, from other governmental agencies. The amounts have been received within the following month; heretofore, no allowance for doubtful accounts has been recorded for intergovernmental receivables. Receivables within the enterprise funds consist of revenue earned for services provided by the Village. Management has determined that some accounts receivable within the proprietary fund types may not be fully collectible. Accordingly, an allowance for doubtful accounts has been recorded as follows:

	Receivable	Allowance	Net
Water and sewer	\$8,444	\$566	\$7,878
Garbage	\$1,943	\$111	\$1,832
Component Unit – Housing Authority	\$357	\$50	\$307

NOTE 5. CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2006 were as follows:

	Balance July 1, 2005	Additions	Transfers/ Retirements	Balance June 30, 2006
Governmental Activities:				
Capital assets, not being depreciated:				
Land and land rights	\$28,473	\$5,000	\$0	\$33,473
<i>Total capital assets, not being depreciated</i>	28,473	5,000	0	33,473
Capital assets, being depreciated:				
Buildings and improvements	625,000	0	0	625,000
Furniture and equipment	673,764	6,900	0	680,664
<i>Total capital assets, being depreciated</i>	1,298,764	6,900	0	1,305,664
Less Accumulated Depreciation:				
Buildings and improvements	(506,518)	(12,500)	0	(519,018)
Furniture and equipment	(405,715)	(68,280)	0	(473,995)
<i>Total accumulated depreciation</i>	(912,233)	(80,780)	0	(993,013)
<i>Governmental activities capital assets, net</i>	\$415,004	\$(68,880)	\$0	\$346,124

Depreciation expense for governmental activities for the year by function was:

General Government	\$80,780
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The capitalization threshold was changed effective June 17, 2005 to increase the value of state property that must be inventoried and listed from \$1,000 to \$5,000. This change in estimate has the following effect on the change in net assets:

• Assets expensed for fiscal year ended June 30, 2006 (\$1,000 to \$5,000).	\$10,500
• Depreciation that would have been taken on asset additions for fiscal year ended June 30, 2006 under the previous capitalization threshold.	(875)
	<u>\$9,625</u>

THE VILLAGE OF MAXWELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5. CAPITAL ASSETS (CONTINUED)

The following is a summary of proprietary fund capital assets:

	Balance July 1, 2005	Additions	Transfers/ Retirements	Balance June 30, 2006
Water & Sewer:				
Capital assets, not being depreciated:				
Construction in progress	\$676,828	\$127,657	\$0	\$804,485
Water line replacement	0	11,086	0	11,086
<i>Total capital assets, not being depreciated</i>	<i>676,828</i>	<i>138,743</i>	<i>0</i>	<i>815,571</i>
Capital assets, being depreciated:				
Systems/Plant	505,000	0	0	505,000
Equipment and other	18,667	0	0	18,667
<i>Total capital assets, being depreciated</i>	<i>523,667</i>	<i>0</i>	<i>0</i>	<i>523,667</i>
Less Accumulated Depreciation:				
Systems/Plant	(387,881)	(12,625)	0	(400,506)
Equipment and other	(2,667)	(2,667)	0	(5,334)
<i>Total accumulated depreciation</i>	<i>(390,548)</i>	<i>(15,292)</i>	<i>0</i>	<i>(405,840)</i>
<i>Water & Sewer activities capital assets, net</i>	<i>\$809,947</i>	<i>\$123,451</i>	<i>\$0</i>	<i>\$933,398</i>

Depreciation expense for the Water & Sewer fund for the year was \$15,292.

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Component Unit:				
<u>Housing Authority</u>				
Non Depreciable Assets:				
Land	\$5,000	\$0	\$0	\$5,000
Construction in progress	0	28,789	0	28,789
Depreciable Assets:				
Buildings	695,320	0	0	695,320
Non dwelling structures	31,562	0	0	31,562
Machinery and equipment	24,699	0	0	24,699
<i>Total</i>	<i>756,581</i>	<i>28,789</i>	<i>0</i>	<i>785,370</i>
Less Accumulated Depreciation:				
Buildings	(531,905)	(20,737)	0	(552,642)
Non dwelling structures	0	(2,104)	0	(2,104)
Machinery and equipment	(13,002)	(3,645)	0	(16,647)
<i>Total accumulated depreciation</i>	<i>(544,907)</i>	<i>(26,486)</i>	<i>0</i>	<i>(571,393)</i>
<i>Net capital assets</i>	<i>\$211,674</i>	<i>\$2,303</i>	<i>\$0</i>	<i>\$213,977</i>

Depreciation uses the straight-line method. Depreciation expense for the year was \$26,486. Buildings are depreciated over forty years and equipment over five years.

THE VILLAGE OF MAXWELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 6. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt during the fiscal year:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Amount Due in One Year
Governmental Activities:					
Compensated absences	\$0	\$0	\$0	\$0	\$0
NM Finance Authority – Fire Truck	122,763	0	(14,264)	108,499	14,515
Total	\$122,763	\$0	(\$14,264)	\$108,499	\$14,515

The Village entered into a loan agreement with the New Mexico Finance Authority to finance the purchase of a fire truck on November 15, 2002. The original amount of the loan was for \$149,314. The note is payable from pledged State of New Mexico fire allotment funds with annual payments varying from \$12,500 to \$16,615 including interest of 1.97% to 4.43%. The loan matures May 1, 2013.

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Amount Due in One Year
Business-Type Activities:					
Compensated absences	\$1,000	\$1,073	(\$1,000)	\$1,073	\$0
NMED – Water & Sewer	19,584	0	(1,046)	18,538	1,280
Total	\$20,584	\$1,073	(\$2,046)	\$19,611	\$1,280

The original amount of the NMED loan was \$23,493 for the water and sewer fund. The loan calls for monthly principal payments beginning November 2001 and continuing until June 2019. The interest rate is 3.0% per annum.

Compensated absences typically have been liquidated in the fund to which the employees are assigned, in this case, the water and sewer fund.

Annual debt service requirements on long-term debt at June 30, 2006 are as follows:

NM Finance Authority Loan – Fire Truck

Government Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$14,515	\$2,391	\$16,906
2008	14,796	2,094	16,890
2009	15,110	1,769	16,879
2010	15,449	1,419	16,867
2011	15,813	1,115	16,928
2012 – 15	32,816	792	33,609
Total	\$108,499	\$9,580	\$118,079

THE VILLAGE OF MAXWELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 6. CHANGES IN LONG-TERM DEBT (CONTINUED)

NMED Water & Sewer

Business-Type Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$1,280	\$435	\$1,715
2008	1,232	483	1,715
2009	1,269	446	1,715
2010	1,308	407	1,715
2011	1,348	367	1,715
2012 – 16	7,377	1,198	8,575
2017 – 19	4,724	163	4,887
<i>Total</i>	\$18,538	\$3,499	\$22,037

NOTE 7. PERA PENSION PLAN

Substantially all of the Village's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan.

The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123.

Municipal general plan members are required to contribute 7%. The Village of Maxwell is required to contribute, of the gross salaries, 7% for municipal general employees. The contribution requirements of plan members and The Village of Maxwell are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Village of Maxwell's contributions to PERA for the years ending June 30, 2006, 2005, and 2004 were \$6,193, \$5,058, and \$13,480 respectively. See related finding 2005-04.

NOTE 8. POST EMPLOYMENT HEALTH CARE BENEFIT

The Village of Maxwell elected out of participation in the Retiree Health Care Benefits.

THE VILLAGE OF MAXWELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 9. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village has joined with other local governments and the State of New Mexico to participate in the New Mexico Self-Insurer=s Fund (NMSIF). The fund is a public entity risk pool operating as a common risk management and insurance program. Coverage provided for includes general and auto liability; property, errors and omissions; volunteer firefighters; civil rights; inland marine; and worker=s compensation.

The Village pays an annual premium of \$31,491 to NMSIF for its general insurance coverage. The information from the NMSIF provides that NMSIF will be self-sustaining through member premiums and will reinsure through other companies such as captive mutuals as dictated by the NMSIF Board of Trustees.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Grant Audits

The Village receives federal and state grants for specific purposes that are subject to review and audit by the funding agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate agency. Management believes such disallowances, if any, will not be significant.

NOTE 11. PROPERTY TAXES

Colfax County collects The Village of Maxwell's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the Colfax 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. Thirty days later, the bill becomes delinquent and the county treasurer assesses penalties and interest. Colfax 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 fund. Property tax revenues amounted to \$8,142 current and \$1,034 delinquent for the year ended June 30, 2006; of those amounts \$1,484 was receivable at June 30, 2006.

THE VILLAGE OF MAXWELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 12. TRANSFERS AND DUE FROM/TO OTHER FUNDS

Transfers between funds during the year were as follows:

	TRANSFERS OUT				Totals
	General Fund	Debt Service	Water & Sewer Fund	Fire Fund	
TRANSFERS IN:					
General Fund	\$0	\$0	\$0	\$0	\$0
Debt Service	0	0	0	17,047	17,047
Water & Sewer Fund	1,715	0	0	0	1,715
Fire Fund	0	0	0	0	0
Total	\$1,715	\$0	\$0	\$17,047	\$18,762

Transfers are used to move unrestricted revenues collected in the general fund and enterprise funds to finance various activities/programs accounted for in the other funds in accordance with budgetary authorization, and move revenues from the fund that the statute budget requires to collect them to the fund that statute or budget requires to expend them.

	DUE TO:						Totals
	General Fund	Law Enforce Fund	Fire Fund	Garbage Fund	Water & Sewer Fund	Cemetery Fund	
DUE FROM:							
General Fund	\$0	\$0	\$761	\$0	\$16,104	\$878	\$17,743
Fire Fund	0	0	0	0	0	0	0
Law Enforcement Fund	0	0	0	0	10	0	10
Garbage	0	0	0	0	0	0	0
Water & Sewer Fund	19,956	0	0	787	0	0	20,743
Cemetery Fund	1,050	0	0	0	0	0	1,050
Total	\$21,006	\$0	\$761	\$787	\$16,114	\$878	\$39,546

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All balances are expected to be repaid within one year.

NOTE 13. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the basic financial statements, of certain information concerning individual funds including:

Individual funds with excess expenditures over appropriations.

Enterprise Funds:

Garbage Fund (\$1,828)

Actual expenditures exceeded budgetary expenditures in the following funds:

General Fund \$1,452
 Garbage Fund \$2,726

SUPPLEMENTARY INFORMATION

THE VILLAGE OF MAXWELL
SPECIAL REVENUE FUNDS
JUNE 30, 2006

Special Revenue Funds

Used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Fire Protection – To account for revenue from the State of New Mexico Fire Protection Fund that is designated for use in operation, maintenance, and betterment of the fire department. Authority NMSA 1978 59-A-53-2.

Law Enforcement – To account for monies under state grant. Authority NMSA 1978 29-13-7.

THE VILLAGE OF MAXWELL
CAPITAL PROJECTS FUNDS
JUNE 30, 2006

Capital Projects Funds

Financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

There are no governmental Capital Projects in progress for the year ended June 30, 2006.

THE VILLAGE OF MAXWELL
DEBT SERVICE FUND
JUNE 30, 2006

Debt Service Fund

Used to account for the proceeds of debt service sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Fire Fund – To account for state funds received from the New Mexico Health and Environment Department that are pledged against a loan payable to the New Mexico Finance Authority.

THE VILLAGE OF MAXWELL
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUND
COMBINING BALANCE SHEETS
JUNE 30, 2006

ASSETS

Cash	\$0
Funds held by others	1,404
<hr/>	
<i>Total assets</i>	\$1,404

LIABILITIES AND FUND BALANCE

LIABILITIES

Short term portion of long term debt	\$0
Long term debt	0
<hr/>	
<i>Total liabilities</i>	0

FUND BALANCE

Reserved	
For other purposes	
Unreserved	1,404
<hr/>	
<i>Total fund balance</i>	1,404

<i>Total liabilities and fund balance</i>	\$1,404
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THE VILLAGE OF MAXWELL
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUND

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

REVENUES

Intergovernmental	\$17,047
Interest	692
<i>Total revenues</i>	<u>17,739</u>

EXPENDITURES

Current Expenditures:

Public Safety:	
Debt Service	17,047
<i>Total expenditures</i>	<u>17,047</u>

Excess (deficiency) of revenues over expenditures 692

Fund balance, beginning of year 712

Total fund balance at end of year **\$1,404**

THE VILLAGE OF MAXWELL
DEBT SERVICE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Miscellaneous	\$10,000	\$0	\$0	\$0
Investment income	0	0	692	692
<i>Total revenues</i>	10,000	0	692	692
EXPENDITURES				
Current:				
Public Safety:				
Debt Service	15,000	23,082	17,047	6,035
<i>Total expenditures</i>	15,000	23,082	17,047	6,035
Excess (deficiency) of revenues over expenditures	(5,000)	(23,082)	(16,355)	6,727
Other Financing Sources (Uses):				
Transfers in	17,047	17,047	17,047	0
Transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	17,047	17,047	17,047	0
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	12,047	(6,035)	\$692	\$6,727
Budgeted cash carryover	6,035	6,035		
	\$18,082	\$0		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$692
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$692

THE VILLAGE OF MAXWELL
ENTERPRISE FUNDS
JUNE 30, 2006

Enterprise Funds

Used to account for operations that are financed and operated in a manner similar to private businesses.

Cemetery Operating – To account for the operations of the Village cemetery. All activities necessary to provide such services are accounted for in this fund, including administration, operations, maintenance, financing, billing and collection.

Garbage Fund – To account for the Village’s garbage collection services to residents.

Water & Sewer Fund – To account for the provision of water/sewer services to residents. All activities necessary to provide such services are accounted for in this fund, including administration, operations, construction, maintenance, financing, billing and collection.

THE VILLAGE OF MAXWELL

NONMAJOR ENTERPRISE FUND

COMBINING BALANCE SHEET

JUNE 30, 2006

Cemetery
Operating

ASSETS

Current Assets

Cash and cash equivalents	\$311
Investments	4,372
Due from other funds	1,050
Accounts receivable, net of allowance for doubtful accounts	0

Total assets

\$5,733

LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities:

Accounts payable	\$0
Due to other funds	878
Total current liabilities	878

NET ASSETS

Unreserved

Total net assets

4,855

Total liabilities and net assets

\$5,733

THE VILLAGE OF MAXWELL

NONMAJOR ENTERPRISE FUND

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Cemetery
Operating

OPERATING REVENUES

Charges for services	\$1,875
Other operating revenue	288
<i>Total operating revenues</i>	<u>2,163</u>

OPERATING EXPENSES

Personnel services	0
Utilities	0
Depreciation	0
Other operating expenses	1,206
<i>Total operating expenses</i>	<u>1,206</u>

Operating income (loss) 957

NON-OPERATING REVENUES (EXPENSES)

Interest income	196
<i>Total non-operating revenues (expenses)</i>	<u>196</u>

Net income (loss) before contributions and transfers 1,153

OTHER FINANCING SOURCES (USES):

Capital transfers in	0
<i>Total other financing sources (uses)</i>	<u>0</u>

Change in net assets 1,153

Total net assets, at beginning of year 3,702

Total net assets, at end of year **\$4,855**

THE VILLAGE OF MAXWELL
NONMAJOR ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Cemetery
Operating

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers, grants and miscellaneous	\$2,163
Cash used for suppliers of goods and services	(1,206)
Due to/from other funds (net)	0
<i>Net cash provided (used) by operating activities</i>	<i>957</i>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Advances (repayments) to/from other funds	(668)
Operating transfers in (out)	0
<i>Net cash provided (used) by noncapital financing activities</i>	<i>(668)</i>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Decrease in long-term debt	0
Proceeds from debt financing	0
Interest paid on capital debt	0
Payment for capital acquisitions	0
<i>Net cash provided (used) by capital and related financing activities</i>	<i>0</i>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investment securities	0
Proceeds from sale and maturities of investment securities	0
Interest income	22
<i>Net cash provided (used) by investing activities</i>	<i>22</i>

Net increase (decrease) in cash	311
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Cash, beginning of year	0
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<i>Cash, end of year</i>	<i>\$311</i>
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Reconciliation of net cash provided (used) by operating activities:

Operating income (loss)	\$957
Depreciation	0

Change in assets and liabilities:

(Increase) Decrease in assets:	
Accounts receivable	0
Intergovernmental	0
Inventory	0
Increase (Decrease) in liabilities:	
Accounts payable	0
Accrued payroll and benefits	0
Other liabilities	0

<i>Net cash provided (used) by operating activities</i>	<i>\$957</i>
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THE VILLAGE OF MAXWELL
CEMETERY OPERATING FUND
ENTERPRISE FUNDS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
OPERATING REVENUES				
Charges for services	\$450	\$450	\$1,875	\$1,425
Other operating revenues	0	0	288	288
<i>Total revenues</i>	450	450	2,163	1,713
OPERATING EXPENDITURES				
Other operating expenses	1,700	1,700	1,206	494
<i>Total operating expenditures</i>	1,700	1,700	1,206	494
<i>Operating income (loss)</i>	(1,250)	(1,250)	957	2,207
Non-Operating Revenues (Expenditures):				
Interest income	0	0	196	196
<i>Total non-operating revenues (expenditures)</i>	0	0	196	196
Net income (loss) before operating transfers	(1,250)	(1,250)	1,153	2,403
Operating transfers in (out)	1,250	1,250	0	(1,250)
Net income (loss)	\$0	\$0	\$1,153	\$1,153

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$1,153
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$1,153

THE VILLAGE OF MAXWELL
GARBAGE FUND
ENTERPRISE FUNDS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
OPERATING REVENUES				
Charges for services	\$19,430	\$19,430	\$19,642	\$212
Other operating revenues	0	0	0	0
<i>Total revenues</i>	19,430	19,430	19,642	212
OPERATING EXPENDITURES				
Other operating expenses	20,003	20,003	22,729	(2,726)
<i>Total operating expenditures</i>	20,003	20,003	22,729	(2,726)
<i>Operating income (loss)</i>	(573)	(573)	(3,087)	(2,514)
Non-Operating Revenues (Expenditures):				
Interest income	0	213	213	0
<i>Total non-operating revenues (expenditures)</i>	0	213	213	0
Net income (loss) before operating transfers	(573)	(360)	(2,874)	(2,514)
Operating transfers in (out)	0	0	0	0
Net income (loss)	(573)	(360)	(2,874)	(2,514)
Budgeted cash carryover	573	360		
	\$0	\$0		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$2,874)
Adjustments for revenue accruals	(149)
Adjustments for expenditures accruals	1,196
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	(\$1,827)

THE VILLAGE OF MAXWELL
WATER & SEWER UTILITY FUND
ENTERPRISE FUNDS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
OPERATING REVENUES				
Charges for services	\$65,251	\$98,001	\$77,265	(\$20,736)
Connections	0	0	0	0
Other operating revenues	0	0	0	0
Meter deposits	600	600	0	(600)
Intergovernmental	525,215	330,000	142,951	(187,049)
<i>Total revenues</i>	<u>591,066</u>	<u>428,601</u>	<u>220,216</u>	<u>(208,385)</u>
OPERATING EXPENDITURES				
Personnel services	66,740	0	43,321	(43,321)
Utilities	4,320	0	4,904	(4,904)
Other operating expenses	8,700	98,601	27,769	70,832
Capital outlay	545,215	330,000	146,123	183,877
<i>Total operating expenditures</i>	<u>624,975</u>	<u>428,601</u>	<u>222,117</u>	<u>206,484</u>
<i>Operating income (loss)</i>	<u>(33,909)</u>	<u>0</u>	<u>(1,901)</u>	<u>(1,901)</u>
Non-Operating Revenues (Expenditures):				
Investment income	0	0	274	274
<i>Total non-operating revenues (expenditures)</i>	<u>0</u>	<u>0</u>	<u>274</u>	<u>274</u>
Net income (loss) before operating transfers	(33,909)	0	(1,627)	(1,627)
Operating transfers in (out)	32,750	12,750	1,715	(11,035)
Net income (loss)	(1,159)	<u>\$12,750</u>	<u>\$88</u>	<u>(\$12,662)</u>
Budgeted cash carryover	1,159			
	<u>\$0</u>			

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$88
Adjustments for revenue accruals	(4,834)
Adjustments for expenditures accruals, depreciation, and capital outlay	128,718
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$123,972</u>

The Notes to Financial Statements are an integral part of these statements.

**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
The Honorable Mayor and Members of Village Council
The Village of Maxwell
Maxwell, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information and the budgetary comparison for the general fund and the combining and individual funds presented as supplementary information of The Village of Maxwell, as of and for the year ended June 30, 2006, and have issued our report thereon dated April 28, 2010. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting, findings 2005-01, 2005-02, 2005-03, 2005-06, 2005-07, 2005-02 HA, and 2003-02.

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.

Mr. Hector H. Balderas, New Mexico State Auditor and
The Honorable Mayor and Members of Village Council
The Village of Maxwell
Maxwell, New Mexico
Page Two

Our consideration of 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider items 2005-01 and 2003-02 of the significant deficiencies described above to be material weaknesses.

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 2005-04, 2005-05, 2005-01 HA, 2005-03 HA, 2004-01, and 2004-02.

The Village of Maxwell's responses to the findings identified in our audit were described in the accompanying schedule of findings and questioned costs. We did not audit the Village's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Village Council, the State Auditor, the New Mexico Legislature, 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.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.

April 28, 2010

THE VILLAGE OF MAXWELL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CURRENT YEAR REPORTABLE CONDITIONS:

None.

CURRENT STATUS OF PRIOR YEAR REPORTABLE CONDITIONS:

Repeated.

2005-01 No Written Policies and Procedures

Statement of Condition – The Village does not have written policies and procedures in place.

Criteria – Good internal controls require a clear communication of policies and procedures to maintain continuity and consistency especially when staffing changes occur frequently.

Cause – Lack of consistency with Council and staff.

Effect –

- Maintenance and filing of records haphazard and inconsistent.
- Unable to locate documentation for three sample items of disbursements.
- No established purchase order system.
- No receipting system in place.

Recommendation – The Council should adopt and document clear policies for which procedures should be documented and implemented.

Management's Response – The present Village administration is working on adopting new written policies and procedures.

THE VILLAGE OF MAXWELL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CURRENT STATUS OF PRIOR YEAR REPORTABLE CONDITIONS (CONTINUED):

2005-02 Capital Asset Inventory List

Repeated.

Statement of Condition – Capital asset inventory listings are not properly maintained.

Criteria – Good internal controls require the maintenance of perpetual schedules to identify all capital assets owned by the Village including depreciation schedules.

Cause – Lack of knowledgeable accounting personnel and frequent changes in personnel.

Effect – Several different schedules for capital assets exist none of which clearly agree to physical assets in total.

Recommendation – A complete physical inventory of all Village assets should be performed and all existing assets schedules should be merged and updated to agree with historical accounting records and the physical inventory.

Management's Response – The Village of Maxwell has recently updated the inventory list, along with the assets.

THE VILLAGE OF MAXWELL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CURRENT STATUS OF PRIOR YEAR REPORTABLE CONDITIONS (CONTINUED):

2005-03 General Lack of Internal Controls

Repeated.

Statement of Condition – The Village’s accounting system lacks some basic internal controls, i.e. oversight and review.

Criteria – Internal controls are critical to the integrity of the accounting data.

Cause – Small number of personnel as well as lack of accounting knowledge.

Effect – Incorrect bank reconciliations, general ledger does not clearly reflect activity, and errors not detected and corrected timely.

Recommendation – The Village should incorporate a review function in their procedures by utilization of council members and hiring of external accounting review /support.

Management’s Response – The Village is in the process of correcting this issue.

THE VILLAGE OF MAXWELL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CURRENT STATUS OF PRIOR YEAR REPORTABLE CONDITIONS (CONTINUED):

2005-04 Public Employees Retirement Association (“PERA”) Reports

Repeated.

Statement of Condition – PERA reports were incorrectly prepared and not submitted timely.

Criteria – The PERA plan participation requires monthly reports including specific information regarding participant wages per the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978).

Cause – Lack of good accounting records and discretionary exclusion of wages by preparer.

Effect – Not all PERA wages were properly reported and reports were submitted late.

Recommendation – All reporting requirements should be periodically reviewed for errors and inconsistencies and procedures should clearly indicate reporting requirements and due dates.

Management’s Response – As of May 1, 2010, the Village is up to date with all PERA reports.

THE VILLAGE OF MAXWELL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CURRENT STATUS OF PRIOR YEAR REPORTABLE CONDITIONS (CONTINUED):

2005-05 Computer Hard Drives Not Properly Erased

Repeated.

Statement of Condition – During our review of capital asset deletions, we noted computers were sold but the hard drives were not properly erased.

Criteria – In accordance with the Chief Information Technology Security and Privacy Office all hard drives of computers sold or disposed of must be erased using specific procedures.

Cause – Lack of knowledge.

Effect – Potential for sensitive information contained on hard drives to be improperly accessed and used.

Recommendation – Village personnel should seek guidance upon disposal of assets and review the annual state audit rule for requirements.

Management's Response – This has been taken into consideration and all hard drives will be erased before sold in the future.

THE VILLAGE OF MAXWELL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CURRENT STATUS OF PRIOR YEAR REPORTABLE CONDITIONS (CONTINUED):

2005-06 Cemetery Lot Sales

Repeated.

Statement of Condition – Documentation is not consistently maintained for each cemetery lot sold as to name and lot number.

Criteria – The Village owes a duty to those purchasing the lots to maintain records identifying which lots are owned by whom.

Cause – No clear policies and procedures in place.

Effect – No clear record of lots available for sale and who owns the lots sold.

Recommendation – Establish and implement clear written policies and procedures related to cemetery lots requiring maintenance of documentation by lot number.

Management's Response – A Board Member has been assigned to the Cemetery and policies and procedures will be brought up to date.

THE VILLAGE OF MAXWELL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CURRENT STATUS OF PRIOR YEAR REPORTABLE CONDITIONS (CONTINUED):

2005-07 Water Meter Deposits

Repeated.

Statement of Condition – A complete schedule of water meter deposits being held by the Village is not consistently maintained.

Criteria – Good internal controls require maintenance of supporting records to support Village liabilities.

Cause – Lack of knowledge and consistency in personnel.

Effect – The Village does not completely know whose water deposits they are holding.

Recommendation – Policies and procedures should be established and implemented to properly document and maintain a detailed subsidiary record of water deposits.

Management's Response – A newer updated system is being generated and proper documentation will be available.

THE VILLAGE OF MAXWELL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CURRENT STATUS OF PRIOR YEAR REPORTABLE CONDITIONS (CONTINUED):

COMPONENT UNIT:

2005-01 Housing Authority – Program Money Used for Tenant Christmas Party

Federal Program: Low Rent

CFDA No.: 14.850

Repeated.

Statement of Condition – During our test work on internal controls over disbursements, we noted that one out of 40 disbursements tested was for food for a tenant Christmas party, in the amount of \$60.

Criteria – Food and entertainment are not allowable program expenditures.

Cause – Incorrect understanding that the Christmas party qualified as tenant participation.

Effect – Noncompliance with program requirements and noncompliance with anti-donation clause (NM Constitution Article IX, Section 14).

Recommendation – The requirements for allowable expenditures should be reviewed periodically to make sure all expenditures are allowable and that unallowable costs are not incurred.

Management's Response – The Maxwell Housing Authority will not use this practice to provide food and entertainment for the MXHA Tenant's. The MXHA tenant's will be asked to provide funds from the MXHA Resident Council for this type of activity.

THE VILLAGE OF MAXWELL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CURRENT STATUS OF PRIOR YEAR REPORTABLE CONDITIONS (CONTINUED):

COMPONENT UNIT (CONTINUED):

2005-02 Housing Authority – Expenditures Not in the Correct Expense Accounts

Repeated.

Statement of Condition – During our test work on internal controls over travel and per diem, we noted two disbursements in the amounts of \$175 and \$350 were incorrectly classified to travel expense.

Criteria – Good internal controls require periodic review of the general ledger expense accounts to ensure transactions are properly classified.

Cause – Lack of review of fee accountant's work.

Effect – Misclassified items on the general ledger.

Recommendation – Periodic review of the general ledger to ensure all transactions are classified properly.

Management's Response – The Maxwell Housing Authority will carefully review the monthly financial reports to ensure that the expenses are properly coded.

THE VILLAGE OF MAXWELL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CURRENT STATUS OF PRIOR YEAR REPORTABLE CONDITIONS (CONTINUED):

COMPONENT UNIT (CONTINUED):

2005-03 Housing Authority – Audit Report Not Submitted Timely

Repeated.

Statement of Condition – The audit report for the year ended June 30, 2006 was not submitted timely. The report was submitted to the Office of the Sate Auditor on March 28, 2007.

Criteria – Audit of Housing Authorities relating to Villages must be submitted by December in accordance with the New Mexico State Auditor Rule 2.2.2NMAC.

Cause – The Village did not contract with an auditor to perform audit services for the year ended June 30, 2005.

Effect – Noncompliance with New Mexico State Auditor Rule 2.2.2NMAC.

Recommendation – Care should be taken to contract with appropriate auditor so that audits may be submitted timely.

Management's Response – The Village of Maxwell was unable to secure an IPA to conduct a combined Audit for the Village of Maxwell and the Maxwell Housing Authority. The Maxwell Housing Authority proceeded to obtain permission from the NM State Auditor to secure an IPA to conduct MXHA Audit, which was just completed.

THE VILLAGE OF MAXWELL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CURRENT STATUS OF PRIOR YEAR REPORTABLE CONDITIONS (CONTINUED):

2003-02 Financial Reporting and General Ledger Maintenance

Repeated with modification.

Statement of Condition – The Village’s general ledger is not properly maintained as follows:

- Transactions posted across funds and in the wrong funds.
- Payroll transactions not properly recorded by fund.
- Payroll liabilities not properly utilized and relieved upon payment.
- Transactions classified inconsistently month to month.

Criteria – Accounting records should consistently reflect the activity of the Village by fund.

Cause – Lack of knowledge of governmental accounting requirements.

Effect – The general ledger did not balance by fund and payroll expenses did not reflect actual activity for the accounting period. Management had unreliable financial data which may have resulted in poor decisions for the Village and over expended budgets.

Recommendation – The Village should consider outsourcing the review and oversight of the general ledger as well as required budgetary reporting.

Management’s Response – As of fiscal year end 2009, the books are correct with a new clerk/bookkeeper.

THE VILLAGE OF MAXWELL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CURRENT STATUS OF PRIOR YEAR REPORTABLE CONDITIONS (CONTINUED):

2004-01 Failure to File Audit Report by the Required Due Date

Repeated.

Statement of Condition – The New Mexico State Auditor requires the audit to be completed and submitted to his office by December 1, 2006. The 2006 audit report was submitted in May 2010.

Criteria – According to the State of New Mexico, Office of the State Auditor publication 2 NMAC 2.2 Requirements for Contracting and Conducting Audits of Agencies, Section 9.1, the filing date for the audit reports for cities, and villages is December 1st following the end of the fiscal year.

Cause – The Village did not contract for the audit until June 2007. In addition, substantial changes in personnel and numerous accounting issues created auditing challenges.

Effect – According to the above stated source, “Failure to file the audit report by the due date set in Section 9.1 is considered noncompliance with 2 NMAC 2.2 and shall be a current year finding.” Each entity shall submit a statement to the State Auditor’s Office providing an explanation for the delay in submission.

Recommendation – The audit should be completed by the required due date to the State Auditor.

Management’s Response – The future audits will be conducted by a different agency and will be completed in a timely manner.

THE VILLAGE OF MAXWELL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CURRENT STATUS OF PRIOR YEAR REPORTABLE CONDITIONS (CONTINUED):

2004-02 Expenditures in Excess of Budget

Repeated with modification.

Statement of Condition – During the fiscal year 2006, the Village’s expenditures exceeded the revised, approved budgets in two funds, General Fund by \$1,452, and the Garbage Fund by \$2,726.

Criteria – A budget is a proposed plan of financial operations for a given period of time. The annual budget authorized and provides the basis for control of financial operations during the fiscal year. The budget should be analyzed monthly to insure expenditures remaining within the legally adopted budget and revisions should be made whenever necessary. Section 6-6-6, NMSA, 1978 Compilation prohibits governing officials from incurring expenses in excess of approved budgets.

Cause – It appears that the year to date expenditures had not been compared with the approved budgets in a timely manner and accounting records were unreliable.

Effect – Statute has been violated which may subject those responsible to the penalty provision of the statute.

Recommendation – The Village should monitor the budget and expenditures to assure effective budgeting control and accountability, and to make proper budget adjustments when necessary. Expenditures of funds should stay within legal requirements.

Management’s Response – The Village will take this suggestion into consideration and will follow proper procedures in the future.

2004-01 Housing Authority – Failure to File Audit Report by the Required Due Date

Repeated with modifications as findings 2005-03.

THE VILLAGE OF MAXWELL

EXIT CONFERENCE

JUNE 30, 2006

EXIT CONFERENCE – THE VILLAGE OF MAXWELL:

The exit conference was held June 8, 2010 and was attended by the following:

From The Village of Maxwell:

Kay Pinkston, Mayor
Joanna Taylor, Clerk

From Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA, Audit Partner

EXIT CONFERENCE – HOUSING AUTHORITY:

The exit conference was held March 12, 2007 and was attended by the following:

From the Village of Maxwell Housing Authority:

Eliza Galli, Vice Chair
Gail Bailey, Commissioner
Robert Portillos, Executive Director
Melissa Sanchez, Assistant Director

From Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA, Audit Partner
Melissa Guffey, Auditor

FINANCIAL STATEMENTS PREPARATION

Preparation of financial statements is the responsibility of management. Although, The Village of Maxwell's personnel provided significant assistance in the preparation, the statements and related footnotes were prepared by Kriegel/Gray/Shaw & Co., P.C.