

Charles L. Henry

Certified Public Accountant

666 Cook Avenue

Raton, New Mexico 87740

(505) 681-9762

STATE OF NEW MEXICO

The Village of Maxwell

Independent Accountant's Report

For the Fiscal Year Ended June 30, 2007



The Village of Maxwell
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June 30, 2007

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The Village of Maxwell
Official Roster
June 30, 2007

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 AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Village of Maxwell (Village), as of and for the year ended June 30, 2007 which collectively comprise the Village's basic financial statements as listed in the table of contents. I also have audited the financial statements of each of the Village's nonmajor governmental, nonmajor enterprise funds and the budgetary comparisons for the nonmajor funds presented as supplementary information in the accompanying individual fund financial statements as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Village's management. My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the Village of Maxwell Housing Authority, a component unit of the Village which statements reflect total assets of \$ 291,530 as of June 30, 2007, and net operating revenues of \$ 43,158 for the year then ended. Those financial statements were audited by another auditor whose report has been furnished to me, and my opinion on the financial statements, insofar as it relates to the amounts included for the Village is based solely on the report of the other auditor. These financial statements are the responsibility of the Village's management. My responsibility is to express opinions on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, I express no such opinion. An audit included 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. I believe that my audit provides a reasonable basis for my opinions.

The records related to cash receipts of the Business - Type Activities were incomplete, and I was not able to satisfy myself by other procedures as to the accuracy of the determined revenue for services rendered.

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

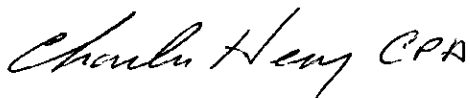
In my opinion, based on my audit and the report of other auditors, except for the effects, if any, of incomplete records related to cash receipts of the business-type activities and the discretely presented component unit as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2007, the respective changes in financial position and cash flows, where applicable, and respective budgetary comparison of the general fund, fire protection fund and law enforcement fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in my 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison of the nonmajor governmental and enterprise funds for the year in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated November 2, 2011 on my consideration of the Village of Maxwell's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Village of Maxwell has not presented the Management's Discussion and Analysis required by GASB Statement No. 34 that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the basic financial statements, the individual individual fund financial statements and budgetary comparisons.

Charles L. Henry, CPA



November 2, 2011

The Village of Maxwell
Government-wide Financial Statements
Statement of Net Assets
June 30, 2007

ASSETS	Governmental Activities	Business-Type Activities	Primary Government Total	Component Unit Housing Authority
Current Assets				
Cash and Cash Equivalents	\$ 327,412	\$ 13,746	\$ 341,158	\$ 76,116
Funds Held by Others	2,215	-	2,215	-
Receivables (Net of allowance for doubtful accounts)	4,276	8,533	12,809	636
Inventory	-	-	-	1,590
Other Taxes Receivable	502	-	502	-
Property Taxes Receivable	1,472	-	1,472	-
Due From Other Funds	4,840	(901)	3,939	3,521
Total Current Assets	340,717	21,378	362,095	81,863
Noncurrent Assets				
Restricted Cash and Investments	-	7,637	7,637	3,510
Capital Assets, Net of Depreciation	279,802	991,782	1,271,584	206,157
Total Noncurrent Assets	279,802	999,419	1,279,221	209,667
TOTAL ASSETS	620,519	1,020,798	1,641,316	291,530
LIABILITIES				
Current Liabilities				
Accounts Payable	6,384	2,083	8,467	831
Accrued Payroll and Benefits	934	1,322	2,256	5,166
Deferred Revenue	-	-	-	9
Due to Other Funds	27,822	-	27,822	9
Note Payable, Current Portion	14,796	1,174	15,970	-
Total Current Liabilities	49,936	4,580	54,517	6,015
Long-Term Liabilities				
Meter Deposits/Security Deposits	-	6,135	6,135	3,510
Note Payable - Less Current Portion Above	79,188	16,189	95,377	-
Compensated Absences	-	1,073	1,073	-
Total Long-Term Liabilities	79,188	23,397	102,585	3,510
TOTAL LIABILITIES	129,124	27,977	157,102	9,525
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	185,818	974,418	1,160,236	206,157
Restricted	71,931	-	71,931	-
Unrestricted	233,645	18,402	252,047	75,848
TOTAL NET ASSETS	\$ 491,394	\$ 992,820	\$ 1,484,214	\$ 282,005

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
Government-wide Financial Statements
Statement of Activities
For the Fiscal Year Ended June 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets			
	Expenses	Charges for Services	Operating Grant and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	
Primary Government								
Governmental Activities								
General Government	\$ 163,876	\$ 12,547	\$ 110,336	\$ -	\$ (40,993)	\$ -	\$ (40,993)	-
Public Safety	33,298	-	-	-	(33,298)	-	(33,298)	-
Cultural & Recreation	24,528	-	-	-	(24,528)	-	(24,528)	-
Interest - Long-term Debt	2,532	-	-	-	(2,532)	-	(2,532)	-
Total Governmental Activities	<u>224,235</u>	<u>12,547</u>	<u>110,336</u>	<u>-</u>	<u>(101,352)</u>	<u>-</u>	<u>(101,352)</u>	<u>-</u>
Business - Type Activities								
Water and Sewer	91,457	71,394	-	73,675	-	53,612	53,612	-
Garbage	25,715	22,262	-	-	-	(3,452)	(3,452)	-
Cemetery	4,099	1,269	-	-	-	(2,830)	(2,830)	-
Total Business - Type Activities	<u>121,271</u>	<u>94,924</u>	<u>-</u>	<u>73,675</u>	<u>-</u>	<u>47,329</u>	<u>47,329</u>	<u>-</u>
Total Primary Government	<u>\$ 345,506</u>	<u>\$ 107,471</u>	<u>\$ 110,336</u>	<u>\$ 73,675</u>	<u>\$ (101,352)</u>	<u>\$ 47,329</u>	<u>\$ (54,023)</u>	<u>\$ -</u>
Component Unit: Housing Authority	<u>\$ 114,968</u>	<u>\$ 43,158</u>	<u>\$ 37,508</u>	<u>\$ 35,217</u>				<u>\$ 915</u>

General Revenues and Transfers

Taxes

Property Taxes, levied	\$ 10,148	\$ -	\$ 10,148	\$ -
Gross Receipts Tax	16,372	-	16,372	-
Gasoline Tax	6,599	-	6,599	-
Cigarette Tax	159	-	159	-
Real Estate Tax	59	-	59	-
Licenses and Permits	359	-	359	-
Miscellaneous	1,287	-	1,287	-
Investment Earnings	8,552	593	9,145	3,795
Transfers, Net	(23,950)	6,903	(17,047)	-

Total General Revenues and Transfers	<u>19,585</u>	<u>7,496</u>	<u>27,081</u>	<u>3,795</u>
Changes in Net Assets	<u>(81,766)</u>	<u>54,825</u>	<u>(26,942)</u>	<u>4,710</u>
Net Assets Beginning	<u>573,160</u>	<u>937,995</u>	<u>1,511,155</u>	<u>277,295</u>
Net Assets Ending	<u>\$ 491,394</u>	<u>\$ 992,820</u>	<u>\$ 1,484,214</u>	<u>\$ 282,005</u>

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
Fund Financial Statements
Balance Sheet - Governmental Funds

June 30, 2007

	General Fund	Fire Protection Fund	Law Enforcement Fund	Nonmajor Governmental Fund	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 233,071	\$ 50,467	\$ 43,874	\$ -	\$ 327,412
Intergovernmental Receivables	4,276	-	-	-	4,276
Taxes Receivable	1,974	-	-	-	1,974
Funds Held by Others	-	-	-	2,215	2,215
Due from Other Funds	4,840	-	10	-	4,850
Total Assets	\$ 244,161	\$ 50,467	\$ 43,884	\$ 2,215	\$ 340,727
<u>LIABILITIES</u>					
Accounts Payable	\$ 6,394	\$ -	\$ -	\$ -	\$ 6,394
Accrued Payroll and Benefits	934	-	-	-	934
Due to Other Funds	3,188	761	23,874	-	27,822
Total Liabilities	10,516	761	23,874	-	35,150
<u>FUND BALANCES</u>					
Reserved For:					
Public Service	-	49,705	20,010	-	69,715
Debt Service	-	-	-	2,215	2,215
Unreserved	233,645	-	-	-	233,645
Total Fund Balances	233,645	49,705	20,010	2,215	305,576
Total Liabilities and Fund Balances	\$ 244,161	\$ 50,467	\$ 43,884	\$ 2,215	\$ 340,727

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
Reconciliation of the Fund Balance of Governmental Funds
to Governmental Activities Net Assets
June 30, 2007

<u>FUND BALANCE OF GOVERNMENTAL FUNDS</u>	\$ 305,576
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.	(93,984)
Capital Assets (Net of Accumulated Depreciation) used in Governmental Activities are not financial resources and therefore are not reported in the funds.	<u>279,802</u>
Net Assets of Governmental Activities	\$ <u><u>491,394</u></u>

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
Fund Financial Statements
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2007

	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Law Enforcement Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>					
Taxes - Property	\$ 10,148	\$ -	\$ -	\$ -	\$ 10,148
Taxes - State Shared	23,191	-	-	-	23,191
Licenses and Permits	359	-	-	-	359
Intergovernmental	97,090	17,120	(3,874)	17,047	127,383
Charges for Services	1,885	-	-	-	1,885
Interest	7,741	-	-	811	8,552
Rents	11,200	-	-	-	11,200
Miscellaneous	1,278	9	-	-	1,287
	<u>152,890</u>	<u>17,129</u>	<u>(3,874)</u>	<u>17,858</u>	<u>184,004</u>
Total Revenues					
<u>EXPENDITURES</u>					
Current					
General Government	96,943	-	-	-	96,943
Public Safety	-	33,229	69	-	33,298
Cultural and Recreation	24,528	-	-	-	24,528
Capital Outlay	17,658	-	-	-	17,658
Debt Service:					
Principal	-	-	-	14,515	14,515
Interest	-	-	-	2,532	2,532
	<u>139,129</u>	<u>33,229</u>	<u>69</u>	<u>17,047</u>	<u>189,474</u>
Total Expenditures					
Excess (Deficiency) of Revenues over (Under) Expenditures	13,761	(16,100)	(3,943)	811	(5,470)
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating Transfers in	-	2,948	-	-	2,948
Operating Transfers (Out)	(9,851)	(17,047)	-	-	(26,898)
	<u>(9,851)</u>	<u>(14,099)</u>	<u>-</u>	<u>-</u>	<u>(23,950)</u>
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	3,911	(30,199)	(3,943)	811	(29,420)
Fund Balance, Beginning of Year	229,735	79,905	23,953	1,404	334,996
Total Fund Balance - End of Year	<u>\$ 233,645</u>	<u>\$ 49,705</u>	<u>\$ 20,010</u>	<u>\$ 2,215</u>	<u>\$ 305,576</u>

The notes to the financial statements are an integral part of these financial 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, 2007

Net Change in Fund Balances - Governmental Funds \$ (29,420)

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 which capital outlays were exceeded by depreciation in the current period.

Capital Outlays	14,458	
Depreciation	<u>(80,780)</u>	(66,322)

Certain revenues are deferred in the funds based on available and measurable criteria, whereas they were recorded as revenue in the Statement of Activities. (538)

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. 14,514

Change in Net Assets of Governmental Activities \$ (81,766)

The Village of Maxwell
Statement of Revenues and Expenditures - Budget (Non-GAAP) and Actual (Cash Basis)
General Fund

For the Fiscal Year Ended June 30, 2007

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
<u>REVENUES</u>				
Taxes	\$ 46,557	\$ 46,557	\$ 39,968	\$ (6,589)
Licenses and Permits	450	450	375	(75)
Intergovernmental	123,973	123,973	112,099	(11,874)
Charges for Services	900	900	331	(569)
Reimbursements	-	-	1,820	1,820
Interest	7,500	7,500	7,168	(332)
Rent	9,800	9,800	11,200	1,400
Miscellaneous	-	-	1,062	1,062
	<u>189,180</u>	<u>189,180</u>	<u>174,022</u>	<u>(15,157)</u>
Total Revenues				
<u>EXPENDITURES</u>				
Current:				
General Government	115,446	115,446	100,076	15,370
Public Works	750	750	-	750
Cultural And Recreation	5,000	5,000	28,920	(23,920)
Capital Outlay	16,958	16,958	17,658	(700)
	<u>138,154</u>	<u>138,154</u>	<u>146,653</u>	<u>(8,499)</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	51,026	51,026	27,370	(23,656)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers in	-	-	-	-
Operating Transfers (Out)	-	-	(9,851)	(9,851)
	<u>-</u>	<u>-</u>	<u>(9,851)</u>	<u>(9,851)</u>
Total Other Financing Sources (Uses)				
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>\$ 51,026</u>	<u>\$ 51,026</u>	<u>\$ 17,519</u>	<u>\$ (33,507)</u>

Budgetary - GAAP Reporting Reconciliation

Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	\$ 17,519
Adjustments for Revenue Accruals	(21,132)
Adjustments for Expenditures Accruals	7,524
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses (GAAP Basis)	\$ 3,911

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
Statement of Revenues and Expenditures - Budget (Non-GAAP) and Actual (Cash Basis)
Fire Protection Fund - Special Revenue Fund
For the Fiscal Year Ended June 30, 2007

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
<u>REVENUES</u>				
Intergovernmental	\$ 52,819	\$ 52,819	\$ 28,429	\$ (24,390)
Miscellaneous	-	-	9	9
Interest	300	300		(300)
Total Revenues	53,119	53,119	28,438	(24,681)
<u>EXPENDITURES</u>				
Current:				
Public Safety	47,694	47,694	33,525	14,169
Capital Outlay	17,047	17,047	-	17,047
Total Expenditures	64,741	64,741	33,525	31,216
Excess (Deficiency) of Revenues Over Expenditures	(11,622)	(11,622)	(5,086)	6,536
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers in	-	-	2,948	2,948
Operating Transfers (Out)	-	-	(17,047)	(17,047)
Total Other Financing Sources (Uses)	-	-	(14,099)	(14,099)
Excess (Deficiency) of Revenues and Other Financing Sources Over expenditures and Other Uses	(11,622)	(11,622)	\$ (19,186)	\$ (7,564)
Budgeted Cash Carryover	11,622	11,622		
Total	\$ -	\$ -		

Budgetary - GAAP Reporting Reconciliation

Excess (Deficiency) of Revenues Over Expenditures and Financing Sources (Uses)	\$ (19,186)
Adjustments for Revenue Accruals	(11,309)
Adjustments for Expenditures Accruals	296
Excess (Deficiency) of Revenues and Other financing Sources Over Expenditures and Other Financing Uses (GAAP Basis)	\$ (30,199)

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
Statement of Revenues and Expenditures - Budget (Non-GAAP) and Actual (Cash Basis)
Law Enforcement Fund - Special Revenue Fund
For the Fiscal Year Ended June 30, 2007

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
<u>REVENUES</u>				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Total Revenues	20,000	20,000	20,000	-
<u>EXPENDITURES</u>				
Current:				
Public Safety	20,000	20,000	69	19,931
Total Expenditures	20,000	20,000	69	19,931
Excess (Deficiency) of Revenues Over Expenditures	-	-	19,931	19,931
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers in	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over expenditures and Other Uses	\$ -	\$ -	\$ 19,931	\$ 19,931

Budgetary - GAAP Reporting Reconciliation

Excess (Deficiency) of Revenues Over Expenditures and Financing Sources (Uses)	\$ 19,931
Adjustments for Revenue Accruals	(23,874)
Adjustments for Expenditures Accruals	-
Excess (Deficiency) of Revenues and Other financing Sources Over Expenditures and Other Financing Uses (GAAP Basis)	\$ (3,943)

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-Type Activities			
	Water & Sewer Fund	Garbage Fund	Nonmajor Enterprise Fund	Total Enterprise Funds
<u>ASSETS</u>				
Current Assets				
Cash	\$ 8,385	\$ 96	\$ 5,265	\$ 13,746
Accounts Receivable (Net of Allow for Uncollectibles)	6,647	1,887	-	8,533
Due From Other Funds	2,924	-	1,050	3,974
Total Current Assets	17,956	1,983	6,315	26,254
Non-Current Assets				
Restricted Assets				
Cash and Investments	7,637	-	-	7,637
Capital Assets - Net	991,782	-	-	991,782
Total Non-Current Assets	999,419	-	-	999,419
Total Assets	\$ 1,017,375	\$ 1,983	\$ 6,315	\$ 1,025,673
<u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 1,099	\$ 984	\$ -	\$ 2,083
Accrued Payroll and Benefits	1,322	-	-	1,322
Current Portion of Long-Term Debt	1,174	-	-	1,174
Due to Other Funds	10	787	4,078	4,875
Total Current Liabilities	3,606	1,771	4,078	9,455
Non-Current Liabilities				
Meter Deposits	6,135	-	-	6,135
Compensated Absences	1,073	-	-	1,073
Long-Term Debt	16,189	-	-	16,189
Total Non-Current Liabilities	23,397	-	-	23,397
Total Liabilities	27,003	1,771	4,078	32,853
Net Assets				
Invested in Capital Assets, Net of Related Debt	974,418	-	-	974,418
Unrestricted	15,953	212	2,236	18,402
Total Net Assets	990,372	212	2,236	992,820
Total Liabilities And Net Assets	\$ 1,017,375	\$ 1,983	\$ 6,315	\$ 1,025,673

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
Statements of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

For the Fiscal Year Ended June 30, 2007

	Business-Type Activities			
	Water and Sewer Fund	Garbage Fund	Nonmajor Enterprise Fund	Total Enterprise Funds
<u>OPERATING REVENUES</u>				
Water and Sewer Service	\$ 62,619	\$ -	\$ -	\$ 62,619
Charges for Services	-	22,262	644	22,906
Other Operating Revenue	8,775	-	625	9,400
Total Operating Revenues	71,394	22,262	1,269	94,924
<u>OPERATING EXPENSES</u>				
Personal Services	36,922	-	101	37,024
Utilities	4,980	-	-	4,980
Depreciation	15,292	-	-	15,292
Other Operating Expenses	33,723	25,715	3,998	63,435
Total Operating Expenses	90,917	25,715	4,099	120,731
Operating Income (Loss)	(19,524)	(3,452)	(2,830)	(25,806)
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Intergovernmental	73,675	-	-	73,675
Interest Income	380	-	213	593
Interest Expense	(540)	-	-	(540)
Total Non-Operating Revenues (Expenses)	73,516	-	213	73,728
Income Before Operating Transfers	53,992	(3,452)	(2,618)	47,922
Transfers In	8,433	-	-	8,433
Transfers (Out)	-	(1,531)	-	(1,531)
Total	8,433	(1,531)	-	6,903
Change in Net Assets	62,426	(4,983)	(2,618)	54,825
Total Net Assets - Beginning of Year	927,946	5,195	4,854	937,995
Total Net Assets - End of Year	\$ 990,372	\$ 212	\$ 2,236	\$ 992,820

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
Statements of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2007

	Business-Type Activities			
	Water and Sewer Fund	Garbage Fund	Nonmajor Enterprise Fund	Total Enterprise Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash Received From Customers, Grants, and Misc.	\$ 71,450	\$ 22,208	\$ 1,269	\$ 94,927
Cash Used For Salaries and Related Benefits	(40,083)	-	(4,099)	(44,182)
Cash Used for Suppliers of Goods and Services	(36,190)	(24,819)	3,200	(57,810)
Net Cash Provided by Operating Activities	<u>(4,823)</u>	<u>(2,611)</u>	<u>370</u>	<u>(7,065)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Advances (Repayments) To/From Other Funds	8,433	(1,531)	-	6,903
Operating Transfers In (Out)	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>8,433</u>	<u>(1,531)</u>	<u>-</u>	<u>6,903</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Capital Grants Received	74,850	-	-	74,850
Payment For Capital Acquisitions	(73,675)	-	-	(73,675)
Principal Payments On Long-Term Debt	(1,174)	-	-	(1,174)
Interest Paid	(540)	-	-	(540)
Meter Deposits Received	(1,958)	-	-	(1,958)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,498)</u>	<u>-</u>	<u>-</u>	<u>(2,498)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Proceeds From Sale and Maturities of Investment Securities	-	-	4,372	4,372
Interest Income	380	-	213	593
Net Cash Provided by Investing Activities	<u>380</u>	<u>-</u>	<u>4,585</u>	<u>4,965</u>
Increase (Decrease) in Cash	1,493	(4,142)	4,954	2,305
Cash - Beginning of Year	14,529	4,238	310	19,078
<u>CASH - END OF YEAR</u>	<u>\$ 16,022</u>	<u>\$ 96</u>	<u>\$ 5,265</u>	<u>\$ 21,383</u>
Reconciliation of Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (19,524)	\$ (3,452)	\$ (2,830)	\$ (25,806)
Depreciation	15,292	-	-	15,292
(Increase) Decrease in:				
Accounts Receivable	1,231	(54)	-	1,177
Intergovernmental	(1,174)	-	-	(1,174)
Increase (Decrease) in:				
Accounts Payable	2,513	895	3,200	6,608
Accrued Payroll and Benefits	(3,161)	-	-	(3,161)
Other Liabilities	-	-	-	-
Net Cash Provided by Operating Activities	<u>\$ (4,823)</u>	<u>\$ (2,611)</u>	<u>\$ 370</u>	<u>\$ (7,065)</u>

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE A - 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 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 based on the criteria listed above. 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 Financial Statements

The statement of net assets and the statement of activities of the Village report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity 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 services.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function of segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The Village of Maxwell
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus basis of accounting, and financial statement presentation

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

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they were collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to criteria have been met subject to the availability criterion.

Governmental funds are used to account for the Village's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and servicing of general long-term debt.

Under the requirements of GASB No. 34, the Village is required to present certain of its governmental funds as major based on specific criteria.

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:

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

The Village of Maxwell
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Law Enforcement

To account for monies received under a Joint Powers Agreement entered into by the New Mexico Department of Public Safety, State Police Division (NMDPS,SPD) and the Village of Maxwell (Village) pursuant to the Joint Powers Act, Sections 11-1-1 through 11-1-7, NMSA 1978.

The Village receives a Law Enforcement Protection Funds grant on an annual basis to be made available to NMDPS, NMSP for purchase and repair of equipment and office training for providing police protection and law enforcement as required within its municipality limits.

The Village is responsible for administration of this agreement and NMDPS, SPD agrees to provide protection and law enforcement within the municipality limits of the Village. This agreement became effective upon the approval of the Secretary of the Department of Finance and Administration and expires on June 30, 2007.

During the term of this agreement, and for a period of not less than three years both the NMDPS, SPD and the Village shall maintain accurate and complete records of any and all disbursements made under this agreement.

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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Village's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues. Program revenues are categorized as (1) charges for services, which include revenues collected for fees and use of Village services, facilities, etc., (2) program-specific operating grants, which includes revenues received from state and federal sources are to be used as specified within each program grant agreement, and (3) program-specific capital grants and contributions, which included revenues from state sources to be used for capital projects. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperation items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water sewer utility fund and garbage fund are charged to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperation revenues and expenses.

The Village of Maxwell
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 fund require the approval of the governing council.

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 taxpayer comments. Prior to September 1, the budget is legally enacted through passage of a resolution.

The Village Mayor 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 principals (GAAP). The accounting records are maintained on a non-GAAP basis of cash receipts and disbursements; consequently, certain revenues and 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 and 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 State Statute, Section 6-10-10, NMSA 1978.

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 appropriations.

The Village of Maxwell
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 consist 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.

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 uses 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" or "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 portion of fund balance established to indicate tentative plans for financial resources utilization in a future period.

The Village of Maxwell
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE B - CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

The Village maintains cash in various financial institutions within the Village or the surrounding area. 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. As of June 30, 2007, 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, 2007	Account Type
Bank of America - Fire Discretionary fund	\$ 24,101	\$ 24,101	Checking
Bank of America - NM State Fire fund	26,365	26,365	Checking
International Bank - Garbage Fund	96	831	Checking
International Bank - Water Meter Deposits	7,637	7,795	Checking
International Bank - Police Department	43,874	43,874	Checking
International Bank - Water & Sewer	8,385	8,597	Checking
International Bank - Cemetery Fund	5,265	5,265	Checking
International Bank - General Fund	89,060	113,560	Checking
International Bank - Payroll Account	1,605	1,808	Checking
International Bank - General Fund	128,544	128,544	Savings
International Bank - Certificate of Deposit	13,862	13,862	CD
First National Bank - Certificate of Deposit	-	-	CD
	\$ 348,795	\$ 374,603	
Cash per financial Statements:			
Cash and Cash Equivalents		\$ 341,158	
Restricted Cash and Investments		7,637	
Total		\$ 348,795	

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.

The Village of Maxwell
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE B - CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

	<u>Bank of America</u>	<u>International Bank</u>	<u>First National Bank</u>
Cash in Bank per June 30, 2007 statements:			
Checking Accounts	\$ 50,467	\$ 181,730	\$ -
Savings Accounts	-	128,544	-
Certificates of Deposit	-	13,862	-
Total Deposits	<u>50,467</u>	<u>324,136</u>	<u>-</u>
Less FDIC - checking	(50,467)	(100,000)	-
Less FDIC - Time Deposits	-	(100,000)	-
Uninsured Public Finds	-	<u>124,136</u>	<u>-</u>
50% Collateral Requirements	-	62,068	-
Pledged Securities	-	<u>198,477</u>	<u>-</u>
Over (Under)	<u>\$ -</u>	<u>\$ 136,409</u>	<u>\$ -</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$124,136 of the Village's bank balance of \$374,603 was exposed to custodial credit risk.

Uninsured and Collateralized	\$ -
Uninsured and Collateralized by a bank not in the Village's Name	<u>124,136</u>
Total	<u>\$ 124,136</u>

The following is a schedule of pledged collateral to secure deposits of The Village of Maxwell as of June 30, 2007:

<u>Description</u>	<u>CUSIP No.</u>	<u>Maturity Par Value</u>	<u>Maturity Date</u>	<u>Par Value / Market Value</u>
<i>International Bank</i>				
<i>P.O. Drawer 1028</i>				
<i>Raton, New Mexico</i>				
			<u>Safekeeping Location:</u>	
			<i>Federal Home Loan Bank of Dallas</i>	
			<i>5605 N. MacArthur Blvd.</i>	
			<i>Irving, Texas</i>	
Federal Home Loan	3133XJEH7	\$ 50,000	12/29/2011	\$ 49,460
Federal Home Loan	3133MTQB7	<u>150,000</u>	11/15/2007	<u>149,017</u>
Total		<u>\$ 200,000</u>		<u>\$ 198,477</u>

NOTE C - 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, 2007.

Certificates of Deposit

The village has invested \$13,862 in a certificates of deposit held at International Bank of Raton. The amount held at International Bank of Raton is properly collateralized as required by New Mexico state statutes and is shown as a cash equivalent.

The Village of Maxwell
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE C - INVESTMENTS (CONTINUED)

Savings Accounts

The Village has \$128,544 in a 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 year 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 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, 2007 the village's certificate of deposit was not rated.

Concentration of Risk

The Village places no limit on the amount that may be invested in one issuer. The Village had no concentration of greater than 5% with any one issuer as of June 30, 2007.

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 Months
Certificates of Deposit	\$ 13,862	3 Months
Less Cash Equivalents	(13,862)	
	\$ -	

NOTE D - RECEIVABLES

As of June 30, 2007, 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, 2007, from other governmental agencies. The amounts have been received within the following month and as a result 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	\$ 7,212	\$ 566	\$ 6,647
Garbage	1,998	111	1,887

The Village of Maxwell
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 were as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Transfer/ Retirements</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land and Land Rights	\$ 33,473	\$ 14,458	\$ -	\$ 47,931
Total Capital Assets, Not Being Depreciated	<u>33,473</u>	<u>14,458</u>	<u>-</u>	<u>47,931</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	625,000	-	-	625,000
Furniture and Equipment	680,664	-	-	680,664
Total Capital Assets, Being Depreciated	<u>1,305,664</u>	<u>-</u>	<u>-</u>	<u>1,305,664</u>
Less Accumulated Depreciation				
Buildings and Improvements	(519,018)	(12,500)	-	(531,518)
Furniture and Equipment	(473,995)	(68,280)	-	(542,275)
Total Less Accumulated Depreciation	<u>(993,013)</u>	<u>(80,780)</u>	<u>-</u>	<u>(1,073,793)</u>
Governmental Activities Capital Assets, Net	<u>\$ 346,124</u>	<u>\$ (66,322)</u>	<u>\$ -</u>	<u>\$ 279,802</u>
Depreciation expense for governmental activities for the fiscal year was				<u>\$ 80,780</u>

The following is a summary of Proprietary fund capital assets:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Transfer/ Retirements</u>	<u>Balance</u> <u>June 30, 2007</u>
Water & Sewer:				
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 804,485	\$ 43,676	\$ -	\$ 848,160
Water Line Replacement	11,086	30,000	-	41,086
Total Capital Assets, Not Being Depreciated	<u>815,571</u>	<u>73,675</u>	<u>-</u>	<u>889,246</u>
Capital Assets, Being Depreciated				
Systems/Plant	505,000	-	-	505,000
Equipment and Other	18,667	-	-	18,667
Total Capital Assets, Being Depreciated	<u>523,667</u>	<u>-</u>	<u>-</u>	<u>523,667</u>
Less Accumulated Depreciation				
Systems/Plant	(400,506)	(12,625)	-	(413,131)
Equipment and Other	(5,333)	(2,667)	-	(8,000)
Total Less Accumulated Depreciation	<u>(405,839)</u>	<u>(15,292)</u>	<u>-</u>	<u>(421,131)</u>
Water & Sewer: Activities Capital Assets, Net	<u>\$ 933,398</u>	<u>\$ 58,384</u>	<u>\$ -</u>	<u>\$ 991,782</u>
Depreciation Expense for Water & Sewer Activities for the fiscal year was				<u>\$ 15,292</u>

Further detail of Depreciation Expense by function was not possible due to the lack of detailed equipment schedules maintained by the Village. - See finding 2005-02.

The Village of Maxwell
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE F - CHANGES IN LONG-TERM DEBT

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

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Amount Due in One Year
Governmental Activities:					
NM Finance Authority - Fire Truck	\$ 108,499	\$ -	\$ 14,515	\$ 93,984	\$ 14,796
Total Governmental Activities:	<u>\$ 108,499</u>	<u>\$ -</u>	<u>\$ 14,515</u>	<u>\$ 93,984</u>	<u>\$ 14,796</u>

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 \$ 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, 2006	Additions	Deletions	Balance June 30, 2007	Amount Due in One Year
Business-Type Activities					
Compensated Absences	\$ 1,073	\$ 1,073	\$ 1,073	\$ 1,073	\$ -
NMED - Water & Sewer	18,538	-	1,174	17,364	1,210
Total Business-Type Activities	<u>\$ 19,611</u>	<u>\$ 1,073</u>	<u>\$ 2,247</u>	<u>\$ 18,437</u>	<u>\$ 1,210</u>

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% 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, 2007 are as follows:

NM Finance Authority Loan - Fire Truck

Year Ending June 30,	Principal	Interest	Total
2008	\$ 14,796	\$ 2,094	\$ 16,890
2009	15,110	1,769	16,879
2010	15,449	1,419	16,868
2011	15,813	1,115	16,928
2012	16,201	792	16,993
2013	16,615	397	17,012
Total	<u>\$ 93,984</u>	<u>\$ 7,586</u>	<u>\$ 101,570</u>

The Village of Maxwell
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE F - CHANGES IN LONG-TERM DEBT (CONTINUED)

NMED Water and Sewer				
Year Ending June 30,	Principal	Interest	Total	
2008	\$ 1,210	\$ 504	\$ 1,715	
2009	1,247	468	1,715	
2010	1,285	430	1,715	
2011	1,324	391	1,715	
2012 - 2016	5,711	1,147	6,858	
2017 - 2019	6,587	420	7,007	
Total	<u>\$ 17,364</u>	<u>\$ 3,359</u>	<u>\$ 20,723</u>	

NOTE G - PERA PENSION PLAN

The Village has one full time employee and he participates 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-employee 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, New Mexico 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 ended June 30, 2007, 2006, and 2005 were \$ 2,761, \$6,193, \$ 5,058 respectively. See related finding 2005-04.

NOTE H - 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-Insurers 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; errors and omissions; volunteer firefighters; civil rights; inland marine; and workers compensation.

The Village pays an annual premium of \$25,040 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 I - 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 for the year ended June 30, 2007. See related finding 2006-07.

The Village of Maxwell
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE J - 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 amount to \$10,148 and \$631 delinquent for the year ended June 30, 2007; of those amounts \$1,240 was receivable June 30, 2007.

NOTE K - TRANSFERS AND DUE FROM/TO OTHER FUNDS

Transfers between funds during the year were as follows:

Transfers In	Transfers Out					Totals
	General Fund	Debt Service	Water & Sewer	Fire Protection Fund	Garbage Fund	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	-	-	-	17,047	-	17,047
Water & Sewer Fund	6,903	-	-	-	1,531	8,433
Fire Fund	2,948	-	-	-	-	2,948
Total	\$ 9,851	\$ -	\$ -	\$ 17,047	1,531	\$ 28,428

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

Due From	Due to						Totals
	General Fund	Law Enforce Fund	Fire Fund	Garbage Fund	Water & Sewer Fund	Cemetery Fund	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 2,138	\$ 4,078	\$ 6,216
Fire Fund	-	-	-	-	-	-	-
Law Enforcement Fund	761	-	-	-	-	-	761
Garbage Fund	-	-	-	-	787	-	787
Water & Sewer Fund	-	10	-	-	-	-	10
Cemetery Fund	1,050	-	-	-	-	-	1,050
Total	\$ 1,811	\$ -	\$ -	\$ -	\$ 2,924	\$ 4,078	\$ 8,824

Activity between funds that are representative of lending or 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.

The Village of Maxwell
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE L - 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.

Fire Protection Fund	\$	30,199
Law Enforcement Fund		3,943
Garbage		3,452

Actual expenditures exceed budgetary expenditures for the following fund.

General Fund	\$	8,499
Debt Service Fund		10,198

See finding 2004-02

NOTE M - SUBSEQUENT EVENTS

Department of Justice audit of COPS Office UHP Grant:

During the year ended June 30, 2007 the Village underwent an audit by the U.S Department of Justice for a COPS Office UHP Grant concerning funds expended by the Village under this grant during the period 2000 through 2004. A draft audit report dated June 29, 2007 was issued requesting the submission of a written report before issuance of the final audit report.

On October 11, 2007 an executive summary for the Office of Community Oriented Policing Services (COPS) Grant to the Village of Maxwell was provided. A summary of this document is provided below:

- a. The Village was found to be in material non-compliance with COPS' grant requirements.
Of the five essential grant conditions and except for budgeting for local match requirements, weaknesses in each of the areas tested was found.
 - The Village was unable to provide supporting documentation for withdrawals.
 - The Village charged unallowable costs.
 - The Village could not provide documentation to support that its 10% match requirement had been met.
 - The Village claimed excess salary costs.
 - The Village did not retain the grant funded officer position for at least one full budget cycle.

As a result of these findings the entire amount of grant funds received of \$ 160,366 was questioned.

Pursuant to the request for a written response the Village provided a letter dated July 19, 2007 authored by a council member who was new to the council. In his letter he stated that there were no matching funds utilized and the Village was unable to contest the excess salary expenditures, and he was not possible to provide any clarification on how funds were spent due to the lack of record keeping and retention of receipts and that the council recognized that there was a blatant violation of the grant's contractual agreement.

In closing, this letter concluded that a prior administration lacked the experience to manage the grant and was unprepared to ensure appropriate oversight and accountability of the funds.

The Village conveyed to the Department of Justice that it was unable to repay the full amount of the grant and provided a letter to that effect.

On March 12, 2008 the U.S. Department of Justice issued a notice of Bar to the Village of Maxwell in closing its review of the Village of Maxwell violation of the COPS grant conditions by applying a three-year bar to prevent the Village from applying for or receiving new COPS grants. This bar will run for three years from the date of the letter.

The Village of Maxwell
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE M - SUBSEQUENT EVENTS (CONTINUED)

This letter also stated that after working with the Village of Maxwell to explore all possible remedial options it was determined that the return of \$ 23,873.80 of grant funds would be the most effective remedy.

The Village of Maxwell had already returned the above mentioned funds in a check dated January 22, 2008, that was also evidenced by Village Resolution No. 01-15-08.

The result of this subsequent event is that a liability is established in the Police Fund for the amount of of the funds provided of \$ 23,873.80.

The Village of Maxwell vs. the Maxwell Cooperative Water Users Association

On August 24, 2006 the Village communicated to the Maxwell Cooperative Water Users Association their intent to discontinue the monthly payment required under a contract signed by the Village in December, 1983. This decision was contested by the Maxwell Cooperative Water Users Association and a law suit was filed against the Village of Maxwell in the Eighth Judicial District Court.

This dispute was settled in July 2008. The terms of this agreement provided in part that the Village of Maxwell was to pay in full all arrearages due to the Maxwell Cooperative Water Users Association and the Village would continue to make required monthly payments unless the original contract signed was modified in writing by mutual agreement of the parties.

The financial statements reflect a payable for the ten months liability ultimately paid under the settlement agreement in July 2008 in the amount of \$ 3,600. This liability is recorded in the General Fund as an Account Payable.

NOTE N - TRANSACTIONS WITH VILLAGE COMPONENT UNIT

The Village provides a payroll service for the Village of Maxwell Housing Authority (Component Unit for the Village of Maxwell) for a monthly fee. The service requires the Village to prepare the payroll checks as well as as the required federal payroll tax reports. The Housing Authority is then billed for the various costs related to the payroll transactions. The amount due from the Component Unit at June 30, 2007 for reimbursement of payroll disbursements by the Village was \$ 2,624.

SUPPLEMENTARY INFORMATION

The Village of Maxwell

Debt Service Fund

June 30, 2007

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.

The Village of Maxwell
NONMAJOR GOVERNMENTAL FUND
Debt Service Fund
Balance Sheet
June 30, 2007

ASSETS

Funds Held by Others	\$ <u>2,215</u>
Total Assets	\$ <u><u>2,215</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES	\$ -
FUND BALANCE	
Unreserved	<u>2,215</u>
Total Fund Balance	<u>2,215</u>
Total Liabilities And Fund Balance	\$ <u><u>2,215</u></u>

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
NONMAJOR GOVERNMENTAL FUND
Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2007

REVENUES

Intergovernmental Interest	\$	17,047
		<u>811</u>
Total Revenues		<u>17,858</u>

EXPENDITURES

Current Expenditures		
Public Safety		
Debt Service		<u>17,047</u>
Total Expenditures		<u>17,047</u>

Net Change in Fund Balance		811
Fund Balance - Beginning of Year		<u>1,404</u>
Fund Balance - End of Year	\$	<u><u>2,215</u></u>

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
NONMAJOR GOVERNMENTAL FUND
Debt Service Fund
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
<u>REVENUES</u>				
Investment Income	\$ -	\$ -	\$ 811	\$ 811
Total Revenues	<u>-</u>	<u>-</u>	<u>811</u>	<u>811</u>
<u>EXPENDITURES</u>				
Current				
Public Safety				
Debt Service	<u>6,038</u>	<u>6,038</u>	<u>17,047</u>	<u>(11,009)</u>
Total Expenditures	<u>6,038</u>	<u>6,038</u>	<u>17,047</u>	<u>(11,009)</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,038)	(6,038)	(16,236)	(10,198)
<u>Other Financing Sources (Uses)</u>				
Transfers In	-	-	17,047	17,047
Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>17,047</u>	<u>17,047</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(6,038)	(6,038)	<u>\$ 811</u>	<u>\$ 6,849</u>
Budgeted Cash Carryover	<u>6,038</u>	<u>6,038</u>		
Total	<u>\$ -</u>	<u>\$ -</u>		

Budgetary - GAAP Reporting Reconciliation

Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	\$ 811
Adjustments for Revenue Accruals	-
Adjustments for Expenditures Accruals	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources (GAAP Basis)	<u>\$ 811</u>

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
Enterprise Funds
June 30, 2007

Enterprise Funds

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

Cemetery Operating Fund

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 and 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
Balance Sheet
June 30, 2007

	<u>Cemetery Operating Fund</u>
<u>ASSETS</u>	
Current Assets	
Cash and Cash equivalents	\$ 5,265
Investments	-
Due From Other Funds	1,050
Accounts Receivable, Net of Allowance for Doubtful Accounts	<u>-</u>
Total Assets	<u><u>\$ 6,315</u></u>
 <u>LIABILITIES AND NET ASSETS</u>	
Liabilities	
Current Liabilities	
Due to Other Funds	\$ <u>4,078</u>
Total Current Liabilities	<u>4,078</u>
 Net Assets	
Unreserved	<u>2,236</u>
Total Net Assets	<u>2,236</u>
Total Liabilities And Net Assets	<u><u>\$ 6,315</u></u>

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
NONMAJOR ENTERPRISE FUND
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2007

	<u>Cemetery Operating Fund</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 644
Other Operating Revenue	<u>625</u>
Total Operating Revenues	<u>1,269</u>
<u>OPERATING EXPENSES</u>	
Personal Services	101
Other Operating Expenses	<u>3,998</u>
Total Operating Expenses	<u>4,099</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Income	<u>213</u>
Total Non-Operating Revenues (Expenses)	<u>213</u>
Net Income (Loss) Before Contributions and Transfers	(2,618)
Transfers In	-
Transfers (Out)	<u>-</u>
Total Transfers	<u>-</u>
Changes in Net Assets	(2,618)
Total Net Assets - Beginning of Year	<u>4,854</u>
Total Net Assets - End of Year	<u>\$ 2,236</u>

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
NONMAJOR ENTERPRISE FUND
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2007

	<u>Cemetery Operating Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received From Customers, Grants and Miscellaneous	\$ 1,269
Cash Used For Suppliers of Goods and Services	(4,099)
Due To/From other funds (Net)	<u>3,200</u>
Net Cash Provided (Used) by Operating Activities	<u>370</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING</u>	
	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Proceeds From Sale of Investment Securities	4,372
Interest Income	<u>213</u>
Net Cash Provided from Investing Activities	<u>4,585</u>
Net Increase (Decrease) in Cash	4,954
Cash - Beginning of Year	<u>310</u>
Cash - End of Year	<u><u>\$ 5,265</u></u>
Reconciliation of Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(2,830)
Depreciation	-
Change in Assets and Liabilities	
Increase (Decrease) in Liabilities	
Accounts Payable	<u>3,200</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 370</u></u>

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
NONMAJOR ENTERPRISE FUND
Cemetery Operating Fund

Statement of Revenues and Expenditures - Budget (Non-GAAP) and Actual (Cash Basis)
For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 900	\$ 900	\$ 644	\$ (256)
Other Operating Revenues	-	-	625	625
Total Operating Revenues	900	900	1,269	369
<u>OPERATING EXPENDITURES</u>				
Other Operating Expenses	4,500	4,500	4,099	401
Total Operating Expenditures	4,500	4,500	4,099	401
Operating Income (Loss)	(3,600)	(3,600)	(2,830)	770
<u>NON-OPERATING REVENUES (EXPENDITURES)</u>				
Interest Income	70	70	213	143
Total Non-Operating Revenues (Expenditures)	70	70	213	143
Net Income (Loss) Before Operating Transfers	(3,530)	(3,530)	(2,618)	912
Operating Transfers In (Out)	-	-	-	-
Net Income (Loss)	(3,530)	(3,530)	\$ (2,618)	\$ 912
Budgeted Cash Carryover	3,530	3,530		
Total	\$ -	\$ -		

Budgetary - GAAP Reporting Reconciliation

Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	\$ (2,618)
Adjustments for Revenue Accruals	-
Adjustments for Expenditures Accruals	-
Excess (Deficiency) of Revenues and Other financing Sources Over Expenditures and Other financing uses (GAAP Basis)	\$ (2,618)

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
ENTERPRISE FUNDS
Garbage Fund

Statement of Revenues and Expenditures - Budget (Non-GAAP) and Actual (Cash Basis)
For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 21,000	\$ 21,000	\$ 22,076	\$ 1,076
Total Operating Revenues	21,000	21,000	22,076	1,076
<u>OPERATING EXPENDITURES</u>				
Other Operating Expenses	25,510	25,510	24,819	691
Total Operating Expenditures	25,510	25,510	24,819	691
Operating Income (Loss)	(4,510)	(4,510)	(2,743)	1,767
<u>NON-OPERATING REVENUES (EXPENDITURES)</u>				
Interest Income	300	300	-	(300)
Total Non-Operating Revenues (Expenditures)	300	300	-	(300)
Net Income (Loss) Before Operating Transfers	(4,210)	(4,210)	(2,743)	1,467
Operating Transfers In (Out)	-	-	(1,531)	(1,531)
Net Income (Loss)	(4,210)	(4,210)	\$ (4,274)	\$ (64)
Budgeted Cash Carryover	4,210	4,210		
Total	\$ -	\$ -		

Budgetary - GAAP Reporting Reconciliation

Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	\$ (4,274)
Adjustments for Revenue Accruals	186
Adjustments for Expenditures Accruals	(895)
Excess (Deficiency) of Revenues and Other financing Sources Over Expenditures and Other financing uses (GAAP Basis)	\$ (4,983)

The notes to the financial statements are an integral part of these financial statements

The Village of Maxwell
ENTERPRISE FUNDS
Water & Sewer Utility Fund
Statement of Revenues and Expenditures - Budget (Non-GAAP) and Actual (Cash Basis)
For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 79,150	\$ 79,150	\$ 63,047	\$ (16,103)
Connections	850	850	804	(46)
Other Operating Revenues	-	-	8,775	8,775
Meter Deposits	350	350	-	(350)
Intergovernmental	<u>375,161</u>	<u>375,161</u>	<u>73,675</u>	<u>(301,486)</u>
 Total Operating Revenues	 <u>455,511</u>	 <u>455,511</u>	 <u>146,300</u>	 <u>(309,211)</u>
<u>OPERATING EXPENDITURES</u>				
Personal Services	65,298	65,298	40,083	25,215
Utilities	9,350	9,350	4,980	4,370
Other Operating Expenses	24,837	24,837	34,273	(9,436)
Capital Outlay	<u>364,429</u>	<u>364,429</u>	<u>74,850</u>	<u>289,580</u>
 Total Operating Expenditures	 <u>463,915</u>	 <u>463,915</u>	 <u>154,186</u>	 <u>309,729</u>
 Operating Income (Loss)	 (8,404)	 (8,404)	 (7,886)	 518
<u>NON-OPERATING REVENUES (EXPENDITURES)</u>				
Investment Income	<u>100</u>	<u>100</u>	<u>380</u>	<u>280</u>
 Total Non-Operating Revenues (Expenditures)	 <u>100</u>	 <u>100</u>	 <u>380</u>	 <u>280</u>
 Net Income (Loss) Before Operating Transfers	 (8,304)	 (8,304)	 (7,505)	 799
Operating Transfers In (Out)	<u>-</u>	<u>-</u>	<u>8,433</u>	<u>8,433</u>
 Net Income (Loss)	 (8,304)	 (8,304)	 <u>\$ 928</u>	 <u>\$ 9,232</u>
 Budgeted Cash Carryover	 <u>8,304</u>	 <u>8,304</u>		
 Total	 <u>\$ -</u>	 <u>\$ -</u>		

Budgetary - GAAP Reporting Reconciliation

Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	\$ 928
Adjustments for Revenue Accruals	(1,231)
Adjustments for Expenditures Accruals, Depreciation, and Capital Outlay	62,729
Excess (Deficiency) of Revenues and Other financing Sources Over Expenditures and Other financing uses (GAAP Basis)	<u>\$ 62,426</u>

The notes to the financial statements are an integral part of these financial statements

Charles L. Henry

Certified Public Accountant

666 Cook Avenue

Raton, New Mexico 87740

(505) 681-9762

**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 Maxwell

Mr. Balderas and Members of the Board

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the fund information, the budgetary comparisons for the general fund and major special revenue funds, and the individual funds, and budgetary comparisons presented as supplemental information of the Village of Maxwell (Village) of and for the year ended June 30, 2007, and have issued my report thereon dated November 2, 2011 that contains a qualification of my opinion due to incomplete records related to cash receipts of the business-type activities. I conducted my 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. Other auditors audited the discretely presented component unit, as described in my report on the Village's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: Finding 2007-13

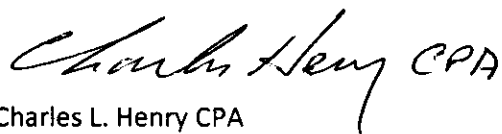
A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: Findings 2003-02, 2005-01, 2005-02, 2005-03, 2005-06, 2005-07, 2007-01, 2007-02, 2007-03, 2007-05, 2007-06, 2007-07, 2007-08, 2007-09, 2007-11 and 2007-12.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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: Findings 2004-01, 2004-02, 2005-02, 2007-02, 2007-04, 2007-10, 2007-11 and 2007-12

The Village's responses to the findings identified in my audit are described in the accompanying findings and responses. I did not audit the Village's response, and accordingly, I express no opinion on it.

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.



Charles L. Henry CPA
November 2, 2011

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT STATUS OF PRIOR YEAR FINDINGS

2003-02	Financial Reporting and General Ledger Maintenance	Repeated
2004-01	Failure to File Audit Report by the Required Due Date	Repeated
2004-02	Expenditures in Excess of Budget	Repeated - Modified
2005-01	No Written Policies and Procedures	Repeated
2005-02	Capital Asset Inventory List	Repeated
2005-03	General Lack of Internal Controls	Repeated
2005-04	Public Employees Retirement Association ("PERA") Reports	Corrected
2005-05	Computer Hard Drives Not Properly Erased	Corrected
2005-06	Cemetery Lot Sales	Repeated
2005-07	Water Meter Deposits	Repeated

2003-02. Financial Reporting and General Ledger Maintenance -- Significant Deficiency

Condition

The Village's general ledger is not properly maintained as follows:

- Transactions posted across funds and in 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.

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.

Cause

Lack of knowledge of governmental accounting requirements.

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, 2007

CURRENT STATUS OF PRIOR YEAR FINDINGS

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

Condition

The New Mexico State Auditor requires the audit to be completed and submitted to his office by December 1 of the fiscal year end.

Criteria

According to the State of New Mexico, Office of the State Auditor rule NMAC 2.2.2.9 A(1),(d) the due date for audit reports of villages is December 1 following the end of the fiscal year.

Effect

Statements that are filed after the due date contain information that is old. Economic conditions change and the more current the information is the better able the Village, or others needing current financial information from the Village are to make sound business decisions.

Cause

The Village did not contract for the audit until after the due date had passed because of difficulty in finding a auditor to accept the engagement.

Recommendation

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

Management's Response

Management is aware of the condition stated above. The present management is working toward bringing the filing requirements of the financial statements current as soon as possible.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT STATUS OF PRIOR YEAR FINDINGS

2004-02. Expenditures in Excess of Budget -- Compliance

Condition

During the fiscal year 2007, the Village's expenditures exceeded the revised, approved budget in the General Fund by \$ 8,499 and in the Debt Service Fund by \$ 10,198.

Criteria

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

Effect

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

Cause

In this case it appears that the Village did not review the Debt Service Fund as part of it's review process.

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

Management is aware of the condition stated above. The present management is working toward bringing the budgetary requirements of the financial statements current as soon as possible.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT STATUS OF PRIOR YEAR FINDINGS

2005-01. No Written Policies and Procedures -- Significant Deficiency

Condition

The Village does not have sufficient written policies and procedures in place for operations and compliance requirements.

Criteria

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

Effect

The lack of adequate policies and procedures allows the administration in place for the period of the audit to avoid any process or procedure that would require accountability.

Cause

A lack of attention to the requirements of handling public funds and consistency with Council and staff. Current observation finds there was no the part of Village administration in place to follow any stated policy or procedure.

Recommendation

The Council should adopt and document clear policies and procedures that will provide direction to the Council as well as staff for meeting the various filing requirements and proper documentation of the village actions.

Management's Response

The present Village administration has adopted written policies and procedures to meet the requirements of the law and sound management of the Village but this condition will still be noted until such procedures were put in place.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT STATUS OF PRIOR YEAR FINDINGS

2005-02. Capital Asset Inventory List -- Significant Deficiency and Compliance

Condition

Capital asset inventory listings are not properly maintained by the village. The asset list was generated by the previous auditor and no records reflect the last time a inventory was conducted. Computing depreciation expense by function is not possible due to the lack of detail that is available. The remaining book value of assets not scheduled at June 30, 2007 is \$ 132,392 with remaining depreciable life of 2 years.

Criteria

Good internal controls and State Law requires the maintenance of perpetual schedules to identify all capital assets owned by the Village including depreciation schedules.

Effect

Several different schedules for capital assets exist, none of which clearly agree to physical assets in total. Depreciation expense is not available by function as required by GASB 34.

Cause

Lack of knowledgeable accounting personnel and frequent changes in personnel.

Recommendation

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

Management Response

The current administration of the Village understands the need for an annual physical inventory of all capital assets and will conduct this inventory as required at once.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT STATUS OF PRIOR YEAR FINDINGS

2005-03. General Lack of Internal Controls -- Significant Deficiency

Condition

The Village's accounting system lacks some internal controls. Expenditures are not properly authorized, bank reconciliations not prepared timely and other controls to address oversight and review.

Criteria

Internal controls are critical to the integrity of the accounting data and prevention of fraud and misuse of public funds.

Effect

Bank reconciliations are incorrect. The general ledger does not clearly reflect activity, and errors are cannot be detected and corrected as required for sound management . The potential for fraud and misappropriations of funds is greater.

Cause

The small number of personnel as well as a lack of understanding of the needs of internal controls as well as a lack of willingness to expend the time or effort required by such controls.

Recommendation

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

Management's Response

The current administration takes internal control very seriously, but this condition will continue for the years past administrations were in place. Presently all expenditures are properly approved, bank reconciliations are prepared timely.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT STATUS OF PRIOR YEAR FINDINGS

2005-06. Cemetery Lot Sales -- Significant Deficiency

Condition

Documentation is not consistently maintained for each cemetery lot sold as to name and lot number thus there is not a reliable inventory of available lots.

Criteria

The Village owes a duty to those purchasing the lots to maintain records identifying which lots are owned by whom and where past Village residents are interred.

Effect

There is no clear record of lots available for sale and who owns the lots sold or who is buried in a some lots.

Cause

The Village has no clear policies and procedures in place for Cemetery operations and does not maintain adequate records.

Recommendation

The Village should develop an inventory of lots sold, location of graves and available lots for related to cemetery operation requiring maintenance of documents by lot number as well as a map of all lots and current status.

Management's Response

It was stated previously that a Board Member was assigned to the Cemetery and will develop the policies and procedures. The current Board stated that this process was not put in place by the past board and the process of developing the information of location and available lots is still in process.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT STATUS OF PRIOR YEAR FINDINGS

2005-07. Water Meter Deposits -- Significant Deficiency

Condition

A complete schedule of water meter deposits being held by the Village is not accurate nor consistently maintained.

Criteria

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

Effect

The Village does not have accurate knowledge of whose water deposits they are holding.

Cause

Lack of knowledge and consistency in personnel.

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 now in place under the present administration with more detailed documentation.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT YEAR FINDINGS

2007- 01. Numerous Checks were Unaccounted For -- Significant Deficiency

Condition

The Village maintained a file of voided checks, but in verifying that all checks were either issued or voided it was found that there were numerous unaccounted for checks. The General fund was missing 12 checks, the Water Sewer Fund was missing 4 and the Fire Discretionary Fund had 11 checks that were not accounted for.

Criteria

Good internal controls require the ability to generate and maintain accurate financial records. Knowing if a check was issued or voided is an important part of cash management.

Effect

The Village may not be able to generate accurate bank reconciliations and without control over the actual checks it would be possible to expose the funds of the Village to potential fraud or misuse.

Cause

A general lack of knowledge of accounting as well as lack of attention to maintaining control over Village documents.

Recommendation

The Council should adopt clear policies and procedures for maintaining control over voided checks to reduce the risk of fraudulent activity.

Management Response

The present Village administration has adopted written policies and procedures and assures that at this time all voided checks are retained and accounted for.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT YEAR FINDINGS

2007-02. Improper Classification of Payroll. -- Significant Deficiency and Compliance

Condition

Cash disbursements to Village employees were not properly documented and some payments appear to be for compensation. I found that 15 checks paid to Village employees appeared to be compensation for services but were classified otherwise. The total of these checks totaled \$ 2,255.22. The internal revenue service requires that payment to employees for services rendered be recorded as payroll and various taxes be paid or withheld on such compensation.

Criteria

The Village administration does not understand the employee - employer relationship and would prefer to avoid the payroll tax component of reporting taxable compensation as apposed to using a non-payroll expense.

Cause

The lack of required record keeping knowledge, internal control as well as policies and procedures meant to detect such situations and conditions.

Effect

The Village is exposed to potential tax liability for unpaid payroll taxes as well as various penalties and interest that would be due upon examination by the Internal Revenue Service.

Recommendation

The Village should consult with an outside professional accountant or obtain training on the rules governing the determination of an employee as apposed to contract labor or subcontracted services and strictly comply with Federal and State Laws.

Management Response

The current Village administration was not aware of this problem as it was under a previous administration. Nothing has been done to date to address any concern about improperly reported payroll by past administrations and to date there has been no corrective actions taken by the board for such corrective action because to this time the board was unaware of any problem in reporting. The current administration feels confident that this situation is being properly addressed at this time.



The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT YEAR FINDINGS

2007-03. Lack of Proper Authorization of Village Expenditures. -- Significant Deficiency

Condition

Testing of transactions revealed many exceptions to authorization. The number of transactions that were pulled were 76 and totaled \$ 121,407 and the number of exceptions noted was 35 which totaled to \$ 34,780. Many of the exceptions were for lack of proper authorization, or proper documentation.

Criteria

Proper internal control requires that the majority of the Village Council be made aware of Village obligations and that they approve of the expenditure prior to them being paid.

Effect

Without obtaining proper authorization of Village disbursements, the possibility of misuses of public funds as well as fraud is magnified along with the related difficulty of discovery. Proper classification of expenses is critical for good financial information.

Cause

The Village is small and those serving as councilors do not appear to understand the need for oversight and control of Village funds.

Recommendation

The Village personnel should attend various classes available to become aware of the requirements of serving in public office along with putting procedures in place designed to provide oversight and authorization to all Village disbursements.

Management's Response

The current Village administration has put in place procedures to provide stronger oversight and authorization of Village funds but this condition may have not been addressed in prior counsels.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT YEAR FINDINGS

2007-04. Insufficient Documentation of Village Activities Through the Minutes. -- Compliance

Condition

The minutes of Village Council meetings are not sufficient to properly document the decisions and policies of the Village. At the conclusion of a closed executive session there should be a statement that no decisions were made. Disbursements to employees and elected officials for various expenses was not provided.

Criteria

The minutes of a meeting need to be able to provide justification and evidence of the day-to-day business and related decisions that are faced by the Village. This detail is required by the Open Meetings Act.

Cause

Lack of knowledge of the duties of a Village Clerk and a weakness of recording the activities of each Village meeting.

Effect

The minutes of a Village meeting cannot be relied upon to support the decisions of the Council.

Recommendation

That greater care should be taken by the Village Clerk in recording the activities of each meeting as well as care of the councilors in reading and approving the minutes of each meeting.

Management's Response

The current administration is recording each meeting and the recommendation above is currently standard procedure.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT YEAR FINDINGS

2007-05. Misclassified Payroll Transfers Expended Through the Payroll Account. -- Significant Deficiency

Condition

During the fiscal year ended June 30, 2007 the Village opened a "Payroll Account" to specifically record payroll transactions for all funds of the Village as well as the payroll of the Component Unit that was provided for monthly fee. A review of the transfers to this "Payroll Account" from various funds compared to the payroll disbursements for those funds found that the amounts paid by a specific fund for payroll purposes did not tie to the payroll liabilities of that fund.

Criteria

Proper accounting for fund transactions require that sufficient records or documentation be maintained to reflect proper liabilities associated to any specific fund contribution for payroll purposes.

Effect

Though all cash receipts provided by various funds to the payroll account and all disbursements from the payroll account can be accounted for, the determined payroll expense and related payroll taxes for each fund cannot support the fund contribution or refund from the payroll account. Differences in the proper expense for payroll and related expenses could easily be charged to the wrong funds.

Cause

A lack of recordkeeping knowledge by Village personnel and sloppy maintenance of payroll files.

Recommendation

The Village should prepare a reconciliation report that ties the payroll and related taxes or expenses to the distributions to the payroll account.

Management's Response

The present administration recognizes that such a condition existed in prior administrations and the condition above does not exist today because the current Clerk is more knowledgeable.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT YEAR FINDINGS

2007-06. General Lack of Control Over Cash. -- Significant Deficiency

Condition

The Village was unable to generate accurate bank reconciliations on a timely basis. Even with the use of an outside CPA the lack of good accounting procedures made a correct bank reconciliations on a timely basis impossible.

Criteria

Good internal control requires controls over cash. Without the ability to generate an accurate bank reconciliation on a timely basis the required control over cash does not exist.

Cause

The Village replaced their Village Clerk with the wife of the Mayor serving as an unpaid office manager. Her limited recordkeeping ability and reported inability to properly use the accounting software made it difficult, and sometimes impossible to keep track of the checks written. Without the ability to track checks written and missing outstanding checks the bank reconciliations were not prepared accurately or timely.

Effect

The Village is unable to maintain controls over cash or to detect or correct a material or significant significant error that may occur in either cash or related disbursements. This inability to detect inappropriate activity in the bank statements provides an invitation for fraud or misuse of funds.

Recommendation

The Village should replace the Mayor's wife with a paid Village clerk as well as establish some controls over the accounting for checks and institute policies and procedures to insure that all bank statements are reconciled in as soon as bank statements are received.

Management's Response

The current administration was aware of the inability of the management and administration in place for the period covered by this audit. The current administration states all banks are now reconciled timely and accurately.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT YEAR FINDINGS

2007-07. Maintaining Pre-Signed Checks and Either Holding these Checks or Dating Them Improperly -- Significant Deficiency

Condition

In reviewing various transactions as well as examining voided checks it was found that the Village maintained pre-signed checks to be used at the discretion of the Mayor.

Criteria

The Village is charged with proper protection of the public assets placed in their control. Internal control is one of the primary methods to ensure this protection. By maintaining checks that already contain one authorized signature there is no operating control over a disbursement of Village cash.

Cause

A lack of knowledge of, or desire to avoid good internal control requirements by the Village administration.

Effect

By having checks on hand that already contained a required signature the Mayor was able to disburse Village funds without any oversight. This activity along with the inability to properly reconcile the bank accounts, and his wife being the unpaid office manager made it virtually impossible that any misstatement or fraud would be detected.

Recommendation

Policies should be put in place that ensure that only disbursements authorized by a majority of the Village Council be disbursed. Pre-signed checks should be disallowed by the Village Board of Trustees.

Management's Response

The current administration understands that the condition above existed, but maintains that strong controls are now in place to ensure that all disbursements are properly approved and no pre-signed checks exist.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT YEAR FINDINGS

**2007-08. Some Village Interfund or Payroll Checks Were Outstanding a Long Time --
Significant Deficiency**

Condition

A review of the cash disbursements from the Village's General Fund it was found that 5 checks were outstanding for 40 days or more. The number of checks disbursed through the Water Sewer Utility Fund that were outstanding for 40 or more days was 5 generating a total of 10 checks disbursed through these two funds that were outstanding for 40 days or more. All these Checks were interfund checks with the Village being the payee and totaled \$ 23,747.

Criteria

Good internal control over cash requires that banks be reconciled monthly on a timely basis and all checks that are not presented for payment at the end of a month are listed and recognized as outstanding checks. The only checks that are outstanding for 40 days or more are those issued by the Village to other Village bank accounts. All checks issued were presented for payment. but the date on the check could not be associated with the date cashed by the bank.

Cause

There is no member of the Village administration in place to discuss this situation with. I have come to believe that the reason was simply to be able to reduce the inventory of pre-signed checks while maintaining a date on the check in relation to the number of the check. I have presented this thought to the present administration who agree this is the probable cause.

Effect

The checks that were outstanding the longest were interfund checks. The monthly reconciliation of bank statements was made very difficult by these outstanding checks. Internal control over the cash is made more difficult and prevents the Village from detecting a material error or misstatement in the bank balances.

Recommendation

All inventories of pre-signed checks should be eliminated and procedures be put in place to ensure the ability to properly reconcile bank statements and provide a proper accounting of cash to those charged with governance.

Management's Response

The current management was not aware of the relationship between interfund checks and the time between the date of the check and when it was presented for payment. There are no inventories of pre-signed checks at this time and this condition does not exist at this time, but this condition may be observed until the present administration's tenure begins.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT YEAR FINDINGS

2007-09. Those Authorized to Sign Checks Were Also the Payee -- Significant Deficiency

Condition

In a majority of instances, checks in which the Mayor was a payee or in other cases for some of the Village councilors, the individual who signed the check was also the payee on the check. For non-payroll disbursements 10 of 15 checks to the Mayor or council member were signed by one of the payees. This condition was also found in the payroll distributions in the same frequency.

Criteria

Good internal control requires that those signing a check are not going to personally benefit from the check bearing their signature.

Effect

The apparent policy of requiring two signatures on every check is compromised because one of these signers is also the payee on the check. There is a good opportunity for collusion between authorized check signers to commit fraud as well as to avoid taking an issue before the board for approval that could lead to a material misstatement.

Cause

A lack of knowledge of good internal control procedures and insufficient Village policies.

Recommendation

The Village should adopt a policy that states that no one should sign any check on which the signer of the check is also a payee.

Management's Response

This condition was known to exist in previous administrations. At this time there are no checks written where the signer and the payee are the same unless in error. If such an error happens there is approval of that signature by another member of the board included in the supporting documents.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT YEAR FINDINGS

2007-10. Violation of the Open Meetings Act. -- Compliance

Condition

During the year ended June 30, 2007 the Village entered into a lawsuit with the Maxwell Cooperative Water Users Association claiming that a contract signed in 1983 provided no benefit to the Village and the Village would not make any more monthly payments under the terms of the contract.

While this lawsuit was being contested the Village's attorney required direction and decisions from the Village council. He also mentioned in his correspondence that this direction should be brought to the board for approval.

There was some mention of this dispute in the minutes of the Village, and there were closed executive sessions but there was never any discussion, approval or disapproval of required discussion or decisions concerning this suit mentioned. Clearly there was a violation of the New Mexico Open Meetings Act.

Criteria

The "Open Meetings Act," Sections 10-15-1 to 10-15-4 NMSA 1978 is known as a "sunshine law." This law is essentially motivated by the belief that the democratic ideal is best served by a well-informed public, that the actions of public bodies be taken openly, and that the deliberations of public bodies be open to the public.

Effect

The Village is at risk of legal action from concerned citizens because Village decisions must be discussed and determined in open session. Decisions made in closed executive session without public discussion can be contested, overturned or challenged in court.

Cause

The Mayor and / or the Village counsel was either unaware of the law or desired to avoid such discussion in a public forum as the advise of counsel did not generally support the Village position.

Recommendation

That the Village follows the requirements of the Open Meetings Act by making all Village decisions in open session.

Management's Response

The previous administration made decisions that are not allowable by the present counsel. There are no decisions made in closed session at this time.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT YEAR FINDINGS

2007-11. Inability to Rely on Budgets -- Significant Deficiency and Compliance

Condition

In attempting to obtain copies of the original budget, approved amendments, quarterly budget information and the final approved budget it became clear that no confidence could be gained from the information found in the files of the Village. These documents were not distinguishable from various working documents generated by the Village. The New Mexico Department of Finance Administration, Local Government Division, is unable to provide the approved information because that information is in the archives and not readily available.

Criteria

Local governmental units in New Mexico are required by law to have a budget and, once adopted, the budget has the force of law. There are various aspects of the budget adoption process that are specified in New Mexico State Statutes and Constitutional provisions. Being able to provide this information is a requirement to meet Village requirements as provided by the New Mexico Department of Finance and Administration, Local Government Division.

Effect

All the benefit of planning and determining the best use of public funds is compromised by the lack of guidance provided by the budgetary process.

Cause

The Village does not understand the reason and purpose of preparing and using budgetary information. This lack of understanding is then combined with sloppy file maintenance so approved budgets are not used as a planning and operations tool. The approved budget could not be identified or provided by the Village when asked.

Recommendation

The Village should hire a Village clerk and provide the selected individual appropriate training in the budgetary process and applicable laws and regulations.

Management's Response

The current administration has obtained a knowledgeable Village clerk. A good relationship has been established with the NM Department of Finance and Administration. All deadlines are now being met and the budget is being used as an economic tool.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT YEAR FINDINGS

2007-12. Violation of the Procurement Code -- Significant Deficiency and Compliance

Condition

In the review of minutes and Village documents it was found that a project for "Tower Dismantle" that was properly advertised was not awarded to the lowest bidder. A statement in the minutes of the 9/12/06 council meetings indicated that the Department of Finance Administration would be contacted to approved the Village decision to award the contract to the second bidder for \$ 20,304. Village files and conversations with the appropriate DFA representative denied that such permission would have been approved. A conversation with the apparent low bidder concludes that there was no notification of the award. He was unaware that he was the low bidder and stated to me that he believed that the Village did the work with their own forces.

Criteria

The New Mexico Procurement Code is cited as Section 13-1 through 13-1-199 NMSA 1978. the purpose of this Code is to provide for the fair and equitable treatment of all persons involved in public procurement, to maximize the purchasing value of public funds and to provide safeguards for maintaining a procurement system of quality and integrity.

Cause

There was obviously a desire to obtain the services of a qualified provider of services over the one that provided the low bid.

Effect

The Village violated the New Mexico Procurement Code and exposed the Village to the possibility of legal action against it as well as the potential of fraud.

Recommendation

The Village adopt and follow the New Mexico State Procurement Code and design and implement policies and procedures that meets the intent of the New Mexico Procurement Code.

Management's Response

The current administration does not condone such actions and follows the New Mexico State Procurement Code for all projects and contracts.

The Village of Maxwell
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2007

CURRENT YEAR FINDINGS

2007-13. Cash Receipts Were Not Properly Accounted For -- Material Weakness

Condition

The Village operates three enterprise funds of which two of these funds regularly receive cash for services provided. The Village collects these cash funds but did not always provide receipts for these funds. A search of the files of the Village did not provide any evidence of receipts issued to customers for cash payments to the Village.

Conversations with the current Village administration provided that the average amount of cash currently received each month for services provided by the Village exceed those received for the fiscal year ended June 30, 2007 by an average of \$ 1,000 per month.

Additionally, I was unable to receive any records or reliable payment history of those in the Village who subscribe to, or use, the services provided by the enterprise funds.

Criteria

Proper internal control requires that all receipts of cash be documented and the Village maintain evidence of each receipt of cash to support the determination of revenue and receivables.

Effect

The Village cannot support the revenue determination that is required for financial statement presentation. There is a strong possibility of fraud and little chance that a material misstatement would be detected.

Cause

There was no policy of providing and maintaining receipts for each cash receipt for services provided.

Recommendation

The Village should adopt and follow a policy of issuing and maintaining a receipt for all cash received along with an accurate accounting of the total payment by all subscribers of the services provided by the Village.

Management's Response

The current administration was aware of the lack of accountability of previous administrations. Currently all amounts received in cash are evidenced by a cash receipt that is maintained and traceable to the recorded payment of all those who subscribe to services provided by the Village.

The Village of Maxwell
Exit Conference
For the Fiscal Year Ended June 30, 2007

Exit Conference -- The Village of Maxwell

The exit conference was held November 2, 2011 and was attended by the following individuals:

From The Village of Maxwell

Kay Pinkston, Mayor
Joanna Taylor, Clerk

The conference was also attended by:

Charles Henry, CPA

Financial Statement Preparation

Preparation of financial statements is the responsibility of management. Although, the Village of Maxwell's personnel provided significant assistance, the preparation and related footnotes were prepared by Charles L. Henry, CPA.