

***STATE OF NEW MEXICO***

***VILLAGE OF MOSQUERO***

***AUDIT REPORT***

***For the Year Ended June 30, 2011***

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

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

STATE OF NEW MEXICO

VILLAGE OF MOSQUERO

AUDIT REPORT

For The Year Ended June 30, 2011

(with Auditor's Report Thereon)

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
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STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Official Roster  
Year Ended June 30, 2011

Village Council

<u>Name</u>	<u>Title</u>
Mr. Pablo Trujillo	Mayor
Mr. Victor Vigil	Mayor Pro-Tem
Mr. Jerry Hazen	Council Member
Mr. Mateo Sandoval	Council Member

Village Administration

Ms. Shawn Jeffrey	Clerk-Treasurer
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# *Rice and Associates, C.P.A.*

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparison for the General, Fire Protection and Law Enforcement Protection Funds of the Village of Mosquero, as of and for the year ended June 30, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's non-major enterprise funds and the budgetary comparisons for the non-major enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the Village of Mosquero's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mosquero, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the General, Fire Protection and Law Enforcement Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise funds of the Village of Mosquero, as of June 30, 2011, and the respective changes in financial position, thereof and the budgetary comparisons for the enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2014 on our consideration of the Village of Mosquero's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements and the combining and individual fund financial statements and the budgetary comparisons of Village of Mosquero. The accompanying financial information listed as Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds taken as a whole.



July 10, 2014

**FINANCIAL STATEMENTS**



STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Statement of Net Assets  
June 30, 2011

Statement 1  
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash	\$ 106,001	\$ 3,788	\$ 109,789
Accounts receivable (net of uncollectible accounts)	23,317	5,444	28,761
Due from other funds	-	-	-
Total current assets	<u>129,318</u>	<u>9,232</u>	<u>138,550</u>
Restricted Assets			
Debt service reserve (cash)	-	1,177	1,177
Total restricted assets	<u>-</u>	<u>1,177</u>	<u>1,177</u>
Capital Assets			
Land	174,014	-	174,014
Land Improvements	-	65,638	65,638
Equipment	63,877	-	63,877
Buildings	340,011	60,000	400,011
Vehicles	108,314	-	108,314
Heavy equipment	353,607	83,438	437,045
Water system	-	2,076,246	2,076,246
Infrastructure	1,694,141	115,000	1,809,141
Total capital assets	<u>2,733,964</u>	<u>2,400,322</u>	<u>5,134,286</u>
Less accumulated depreciation	(685,719)	(426,756)	(1,112,475)
Total capital assets (net of accumulated depreciation)	<u>2,048,245</u>	<u>1,973,566</u>	<u>4,021,811</u>
Total assets	<u>\$ 2,177,563</u>	<u>\$ 1,983,975</u>	<u>\$ 4,161,538</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Statement of Net Assets  
June 30, 2011

Statement 1  
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts payable	\$ 1,382	\$ 2,411	\$ 3,793
NMFA loan payable	1,331	-	1,331
Due to other funds	-	-	-
	2,713	2,411	5,124
Total current liabilities			
Non-Current Liabilities			
Landfill closure and post closure liability	-	94,900	94,900
NMFA loan payable	10,767	-	10,767
Compensated absences	569	2,634	3,203
	11,336	97,534	108,870
Total non-current liabilities			
	14,049	99,945	113,994
Total liabilities			
Net Assets			
Invested in capital assets			
net of related debt	2,036,147	1,973,566	4,009,713
Restricted for debt service	4,016	1,177	5,193
Restricted for capital outlay	29,519	-	29,519
Unrestricted	93,832	(90,713)	3,119
	2,163,514	1,884,030	4,047,544
Total net assets			
	\$ 2,177,563	\$ 1,983,975	\$ 4,161,538
Total liabilities and net assets			

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Statement of Activities  
Year Ended June 30, 2011

Statement 2

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 106,195	\$ 1,479	\$ 19,980	\$ 154,706	\$ 69,970	\$ -	\$ 69,970
Public safety	44,978	-	194,869	-	149,891	-	149,891
Culture and recreation	6,254	-	900	-	(5,354)	-	(5,354)
Depreciation - unallocated	113,986	-	-	-	(113,986)	-	(113,986)
Interest on long-term debt	3,255	-	-	-	(3,255)	-	(3,255)
<b>Total governmental activities</b>	<u>274,668</u>	<u>1,479</u>	<u>215,749</u>	<u>154,706</u>	<u>97,266</u>	<u>-</u>	<u>97,266</u>
<b>Business-type activities:</b>							
Water/Sewer expenses	126,753	38,522	766	461,162	-	373,697	373,697
Solid waste	45,997	11,696	140	74,504	-	40,343	40,343
<b>Total business-type activities</b>	<u>172,750</u>	<u>50,218</u>	<u>906</u>	<u>535,666</u>	<u>-</u>	<u>414,040</u>	<u>414,040</u>
<b>Total all activities</b>	<u>\$ 447,418</u>	<u>\$ 51,697</u>	<u>\$ 216,655</u>	<u>\$ 690,372</u>	<u>97,266</u>	<u>414,040</u>	<u>511,306</u>
<b>General Revenues:</b>							
Property taxes					1,296	-	1,296
Gross receipts taxes					35,090	6,238	41,328
Gasoline taxes					10,208	-	10,208
Motor vehicle taxes					826	-	826
Cigarette taxes					5	-	5
State aid not restricted to special purposes					35,000	-	35,000
General					190	60	250
Unrestricted investment earnings					82,615	6,298	88,913
<b>Total general revenues</b>					<u>179,881</u>	<u>420,338</u>	<u>600,219</u>
Change in net assets					1,983,633	1,463,692	3,447,325
Net assets - beginning					\$ 2,163,514	\$ 1,884,030	\$ 4,047,544
Net assets - ending							

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF MOSQUERO  
 Balance Sheet  
 Governmental Funds  
 June 30, 2011

Statement 3

	General	Fire Protection Fund	Law Enforcement Protection Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash on deposit	\$ 28,713	\$ 77,188	\$ 100	\$ 106,001
Accounts receivable	23,317	-	-	23,317
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 52,030</b>	<b>\$ 77,188</b>	<b>\$ 100</b>	<b>\$ 129,318</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,382	\$ -	\$ -	\$ 1,382
<b>Total liabilities</b>	<b>1,382</b>	<b>-</b>	<b>-</b>	<b>1,382</b>
<b>FUND BALANCE</b>				
Unreserved:				
Nonspendable	-	-	-	-
Restricted	33,535	77,188	100	110,823
Committed	-	-	-	-
Unassigned	17,113	-	-	17,113
<b>Total fund balance</b>	<b>50,648</b>	<b>77,188</b>	<b>100</b>	<b>127,936</b>
<b>Total liabilities and fund balance</b>	<b>\$ 52,030</b>	<b>\$ 77,188</b>	<b>\$ 100</b>	<b>\$ 129,318</b>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Governmental Funds

Statement 4

Reconciliation of the Balance Sheet to the Statement of Net Assets  
June 30, 2011

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

Fund balances - total governmental funds \$ 127,936

Capital assets used in governmental activities  
are not financial resources and, therefore, are  
not reported in the funds 2,048,245

Long-term and certain other liabilities, including  
bonds payable, are not due and payable in the  
current period and therefore are not reported as liabilities  
in the funds. Long-term and other liabilities at year-end  
consist of:

Revenue bonds payable	(12,098)	
Compensated absences	<u>(569)</u>	
		<u>(12,667)</u>
Net assets of governmental activities		<u>\$ 2,163,514</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF MOSQUERO  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the year ended June 30, 2011

	General	Fire Protection Fund	Law Enforcement Protection Fund	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 1,296	\$ -	\$ -	\$ 1,296
Gross receipts taxes	35,090	-	-	35,090
Gasoline taxes	10,208	-	-	10,208
Motor vehicle taxes	826	-	-	826
Cigarette tax	5	-	-	5
Charges for services	867	-	-	867
Licenses and permits	612	-	-	612
Local sources	17,879	74	100	18,053
State sources	95,456	174,695	20,000	290,151
Federal sources	97,251	-	-	97,251
Earnings from investments	139	51	-	190
	<u>259,629</u>	<u>174,820</u>	<u>20,100</u>	<u>454,549</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
General government	106,688	-	-	106,688
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Public safety	-	43,305	1,673	44,978
Culture and recreation	6,254	-	-	6,254
Capital outlay	134,425	7,905	33,364	175,694
Debt service:				
Principal	1,327	125,956	-	127,283
Interest	34	3,221	-	3,255
	<u>248,728</u>	<u>180,387</u>	<u>35,037</u>	<u>464,152</u>
Total expenditures				
Net change in fund balances	10,901	(5,567)	(14,937)	(9,603)
Fund balance beginning of year	<u>39,747</u>	<u>82,755</u>	<u>15,037</u>	<u>137,539</u>
Fund balance end of year	<u>\$ 50,648</u>	<u>\$ 77,188</u>	<u>\$ 100</u>	<u>\$ 127,936</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2011

Statement 6

Net change in fund balances - total governmental funds \$ (9,603)

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

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

Capital outlays	175,694	
Depreciation expense	(113,986)	
Excess of capital outlay over depreciation expense	61,708	61,708

In the Statement of Activities, certain operating  
expenses are measured by the amount incurred  
during the year. In the fund financial statements,  
however, expenditures are measured by the amount  
of financial resources used (essentially the amounts  
actually paid). The (increases) decreases in the  
liabilities for the year were:

Compensated absences payable	493
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The issuance of long-term debt (e.g. loans payable) provides  
current financial resources to governmental funds while  
the repayment of the principal of long-term debt consumes  
the current financial resources of governmental funds.

Repayment of long-term debt	127,283
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Change in net assets of governmental activities	\$ 179,881
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF MOSQUERO  
 General Fund  
 Statement of Revenues and Expenditures  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 1,025	\$ 3,558	\$ 1,296	\$ (2,262)
Charges for services	15,000	15,000	867	(14,133)
Licenses and permits	500	500	612	112
Local sources	45,000	45,000	17,263	(27,737)
State sources	133,125	133,125	103,576	(29,549)
Federal sources	497,000	497,000	80,104	(416,896)
State shared taxes	46,319	46,319	45,470	(849)
Earnings from investments	750	750	139	(611)
	<u>738,719</u>	<u>741,252</u>	<u>249,327</u>	<u>(491,925)</u>
Total revenues	<u>\$ 738,719</u>	<u>\$ 741,252</u>	<u>\$ 249,327</u>	<u>\$ (491,925)</u>
<b>EXPENDITURES</b>				
General government	\$ 105,000	\$ 105,000	\$ 106,042	\$ (1,042)
Public safety	-	-	-	-
Culture and recreation	7,000	7,000	6,254	746
Capital outlay	616,764	616,764	134,425	482,339
Loan principle	1,327	1,327	1,327	-
Loan interest	34	34	34	-
	<u>730,125</u>	<u>730,125</u>	<u>248,082</u>	<u>482,043</u>
Total expenditures	<u>\$ 730,125</u>	<u>\$ 730,125</u>	<u>\$ 248,082</u>	<u>\$ 482,043</u>

The accompanying notes are an integral part of these financial statements.



STATE OF NEW MEXICO  
 VILLAGE OF MOSQUERO  
 Special Revenue - Fire Protection Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 54,706	\$ 151,831	\$ 174,695	\$ 22,864
Local Sources	-	-	74	74
Earnings from investments	-	-	51	51
 Total revenues	 <u>\$ 54,706</u>	 <u>\$ 151,831</u>	 <u>\$ 174,820</u>	 <u>\$ 22,989</u>
EXPENDITURES				
Public safety	\$ 100,000	\$ 197,125	\$ 180,387	\$ 16,738
 Total expenditures	 <u>\$ 100,000</u>	 <u>\$ 197,125</u>	 <u>\$ 180,387</u>	 <u>\$ 16,738</u>
 BUDGETED CASH BALANCE	 <u>\$ 45,294</u>	 <u>\$ -</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF MOSQUERO  
 Special Revenue - Law Enforcement Protection Fund  
 Statement of Revenues and Expenditures  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources	\$ -	\$ 100	\$ 100	\$ -
State sources	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total revenues	<u>\$ 20,000</u>	<u>\$ 20,100</u>	<u>\$ 20,100</u>	<u>\$ -</u>
EXPENDITURES				
Public safety	<u>\$ 35,000</u>	<u>\$ 35,100</u>	<u>\$ 35,037</u>	<u>\$ 63</u>
Total expenditures	<u>\$ 35,000</u>	<u>\$ 35,100</u>	<u>\$ 35,037</u>	<u>\$ 63</u>
BUDGETED CASH BALANCE	<u>\$ 20,000</u>	<u>\$ 20,000</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Combining Statement of Net Assets  
Proprietary Funds  
June 30, 2011

Statement 10

	Water & Sewer Fund	Solid Waste Fund	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 2,311	\$ 1,477	\$ 3,788
Accounts receivable (net of allowance)	5,444	-	5,444
<b>Total current assets</b>	<b>7,755</b>	<b>1,477</b>	<b>9,232</b>
Restricted assets			
Solid waste reserve (cash)	-	1,177	1,177
<b>Total restricted assets</b>	<b>-</b>	<b>1,177</b>	<b>1,177</b>
Capital assets			
Land	-	-	-
Property, plant and equipment	2,268,746	131,576	2,400,322
Less accumulated depreciation	(390,260)	(36,496)	(426,756)
<b>Total capital assets net of       accumulated depreciation</b>	<b>1,878,486</b>	<b>95,080</b>	<b>1,973,566</b>
<b>Total assets</b>	<b>1,886,241</b>	<b>97,734</b>	<b>1,983,975</b>
<b>LIABILITIES</b>			
Current liabilities			
Cash overdraft	-	-	-
Accounts payable	2,411	-	2,411
Due to other funds	-	-	-
<b>Total current liabilities</b>	<b>2,411</b>	<b>-</b>	<b>2,411</b>
Noncurrent liabilities			
Compensated absences	2,634	-	2,634
Landfill closure payable	-	94,900	94,900
<b>Total noncurrent liabilities</b>	<b>2,634</b>	<b>94,900</b>	<b>97,534</b>
<b>Total liabilities</b>	<b>5,045</b>	<b>94,900</b>	<b>99,945</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,878,486	95,080	1,973,566
Restricted for solid waste	-	1,177	1,177
Unrestricted	2,710	(93,423)	(90,713)
<b>Total net assets</b>	<b>\$ 1,881,196</b>	<b>\$ 2,834</b>	<b>\$ 1,884,030</b>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Proprietary Funds  
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
For the Year Ended June 30, 2011

	Water/Sewer Fund	Solid Waste Fund	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$ 38,522	\$ 11,696	\$ 50,218
Local sources	766	140	906
Environmental gross receipts taxes	<u>4,990</u>	<u>1,248</u>	<u>6,238</u>
Total operating revenue	<u>44,278</u>	<u>13,084</u>	<u>57,362</u>
<b>OPERATING EXPENSES</b>			
Salaries	17,535	7,334	24,869
Maintenance & operations	28,687	18,746	47,433
Depreciation	<u>80,531</u>	<u>19,917</u>	<u>100,448</u>
Total operating expenses	<u>126,753</u>	<u>45,997</u>	<u>172,750</u>
Operating income (loss)	<u>(82,475)</u>	<u>(32,913)</u>	<u>(115,388)</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Investment income	54	6	60
Investment expense	-	-	-
Capital grants	461,162	74,504	535,666
Transfer in	-	3,054	3,054
Transfer out	<u>(3,054)</u>	<u>-</u>	<u>(3,054)</u>
Total Non-Operating Revenue (Expenses)	<u>458,162</u>	<u>77,564</u>	<u>535,726</u>
Change in Net Assets	375,687	44,651	420,338
Net assets, beginning of year	<u>1,505,509</u>	<u>(41,817)</u>	<u>1,463,692</u>
Net assets, end of year	<u>\$ 1,881,196</u>	<u>\$ 2,834</u>	<u>\$ 1,884,030</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Proprietary Funds  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2011

Statement 12

	Water/Sewer Fund	Solid Waste Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Received from customers	\$ 39,207	\$ 11,836	\$ 51,043
Environmental gross receipts tax	4,990	1,248	6,238
Cash payment to employees	(18,322)	(7,334)	(25,656)
Cash payments to suppliers	(28,296)	(18,746)	(47,042)
	<b>(2,421)</b>	<b>(12,996)</b>	<b>(15,417)</b>
Net cash provided by operating activities			
	<b>(2,421)</b>	<b>(12,996)</b>	<b>(15,417)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES:</b>			
Principal paid on debt	-	-	-
Interest paid on debt	-	-	-
Acquisition and construction of capital assets	-	(63,085)	(63,085)
Capital grants	-	74,504	74,504
	-	74,504	74,504
Net cash provided by capital and related activities			
	-	11,419	11,419
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating transfers to other funds	(3,054)	-	(3,054)
Operating transfers from other funds	-	3,054	3,054
	(3,054)	3,054	-
Net cash provided (used) by noncapital financing activities			
	(3,054)	3,054	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest	54	6	60
	54	6	60
Net cash provided by investing activities			
	54	6	60
Net increase (decrease) in cash	(5,421)	1,483	(3,938)
Cash, beginning of year	7,732	1,171	8,903
Cash, end of year	\$ 2,311	\$ 2,654	\$ 4,965
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (82,475)	\$ (32,913)	\$ (115,388)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	80,531	19,917	100,448
Changes in assets and liabilities:			
Receivables	(81)	-	(81)
Payables	390	-	390
Compensated absences	(786)	-	(786)
	(476)	19,917	100,448
Net cash provided (used) by operating activities	\$ (2,421)	\$ (12,996)	\$ (15,417)

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Notes to Financial Statements  
Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the Village of Mosquero have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

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

Notes to Financial Statements (continued)

B. Government-wide and fund financial statements

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

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

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

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

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

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

Notes to Financial Statements (continued)

of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, 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. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The *Law Enforcement Protection Fund* (LEPF) (Special Revenue Fund) is to account for the proceeds of a State grant provided for the purchase and repair of equipment as well as specialized training of police personnel. The authority is NMSA 29-13-1.

The Village reports the following major Proprietary Funds.

The *Water and Sewer Fund* is used to account for the activities of the Village's water and wastewater operations.

The *Solid Waste Fund* accounts for the collection and disposal of solid waste.

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



## Notes to Financial Statements (continued)

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

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

### D. Budgets and Budgetary Accounting

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

1. Prior to June 1, the Village Clerk-Treasurer submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Village Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Village Council and New Mexico State Department of Finance, Division of Local Governments. The original budget that was adopted in July, 1998 was amended during the fiscal year in a legally permissible manner.

Notes to Financial Statements (continued)

3. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Project Funds.
4. Encumbrances are not reported in the budgets or financial statements.
5. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year end.
6. Budgets for the General and Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principals. Throughout the year the accounting records are maintained on the Non-GAAP basis of cash receipts and disbursements. Accordingly, certain revenues and the related assets are recognized when paid rather than when the obligation is incurred. The financial statements are presented on the modified accrual basis of accounting. Budgetary comparisons presented for General and Special Revenue Funds in this report are on the Non-GAAP budgetary basis and actual (cash basis). The budget of the Enterprise Fund is adopted on a Non-GAAP cash basis.

E. Cash and Investments

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

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

F. Inventories

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

Notes to Financial Statements (continued)

G. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

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

## Notes to Financial Statements (continued)

### H. Compensated Absences

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

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

The accumulated compensated absences balance at fiscal year end was \$3,203.

### I. Long-Term Obligations

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

### J. Taxes

Motor Vehicle Registration Fees - Under the provisions of Chapter 66, Article 6, NMSA 1978, the State of New Mexico collects various fees for the registration and regulation of motor vehicles in the state. Of the amount collected, certain specified amounts are distributed to various governmental agencies within the State, including; the Motor Vehicle Division, State Road fund, municipalities, and counties. After certain priority payments, as detailed in 66-6-23 NMSA 2978 have been made, a portion of the remaining fees held in the motor vehicle suplhense fund are distributed as required in 66-6-23 B (4) and 66-6-23 B (5). These distributions are commonly referred to as the 10% and 15% motor vehicle tax distributions.

Gasoline Tax - The State of New Mexico, by authority of Chapter 7, Article 13 NMSA 1978, imposed an excise tax on \$0.17 on each gallon of gasoline received in New Mexico. Of the total gasoline taxes received, a portion is distributed to the various municipalities within the State pursuant to Chapter 7, Article 1-6.9 NMSA 1978 and Chapter 7, Article 1-6.27 NMSA 1978.

Municipal Gross Receipts Tax - Under authority of Chapter 7, Articles 19 and 19D, NMSA 1978, the Village adopted gross receipts taxing through ordinance. Said ordinances provide for the imposition of gross receipts taxes on all non-exempt persons engaging in business in the municipality. The tax is collected by the State of New Mexico and remitted to the Village after deducting certain administrative costs.

State Gross Receipts Tax - Under authority of Chapter 7, Article 1, NMSA 1978, the State of New Mexico imposes a gross receipts tax on all businesses within the State. Of the total collected, 1.225% of the taxable gross receipts are distributed to the municipality reporting the taxable receipts.

Notes to Financial Statements (continued)

K. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in a separate bank account and their use is limited by the applicable bond covenant. The "debt service reserve" account is used to report resources set aside for the purpose of debt service repayments.

L. Net Assets

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

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

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

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

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Village ordinances).

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Village Council. Those committed amounts cannot be used for any other purpose unless the Village Council

## Notes to Financial Statements (continued)

removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by the Village Council or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

### N. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### O. Risk Management

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

Notes to Financial Statements (continued)

2. DEPOSITORY COLLATERAL

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the Village's Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

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

Community First Bank	Reserve Fund	Savings	\$ 1,177
Community First Bank	Law Enforcement Fund	Checking	100
Community First Bank	Fire Fund	Checking	77,229
Community First Bank	Utilities Fund	Checking	4,443
Community First Bank	General Fund	Checking	38,630
Community First Bank	CDBG Fund	Checking	200
Wells Fargo	General Fund	Certificate of Deposit	6,017
Wells Fargo	General Fund	Checking	797
New Mexico Finance Authority	Fire Fund	Savings	-
New Mexico Finance Authority	General Fund	Savings	<u>4,061</u>
			<b><u>\$132,654</u></b>
Total amount on deposit			\$132,654
Deposit in transit			-
Outstanding checks			<u>(21,688)</u>
Total per financial statements			<b><u>\$110,966</u></b>

The following schedule details the public money held by the New Mexico Finance Authority, Wells Fargo and Community First Bank and the pledged collateral provided for the Village follows:

	<u>NMFA</u>	<u>Wells Fargo</u>	<u>Community First Bank</u>
Cash on deposit at June 30	\$ 4,061	\$ 6,814	\$ 121,779
Less FDIC	<u>4,061</u>	<u>6,814</u>	<u>121,779</u>
Uninsured funds	-	-	-
Funds needing collateralization at 50% (required by State Law)	-	-	-
Pledged collateral at June 30	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Pledged Collateral	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Financial Statements (continued)

*Custodial Credit Risk - Deposits* - Custodial Credit Risk is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2011 NONE of the Village's bank balance of \$132,654 was exposed to custodial credit risk as follows:

A.	Uninsured and Uncollateralized	\$	-
B.	Uninsured and Collateralized with securities held by the pledging banks trust department, but not in the Villages name		-
			<hr/>
	Total	\$	<u>-</u>

3. PROPERTY TAX

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

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

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



Notes to Financial Statements (continued)

4. ACCOUNTS RECEIVABLES

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables from customers	\$ -	\$ 7,144
Less allowance for uncollectible accounts	<u>-</u>	<u>(1,700)</u>
Subtotal	-	5,444
Intergovernmental	<u>23,317</u>	<u>-</u>
 Total	 <u><u>\$ 23,317</u></u>	 <u><u>\$ 5,444</u></u>

5. ACCUMULATED UNPAID VACATION LEAVE

Compensated absences are expended in the fund in which the liability is incurred. The General Fund would be liable for \$569 and the Water/Sewer Fund would be liable for \$2,634.

<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
<u>\$ 4,481</u>	<u>\$ -</u>	<u>\$ 1,278</u>	<u>\$ 3,203</u>	<u>\$ -</u>

6. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
NMFA Loan	\$ 125,956	\$ -	\$ 125,956	\$ -	\$ -
NMFA Loan	<u>13,425</u>	<u>-</u>	<u>1,327</u>	<u>12,098</u>	<u>1,331</u>
 Total	 <u><u>\$ 139,381</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 127,283</u></u>	 <u><u>\$ 12,098</u></u>	 <u><u>\$ 1,331</u></u>

Notes to Financial Statements (continued)

The Village entered into a loan agreement with the New Mexico Finance Authority evidencing a special limited obligation of the Village to pay a principal amount of \$20,000 and interest for the purpose of defraying the cost of remodeling the existing structure of the Villages administration building. The interest rate is 0% plus 0.25% administrative fee. The maturity date is May 1, 2020.

<u>Due in Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	1,331	30	1,361
2013	1,334	27	1,361
2014	1,337	24	1,361
2015	1,341	20	1,361
2016	1,344	17	1,361
2017	1,348	14	1,362
2018	1,351	10	1,361
2019	1,354	7	1,361
2020	<u>1,358</u>	<u>3</u>	<u>1,361</u>
	<u>\$ 12,098</u>	<u>\$ 152</u>	<u>\$ 12,250</u>

7. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

<u>Revenues</u>	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Law Enforcement Protection</u>
Actual	\$259,629	\$ 174,820	\$ 20,100
Budget	<u>249,327</u>	<u>174,820</u>	<u>20,100</u>
Increase (decrease) in receivables	<u>\$ 10,302</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>Expenditures</u>			
Actual	\$248,728	\$ 180,387	\$ 35,037
Budget	<u>248,082</u>	<u>180,387</u>	<u>35,037</u>
Increase (decrease) in payables	<u>\$ 646</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Financial Statements (continued)

8. CAPITAL ASSETS

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

	<u>Balances</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2011</u>
Buildings	\$ 60,000	\$ -	\$ -	\$ 60,000
Infrastructure (storage tanks)	115,000	-	-	115,000
Water/sewer system	1,615,084	461,162	-	2,076,246
Equipment	78,128	5,311	-	83,439
Land improvements	<u>7,864</u>	<u>57,774</u>	-	<u>65,638</u>
Sub-total	<u>1,876,076</u>	<u>524,247</u>	-	<u>2,400,323</u>
Less accumulated depreciation for:				
Buildings	(37,455)	(1,500)	-	(38,955)
Infrastructure (storage tanks)	(72,449)	(2,875)	-	(75,324)
Water/sewer system	(194,575)	(74,406)	-	(268,981)
Equipment	(17,111)	(8,539)	-	(25,650)
Land improvements	<u>(4,719)</u>	<u>(13,127)</u>	-	<u>(17,846)</u>
Sub-total	<u>(326,309)</u>	<u>(100,447)</u>	-	<u>(426,756)</u>
Net capital assets	<u>\$ 1,549,767</u>	<u>\$ 423,800</u>	<u>\$ -</u>	<u>\$ 1,973,567</u>

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

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Land	\$ 174,014	\$ -	\$ -	\$ 174,014
Total capital assets not being depreciated	<u>174,014</u>	-	-	<u>174,014</u>
Building and improvements	288,375	51,636	-	340,011
Infrastructure	1,611,352	82,789	-	1,694,141
Heavy equipment	353,607	-	-	353,607
Vehicles	74,950	33,364	-	108,314
Equipment	<u>55,972</u>	<u>7,905</u>	-	<u>63,877</u>
Total capital assets being depreciated	<u>2,384,256</u>	<u>175,694</u>	-	<u>2,559,950</u>
Less accumulated depreciation for:				
Building and improvements	(138,617)	(14,091)	-	(152,708)
Infrastructure	(154,782)	(80,567)	-	(235,349)
Heavy equipment	(201,511)	(3,488)	-	(204,999)
Vehicles	(46,623)	(3,465)	-	(50,088)
Equipment	<u>(30,200)</u>	<u>(12,375)</u>	-	<u>(42,575)</u>
Total accumulated depreciation	<u>(571,733)</u>	<u>(113,986)</u>	-	<u>(685,719)</u>
Total capital assets being depreciated	<u>1,812,523</u>	<u>61,708</u>	-	<u>1,874,231</u>
Net capital assets	<u>\$ 1,986,537</u>	<u>\$ 61,708</u>	<u>\$ -</u>	<u>\$ 2,048,245</u>

Notes to Financial Statements (continued)

9. RETIREMENT PLAN

*Plan Description.* Substantially all of Village of Mosquero's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Board (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial 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.

*Funding Policy.* Plan members are required to contribute 7% of their gross salary. The Village of Mosquero is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the Village of Mosquero are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The Village of Mosquero contributions to PERA for the year ending June 30, 2011, 2010 and 2009 were \$4,248, \$4,018 and \$3,585 respectively equal to the amount of the required contributions for the year.

10. RETIREE HEALTH CARE ACT CONTRIBUTIONS

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

11. ACCOUNTING FOR LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

Closure costs are defined as costs related to closing the landfill. The costs include grading, compacting, fertilizing, seeding, fencing, and other costs associated with closing the site of the landfill. A September, 2002 report issued to the Agency indicated that these types of closure costs are estimated at \$13,900.

The landfill is now closed and all costs have been recorded in the Enterprise Fund to date.

Post closure costs are defined as costs to maintain and monitor the landfill for 30 years after closure. These would include ground water monitoring, post-closure inspections, and cap and slop maintenance. A November, 2004 report issued to the Agency indicated that these types of post-closure costs are estimated at \$94,900.

The Village of Mosquero will be applying to the State for a grant to cover these costs.

Notes to Financial Statements (continued)

12. TRANSFERS

The composition of interfund transfers for the Business-Type Activities during the year are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>
Water/Sewer Fund	Solid Waste Fund
\$3,054	\$3,054

The Village made a one-time transfer from the Water/Sewer Fund to the Solid Waste Fund to cover one-time expenditures.

**PROPRIETARY FUND  
BUDGET**

STATE OF NEW MEXICO  
 VILLAGE OF MOSQUERO  
 Proprietary Funds - Water and Sewer Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 36,000	\$ 36,000	\$ 39,207	\$ 3,207
State shared taxes	5,000	5,000	4,990	(10)
Local sources	-	-	-	-
State sources	-	10,000	-	(10,000)
Federal sources	-	-	-	-
Interest income	-	-	54	54
<b>Total revenues</b>	<b>\$ 41,000</b>	<b>\$ 51,000</b>	<b>\$ 44,251</b>	<b>\$ (6,749)</b>
<b>EXPENDITURES</b>				
Personal services	\$ 18,000	\$ 18,000	\$ 18,322	\$ (322)
Operating expenses	20,000	30,000	28,296	1,704
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>\$ 38,000</b>	<b>\$ 48,000</b>	<b>\$ 46,618</b>	<b>\$ 1,382</b>
<b>OTHER FINANCING (USES)</b>				
Transfer out	\$ -	\$ -	\$ (3,054)	\$ (3,054)
<b>Total other financing (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,054)</b>	<b>\$ (3,054)</b>
<b>REVENUES</b>				
Budgetary basis			\$ 44,251	
Accounts receivable			81	
<b>Modified accrual basis</b>			<b>\$ 44,332</b>	
<b>EXPENDITURES</b>				
Budgetary basis			\$ 46,618	
Depreciation			80,531	
Capital assets purchased			-	
Difference in accounts payable/ compensated absences			(396)	
<b>Modified accrual basis</b>			<b>\$ 126,753</b>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
 VILLAGE OF MOSQUERO  
 Proprietary Funds - Solid Waste Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 13,000	\$ 13,000	\$ 11,696	\$ (1,304)
Local sources	85,000	85,000	74,644	(10,356)
Environmental gross receipts tax	1,200	1,200	1,248	48
Interest Income	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
 Total revenues	 <u>\$ 99,200</u>	 <u>\$ 99,200</u>	 <u>\$ 87,594</u>	 <u>\$ (11,606)</u>
<b>EXPENDITURES</b>				
Personal services	\$ 8,000	\$ 8,000	\$ 7,334	\$ 666
Operating expenses	<u>87,000</u>	<u>87,000</u>	<u>81,831</u>	<u>5,169</u>
 Total expenditures	 <u>\$ 95,000</u>	 <u>\$ 95,000</u>	 <u>\$ 89,165</u>	 <u>\$ 5,835</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer in	\$ <u>-</u>	\$ <u>-</u>	\$ 3,054	\$ 3,054
 Total other financing sources	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 3,054</u>	 <u>\$ 3,054</u>
<b>EXPENDITURES</b>				
Budgetary basis			\$ 89,165	
Depreciation			19,917	
Capital assets purchases			<u>(63,085)</u>	
 Modified accrual basis			 <u>\$ 45,997</u>	

The accompanying notes are an integral part of these financial statements.



**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011

<u>Source and Program</u>	<u>Federal Number</u>	<u>Pass-Through Entity Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation</u>			
Passed through State of NM			
Department of Transportation:			
Title I Scenic Byways	20.205	SB-NM08-(6)	\$ 51,636
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Department of Finance and Administration:			
CDBG - Road Project	14.228	10-C-RS-I- 01-G-26	45,615
*CDBG - ARRA - Road Project	14.228	10-C-RS-I- 01-G-28	<u>443,624</u>
Sub-total			<u>489,239</u>
Total Expenditures of Federal Awards			<u>\$ 540,875</u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Village of Mosquero and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Non-Cash Assistance

The Village did not receive any federal awards in the form of non-cash assistance.

3. Subrecipients

The Village did not provide any federal awards to subrecipients during the year.

\*Treated as a Major Program

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011

Part 1 - Summary of Auditor Results

1. Type of Report - Unqualified
2. Significant Deficiency - Late Audit Report (03-27) and Revenue Resources for Post-Closure Costs of Landfill (08-01)
3. Non-Compliance - Late Audit Report (03-27), Revenue Resources for Post-Closure Costs of Landfill (08-01), Water Conservation Fee (11-01), Travel Policy (11-02) New Hire Reporting (11-04) and CFDA Data Collection Form (11-05).
4. Reportable Conditions Over Major Programs - NONE
5. Type of Report Issued on Compliance with the Major Program - Unqualified
6. A-133 Audit Findings - NONE
7. Major Programs - Title I Scenic Byways CFDA #20.205
8. Dollar Threshold Used to Distinguish Type A and Type B Programs - \$300,000
9. Village of Mosquero did not qualify as a low-risk auditee

Part 2 - Findings

1. Late Audit Report (03-27), Revenue Resources for Post-Closure Costs of Landfill (08-01), Water Conservation Fee (11-01), Travel Policy (11-02), Solid Waste Removal Contract (11-03) New Hire Reporting (11-04) and CFDA Data Collection Form (11-05)

Part 3 - Questioned Costs

NONE

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

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the budgetary comparisons of the General, Fire Protection and Law Enforcement Funds of the Village of Mosquero, as of and for the year ended June 30, 2011, and have issued our report thereon dated July 10, 2014. We also have audited the financial statements of each of the Village of Mosquero's proprietary funds and budgetary comparisons presented as supplementary information as of and for the year ended June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

A *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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Status of Comments and Responses that we consider to be significant deficiencies in internal control over financial reporting. They are listed as late Audit Report (03-27) and Revenue Resources for Post-Closure Costs of Landfill (08-01). 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.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Status of Comments as Late Audit Report (03-27), Revenue Resources for Post-Closure Costs of Landfill (08-01), Water Conservation Fee (11-01), Travel Policy (11-02), Solid Waste Removal Contract (11-03) and New Hire Reporting (11-04), CFDA Data Collection Form (11-05).

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

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

*Rice & Associates, LLP*

July 10, 2014

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

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TAX PREPARATION  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mr. Hector H. Balderas  
New Mexico State Auditor  
and  
Board of Education  
Village of Mosquero  
Mosquero, New Mexico

### Compliance

We have audited the compliance of Village of Mosquero with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The Village of Mosquero's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the Village of Mosquero's management. Our responsibility is to express an opinion on the Village of Mosquero's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Mosquero's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village of Mosquero's compliance with those requirements.

In our opinion, the Village of Mosquero complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The management of the Village of Mosquero is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Mosquero's internal control over compliance

with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village of Mosquero's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the School Board, management, the Office of the State Auditor, and the Public Education Department, the New Mexico Legislature, and any applicable federal granting agency and is not intended to be and should not be used by anyone other than these specified parties.

*Rice & Associates, LLP*

July 10, 2014

## **STATUS OF COMMENTS**

### **Prior Year Audit Findings**

1. Late Audit Report (03-27) - Repeated.
2. Revenue Resources for Post-Closure Costs of Landfill (08-01) - Repeated.

### **Current Year Audit Findings**

1. Water Conservation Fee (11-01)
2. Travel Policy (11-02)
3. Solid Waste Removal Contract (11-03)
4. New Hire Reporting (11-04)
5. CFDA Data Collection Form (11-05)



Late Audit Report  
(03-27)

CONDITION	The audit report for the Village was not timely submitted to the State Auditor by the required due date.
CRITERIA	All audit reports should be submitted to the State Auditors Office by the required due date according to the State Auditors Rule 2.2.2 9 A(1){c}.
CAUSE	The contract for the 2011 fiscal year had to be changed to include an A-133 report. The new contract was not obtained from the State Auditors Office before the required deadline.
EFFECT	State Auditor Rule 2.2.2 9 A(1){c} was not adhered to.
RECOMMENDATION	The Village should obtain contracts from the State Auditors Office before the required deadline.
RESPONSE	The Village staff is diligently working to ensure all reports are in on time within the New Mexico State Auditors guidelines.

Revenue Resources for Post-Closure Costs of Landfill  
(08-01)

CONDITION                    The Village is responsible for providing a financial mechanism to pay for all post-closure costs associated with the landfill. The Village has not obtained any resources to date to help with any post-closure costs.

CRITERIA                     The Village is responsible for providing resources to pay for post-closure costs of the landfill. This is to ensure that if the Village goes bankrupt that there is still a financial mechanism for the State to use to finish and maintain the post-closure procedures.

CAUSE                         The Village was not aware of this requirement. Upon review of the current post-closure payable on the financial statements , it was discovered through discussions with the New Mexico Environment Department that the Village needed to obtain this resource.

EFFECT                        The Village has not followed New Mexico Environment Department Solid Waste procedures for closure and post-closure requirements.

RECOMMENDATION             The Village should start investigating all resources from which revenues can be obtained to ensure all post-closure costs can be paid for, especially if the Village becomes bankrupt.

RESPONSE                     The post-closure of the Solid Waste Facility has been requested for re-evaluation of costs.

Water Conservation Fee

(11-01)

CONDITION	The State of New Mexico Taxation and Revenue charges a conservation fee on all public water supply systems. This fee is to be on the amount of water "produced." The Village is calculating the fee on the amount of water billed "each month."
CRITERIA	The State of New Mexico Taxation and Revenue charges a conservation fee on all public water supply systems.
CAUSE	Management was not aware of this requirement
EFFECT	The Village is not calculating the fee on the amount of water "produced."
RECOMMENDATION	Management should start calculating all conservation fees on the amount of water produced.
RESPONSE	The management has calculated the correct amount of water produced and is reporting as instructed.

Travel Policy  
(11-02)

CONDITION	The Village is providing 100% of travel expenses to employees before the travel is taken.
CRITERIA	The employee travel forms state that only 80% be provided before the travel date.
CAUSE	Management is not following its own travel policy vouchers.
EFFECT	Twenty percent of travel expenses are being paid before the travel is taken.
RECOMMENDATION	Management should follow their travel policy vouchers from now on.
RESPONSE	Management has implemented the 80/20 policy for travel.

Solid Waste Removal Contract

(11-03)

CONDITION	Management purchases Solid Waste Removal from a particular source to provide to its Village tenants. However, a signed/approved contract with that Vendor has not been obtained.
CRITERIA	A signed/approved contract with any Vendor should be obtained so all requirements, prices, changes or services have been agreed to by both parties and can be legally enforceable.
CAUSE	Management has not ensured that a contract was obtained.
EFFECT	The Village could pay more than what price was agreed to as there is no legal/binding contract.
RECOMMENDATION	The Village has contacted the vendor to submit a contract with the prices listed so there are no over runs.

New Hire Reporting  
(11-04)

CONDITION	The Village did not properly report newly hired employees to a State directory within 20 days of their hire date.
CRITERIA	New Mexico law (50-13-1 to 50-13-4 NMSA) and the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, 42. U.S.C. 653A, requires all employers to report newly hired employees to a State directory within 20 days of their hire.
CAUSE	Management did not know of this requirement.
EFFECT	The Village did not comply with New Mexico State Statute 50-13-1 or the PRWORA of 1996.
RECOMMENDATION	The Village is now complying with this law, however, management should have a system in place to ensure all future reports are submitted on time.
RESPONSE	Management has kept all reporting current.

CFDA Data Collection Form

(11-05)

CONDITION                    The CFDA Data Collection Form was not submitted to the federal clearing house within nine months after the fiscal year end due to the audit not being completed within nine months after the fiscal year end.

CRITERIA                    The CFDA Data Collection Form is to be submitted to the federal clearing house within nine months after the fiscal year end according to the OMB Circular A-133.320.

CAUSE                        The audit was not completed within the nine month period after the fiscal year end. The audit report must be submitted with the Data Collection Form. Thus, the Data Collection Form could not be submitted until the audit report was completed.

EFFECT                      The Village was unable to comply with OMB Circular A-133.

RECOMMENDATION            The audit report should be completed within nine months after the fiscal year end.

RESPONSE                    The Village has diligently worked to get all audits current and in on time.

## FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2011 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

## EXIT CONFERENCE

An exit conference was held at the Village on July 10, 2014, to discuss the current audit report. In attendance were Ms. Shawn Jeffrey, Clerk-Treasurer, Ms. Rita Palos, Deputy Clerk, Mr. Patrick Thrasher, Mayor, Mr. Curtis Jeffrey, Council Member, Ms. Darla King, Council Member, Mr. Jimmie Ridge, Council Member and Ms. Pamela A. Rice, CPA, Contract Auditor. A properly closed regular session was held.