

STATE OF NEW MEXICO

VILLAGE OF MOSQUERO

AUDIT REPORT

For the Year Ended June 30, 2013

(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, 2013

(with Auditor's Report Thereon)

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
TABLE OF CONTENTS
Year Ended June 30, 2013

	<u>Page</u>
Introduction Section	
Official Roster	i
Financial Section	
Independent Auditor's Report	1
<u>Financial Statements</u>	
<u>Statements</u>	
1 Statement of Net Position	3
2 Statement of Activities	5
3 Balance Sheet - Governmental Funds	6
4 Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds	7
5 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	9
7 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	10
8 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - Special Revenue - Fire Protection Fund	11
9 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - Special Revenue - Law Enforcement Protection Fund	12

Table of Contents (continued)

	<u>Page</u>
10 Statement of Net Position - Proprietary Funds	13
11 Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	14
12 Statement of Cash Flows - Proprietary Funds	15
Notes to Financial Statements	16
Proprietary Budget Fund	
A-1 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - Water and Sewer Funds	33
A-2 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - Solid Waste Fund	34
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	35
Status of Comments	37
Financial Statement Preparation and Exit Conference	49

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
Official Roster
Year Ended June 30, 2013

Village Council

<u>Name</u>	<u>Title</u>
Mr. Pablo Trujillo	Mayor
Mr. Victor Vigil	Mayor Pro-Tem
Mr. Jerry Hazen	Council Member
Mr. Darla King	Council Member
Mr. Patrick Trasher	Council Member

Village Administration

Ms. Shawn Jeffrey	Clerk-Treasurer
-------------------	-----------------

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the budgetary comparisons for the General, Fire Protection, Law Enforcement Protection Funds of the Village of Mosquero, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Village of Mosquero's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village of Mosquero's nonmajor enterprise funds and the budgetary comparisons for the enterprise funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, and each major fund of the Village of Mosquero, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Fire Protection, Law Enforcement Protection Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each enterprise fund of the Village of Mosquero, as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the enterprise funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the Village of Mosquero's financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The budgetary comparison for the enterprise funds are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparisons for the enterprise funds are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basis financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparisons for the enterprise fund fairly states, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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 on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Mosquero's internal control over financial reporting and compliance.



Albuquerque, New Mexico
July 10, 2014

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
Statement of Net Position
June 30, 2013

Statement 1
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 57,392	\$ 9,660	\$ 67,052
Accounts receivable (net of uncollectible accounts)	2,808	5,501	8,309
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	<u>60,200</u>	<u>15,161</u>	<u>75,361</u>
Restricted Assets			
Debt service reserve (cash)	<u>-</u>	<u>1,161</u>	<u>1,161</u>
Total restricted assets	<u>-</u>	<u>1,161</u>	<u>1,161</u>
Capital Assets			
Land	174,014	-	174,014
Land Improvements	-	65,638	65,638
Equipment	84,313	-	84,313
Buildings	572,483	60,000	632,483
Vehicles	123,077	-	123,077
Heavy equipment	541,017	109,092	650,109
Water system	-	2,076,246	2,076,246
Infrastructure	<u>2,115,211</u>	<u>115,000</u>	<u>2,230,211</u>
Total capital assets	<u>3,610,115</u>	<u>2,425,976</u>	<u>6,036,091</u>
Less accumulated depreciation	(1,034,214)	(630,963)	(1,665,177)
Total capital assets (net of accumulated depreciation)	<u>2,575,901</u>	<u>1,795,013</u>	<u>4,370,914</u>
Total assets	<u>\$ 2,636,101</u>	<u>\$ 1,811,335</u>	<u>\$ 4,447,436</u>

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
Statement of Net Position
June 30, 2013

Statement 1
Page 2 of 2

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 3,709	\$ 2,787	\$ 6,496
NMFA loan payable	26,037	-	26,037
Due to other funds	-	-	-
Total current liabilities	<u>29,746</u>	<u>2,787</u>	<u>32,533</u>
Non-Current Liabilities			
Landfill closure and post closure liability	-	94,900	94,900
NMFA loan payable	264,296	-	264,296
Compensated absences	-	4,320	4,320
Total non-current liabilities	<u>264,296</u>	<u>99,220</u>	<u>363,516</u>
Total liabilities	<u>294,042</u>	<u>102,007</u>	<u>396,049</u>
Net Position			
Net Investment in			
Capital Assets	2,285,568	1,795,013	4,080,581
Restricted for debt service	5,084	1,161	6,245
Restricted for capital outlay	23,830	-	23,830
Unrestricted	27,577	(86,846)	(59,269)
Total net position	<u>2,342,059</u>	<u>1,709,328</u>	<u>4,051,387</u>
Total liabilities and net position	<u>\$ 2,636,101</u>	<u>\$ 1,811,335</u>	<u>\$ 4,447,436</u>

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, 2013

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
Primary government:							
Governmental activities:							
General government	\$ 122,343	\$ 2,123	\$ 23,981	\$ 37,017	\$ (59,222)	\$ -	\$ (59,222)
Public safety	37,861	-	92,711	-	54,850	-	54,850
Culture and recreation	-	-	-	-	-	-	-
Depreciation - unallocated	171,421	-	-	-	(171,421)	-	(171,421)
Interest on long-term debt	667	-	-	-	(667)	-	(667)
Total governmental activities	<u>332,292</u>	<u>2,123</u>	<u>116,692</u>	<u>37,017</u>	<u>(176,460)</u>	<u>-</u>	<u>(176,460)</u>
Business-type activities:							
Water/Sewer expenses	135,529	43,528	1,371	-	(90,630)	-	(90,630)
Solid waste	39,051	12,035	29,710	-	2,694	-	2,694
Total business-type activities	<u>174,580</u>	<u>55,563</u>	<u>31,081</u>	<u>-</u>	<u>(87,936)</u>	<u>-</u>	<u>(87,936)</u>
Total all activities	<u>\$ 506,872</u>	<u>\$ 57,686</u>	<u>\$ 147,773</u>	<u>\$ 37,017</u>	<u>(176,460)</u>	<u>(87,936)</u>	<u>(264,396)</u>
General Revenues:							
Property taxes					1,297		1,297
Gross receipts taxes					56,517	9,904	66,421
Gasoline taxes					5,482		5,482
Motor vehicle taxes					858		858
State aid not restricted to special purposes							
General					35,000		35,000
Unrestricted investment earnings					189	25	214
Total general revenues					<u>99,343</u>	<u>9,929</u>	<u>109,272</u>
Change in net position					(77,117)	(78,007)	(155,124)
Net position - beginning					2,419,176	1,787,335	4,206,511
Net position - ending					<u>\$ 2,342,059</u>	<u>\$ 1,709,328</u>	<u>\$ 4,051,387</u>

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

STATE OF NEW MEXICO
 VILLAGE OF MOSQUERO
 Balance Sheet
 Governmental Funds
 June 30, 2013

Statement 3

	General	Fire Protection Fund	Law Enforcement Protection Fund	Total Governmental Funds
ASSETS				
Cash on deposit	\$ 41,677	\$ 12,918	\$ 2,797	\$ 57,392
Accounts receivable	2,808	-	-	2,808
Due from other funds	-	-	-	-
Total assets	<u>\$ 44,485</u>	<u>\$ 12,918</u>	<u>\$ 2,797</u>	<u>\$ 60,200</u>
LIABILITIES				
Accounts payable	\$ 3,709	-	-	\$ 3,709
Total liabilities	<u>3,709</u>	<u>-</u>	<u>-</u>	<u>3,709</u>
FUND BALANCE				
Unreserved:				
Nonspendable	-	-	-	-
Restricted	28,914	12,918	2,797	44,629
Committed	-	-	-	-
Unassigned	11,862	-	-	11,862
Total fund balance	<u>40,776</u>	<u>12,918</u>	<u>2,797</u>	<u>56,491</u>
Total liabilities and fund balance	<u>\$ 44,485</u>	<u>\$ 12,918</u>	<u>\$ 2,797</u>	<u>\$ 60,200</u>

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2013

Statement 4

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

Fund balances - total governmental funds	\$ 56,491
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	2,575,901

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	(290,333)	
Compensated absences	(290,333)	
Net assets of governmental activities		\$ 2,342,059

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, 2013

	General	Fire Protection Fund	Law Enforcement Protection Fund	Total Governmental Funds
REVENUES				
Taxes:				
Property taxes	\$ 1,297	\$ -	\$ -	\$ 1,297
Gross receipts taxes	56,517	-	-	56,517
Gasoline taxes	5,482	-	-	5,482
Motor vehicle taxes	858	-	-	858
Charges for services	1,742	-	-	1,742
Licenses and permits	381	-	-	381
Local sources	11,852	-	-	11,852
State sources	57,495	72,711	20,000	150,206
Federal sources	26,651	-	-	26,651
Earnings from investments	185	4	-	189
	<u>162,460</u>	<u>72,715</u>	<u>20,000</u>	<u>255,175</u>
Total revenues				
EXPENDITURES				
Current:				
General government	122,828	-	-	122,828
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Public safety	-	32,322	7,474	39,796
Culture and recreation	-	-	-	-
Capital outlay	37,017	7,029	13,716	57,762
Debt service:				
Principal	1,334	23,600	-	24,934
Interest	27	640	-	667
	<u>161,206</u>	<u>63,591</u>	<u>21,190</u>	<u>245,987</u>
Total expenditures				
Net change in fund balances	1,254	9,124	(1,190)	9,188
Fund balance beginning of year	<u>39,522</u>	<u>3,794</u>	<u>3,987</u>	<u>47,303</u>
Fund balance end of year	<u>\$ 40,776</u>	<u>\$ 12,918</u>	<u>\$ 2,797</u>	<u>\$ 56,491</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, 2013

Statement 6

Net change in fund balances - total governmental funds \$ 9,188

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

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

Depreciation expense	(171,421)	
Capital outlays	<u>57,762</u>	
Excess of capital outlay over depreciation expense		<u>(113,659)</u>

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	2,420
------------------------------	-------

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	<u>24,934</u>
-----------------------------	---------------

Change in net assets of governmental activities	<u>\$ (77,117)</u>
---	--------------------

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 1,050	\$ 1,050	\$ 1,297	\$ 247
Charges for services	1,500	1,500	1,742	242
Licenses and permits	400	400	381	(19)
Local sources	5,000	5,000	11,852	6,852
State sources	420,000	420,000	57,495	(362,505)
Federal sources	500,000	500,000	26,651	(473,349)
State shared taxes	34,454	53,454	62,259	8,805
Earnings from investments	100	100	185	85
	<u>962,504</u>	<u>981,504</u>	<u>161,862</u>	<u>(819,642)</u>
Total revenues	<u>\$ 962,504</u>	<u>\$ 981,504</u>	<u>\$ 161,862</u>	<u>\$ (819,642)</u>
EXPENDITURES				
General government	\$ 75,000	\$ 75,000	\$ 123,385	\$ (48,385)
Public safety	-	-	-	-
Culture and recreation	5,000	5,000	-	5,000
Capital outlay	927,880	927,880	34,113	893,767
Loan principle	-	-	1,334	(1,334)
Loan interest	-	-	27	(27)
	<u>1,007,880</u>	<u>1,007,880</u>	<u>158,859</u>	<u>849,021</u>
Total expenditures	<u>\$ 1,007,880</u>	<u>\$ 1,007,880</u>	<u>\$ 158,859</u>	<u>\$ 849,021</u>
BUDGETED CASH BALANCE	<u>\$ 45,376</u>	<u>\$ 45,376</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State Sources	\$ 72,711	\$ 72,711	\$ 72,711	\$ -
Earnings from investments	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>
 Total revenues	 <u>\$ 72,711</u>	 <u>\$ 72,711</u>	 <u>\$ 72,715</u>	 <u>\$ 4</u>
EXPENDITURES				
Public safety	\$ 73,240	\$ 73,240	\$ 63,591	\$ 9,649
 Total expenditures	 <u>\$ 73,240</u>	 <u>\$ 73,240</u>	 <u>\$ 63,591</u>	 <u>\$ 9,649</u>
 BUDGETED CASH BALANCE	 <u>\$ 529</u>	 <u>\$ 529</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State sources	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Total revenues	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>
EXPENDITURES				
Public safety	\$ 23,987	\$ 23,987	\$ 21,190	\$ 2,797
Total expenditures	<u>\$ 23,987</u>	<u>\$ 23,987</u>	<u>\$ 21,190</u>	<u>\$ 2,797</u>
BUDGETED CASH BALANCE	<u>\$ 3,987</u>	<u>\$ 3,987</u>		

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
Combining Statement of Net Position
Proprietary Funds
June 30, 2013

Statement 10

	Water & Sewer Fund	Solid Waste Fund	Total
ASSETS			
Current assets			
Cash	\$ 1,694	\$ 7,966	\$ 9,660
Accounts receivable (net of allowance)	5,501	-	5,501
Total current assets	7,195	7,966	15,161
Restricted assets			
Solid waste reserve (cash)	-	1,161	1,161
Total restricted assets	-	1,161	1,161
Capital assets			
Land	-	-	-
Property, plant and equipment	2,268,746	157,230	2,425,976
Less accumulated depreciation	(551,322)	(79,641)	(630,963)
Total capital assets net of accumulated depreciation	1,717,424	77,589	1,795,013
Total assets	1,724,619	86,716	1,811,335
LIABILITIES			
Current liabilities			
Accounts payable	2,787	-	2,787
Due to other funds	-	-	-
Total current liabilities	2,787	-	2,787
Noncurrent liabilities			
Compensated absences	4,320	-	4,320
Landfill closure payable	-	94,900	94,900
Total noncurrent liabilities	4,320	94,900	99,220
Total liabilities	7,107	94,900	102,007
NET POSITION			
Net Investment in			
Capital Assets	1,717,424	77,589	1,795,013
Restricted for solid waste	-	1,161	1,161
Unrestricted	88	(86,934)	(86,846)
Total net position	\$ 1,717,512	\$ (8,184)	\$ 1,709,328

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 Position
For the Year Ended June 30, 2013

	Water/Sewer Fund	Solid Waste Fund	Totals
OPERATING REVENUES			
Charges for services	\$ 43,528	\$ 12,035	\$ 55,563
Local sources	1,371	29,710	31,081
Environmental gross receipts taxes	<u>7,923</u>	<u>1,981</u>	<u>9,904</u>
Total operating revenue	<u>52,822</u>	<u>43,726</u>	<u>96,548</u>
OPERATING EXPENSES			
Salaries	28,936	2,513	31,449
Maintenance & operations	26,062	14,056	40,118
Depreciation	<u>80,531</u>	<u>22,482</u>	<u>103,013</u>
Total operating expenses	<u>135,529</u>	<u>39,051</u>	<u>174,580</u>
Operating income (loss)	<u>(82,707)</u>	<u>4,675</u>	<u>(78,032)</u>
NON-OPERATING REVENUE (EXPENSES)			
Investment income	24	1	25
Investment expense	-	-	-
Capital grants	-	-	-
Transfer in	5,560	-	5,560
Transfer out	<u>-</u>	<u>(5,560)</u>	<u>(5,560)</u>
Total Non-Operating Revenue (Expenses)	<u>5,584</u>	<u>(5,559)</u>	<u>25</u>
Change in Net Position	(77,123)	(884)	(78,007)
Net position, beginning of year	<u>1,794,635</u>	<u>(7,300)</u>	<u>1,787,335</u>
Net position, end of year	<u>\$ 1,717,512</u>	<u>\$ (8,184)</u>	<u>\$ 1,709,328</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, 2013

Statement 12

	Water/Sewer Fund	Solid Waste Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Received from customers	\$ 45,062	\$ 41,745	\$ 86,807
Environmental gross receipts tax	7,923	1,981	9,904
Cash payment to employees	(28,745)	(2,513)	(31,258)
Cash payments to suppliers	<u>(24,647)</u>	<u>(14,056)</u>	<u>(38,703)</u>
 Net cash provided by operating activities	 <u>(407)</u>	 <u>27,157</u>	 <u>26,750</u>
 CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES:			
Principal paid on debt	-	-	-
Interest paid on debt	-	-	-
Acquisition and construction of capital assets	-	(18,200)	(18,200)
Capital grants	<u>-</u>	<u>-</u>	<u>-</u>
 Net cash provided by capital and related activities	 <u>-</u>	 <u>(18,200)</u>	 <u>(18,200)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating transfers to other funds	5,560	-	5,560
Operating transfers from other funds	<u>-</u>	<u>(5,560)</u>	<u>(5,560)</u>
 Net cash provided (used) by noncapital financing activities	 <u>5,560</u>	 <u>(5,560)</u>	 <u>-</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest	<u>24</u>	<u>1</u>	<u>25</u>
 Net cash provided by investing activities	 <u>24</u>	 <u>1</u>	 <u>25</u>
 Net increase (decrease) in cash	 5,177	 3,398	 8,575
Cash, beginning of year	<u>(3,483)</u>	<u>5,729</u>	<u>2,246</u>
Cash, end of year	<u>\$ 1,694</u>	<u>\$ 9,127</u>	<u>\$ 10,821</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (82,707)	\$ 4,675	\$ (78,032)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	80,531	22,482	103,013
Changes in assets and liabilities:			
Receivables	163	-	163
Payables	1,415	-	1,415
Compensated absences	<u>191</u>	<u>-</u>	<u>191</u>
 Net cash provided (used) by operating activities	 <u>\$ (407)</u>	 <u>\$ 27,157</u>	 <u>\$ 26,750</u>

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, 2013

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 position and the statement of activities and changes in net position) 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 \$4,320.

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 supense 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:

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

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

Unrestricted net position - 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	\$ 1,161
Community First Bank	Law Enforcement Fund	Checking	2,797
Community First Bank	Fire Fund	Checking	12,920
Community First Bank	Utilities Fund	Checking	10,834
Community First Bank	General Fund	Checking	30,060
Community First Bank	CDBG Fund	Checking	196
Wells Fargo	General Fund	Certificate of Deposit	6,272
Wells Fargo	General Fund	Checking	3,503
New Mexico Finance Authority	Fire Fund	Savings	-
New Mexico Finance Authority	General Fund	Savings	<u>5,084</u>
			<u>\$ 72,827</u>
	Total amount on deposit		\$ 72,827
	Deposit in transit		333
	Outstanding checks		<u>(4,947)</u>
	Total per financial statements		<u>\$ 68,213</u>

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	\$ 5,084	\$ 9,775	\$ 57,968
Less FDIC	<u>5,084</u>	<u>9,775</u>	<u>57,968</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, 2013 NONE of the Village's bank balance of \$72,827 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	-
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	\$ -	\$ 7,201
Less allowance for uncollectible accounts	-	(1,700)
Subtotal	-	5,501
Intergovernmental	2,808	-
Total	<u>\$ 2,808</u>	<u>\$ 5,501</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 \$0 the Water/Sewer Fund would be liable for \$4,320.

<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
\$ 6,549	\$ 191	\$ 2,420	\$ 4,320	\$ -

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, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
NMFA Loan	\$ 304,500	\$ -	\$ 23,600	\$ 280,900	\$ 24,700
NMFA Loan	10,767	-	1,334	9,433	1,337
Total	<u>\$ 315,267</u>	<u>\$ -</u>	<u>\$ 24,934</u>	<u>\$ 290,333</u>	<u>\$ 26,037</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.

Due in Year Ending June 30	Principal	Interest	Total
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>\$ 9,433</u>	<u>\$ 95</u>	<u>\$ 9,528</u>

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 \$304,500 and interest for the purpose of defraying the cost of acquiring a fire tanker for the Village's fire department. The yearly payments are to be redirected from the Villages share of the State Fire Fund revenues to the NMFA. The interest rate is 0.190% to 0.810%. The maturity date is May 1, 2024. This loan will be liquidated by the Fire Protection Fund. The total annual principal and interest payments to repay the loan is 33% of gross revenue.

Due in Year Ending June 30	Principal	Interest	Total
2014	\$ 24,700	\$ 494	\$ 25,194
2015	24,900	402	25,302
2016	25,100	260	25,360
2017	25,775	58	25,833
2018	25,775	-	25,775
2019	25,775	-	25,775
2020	25,775	-	25,775
2021	25,775	-	25,775
2022	25,775	-	25,775
2023	25,775	-	25,775
2024	<u>25,775</u>	<u>-</u>	<u>25,775</u>
	<u>\$ 280,900</u>	<u>\$ 1,214</u>	<u>\$ 282,114</u>

Notes to Financial Statements (continued)

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	\$162,460	\$ 72,715	\$ 20,000
Budget	<u>161,862</u>	<u>72,715</u>	<u>20,000</u>
Increase (decrease) in receivables	<u>\$ 598</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>Expenditures</u>			
Actual	\$161,206	\$ 63,591	\$ 21,190
Budget	<u>158,859</u>	<u>63,591</u>	<u>21,190</u>
Increase (decrease) in payables	<u>\$ 2,347</u>	<u>\$ -</u>	<u>\$ -</u>

8. CAPITAL ASSETS

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

	<u>Balances June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2013</u>
Buildings	\$ 60,000	\$ -	\$ -	\$ 60,000
Infrastructure (storage tanks)	115,000	-	-	115,000
Water/sewer system	2,076,246	-	-	2,076,246
Equipment	90,893	18,200	-	109,093
Land improvements	<u>65,638</u>	<u>-</u>	<u>-</u>	<u>65,638</u>
Sub-total	<u>2,407,777</u>	<u>18,200</u>	<u>-</u>	<u>2,425,977</u>
Less accumulated depreciation for:				
Buildings	(40,455)	(1,500)	-	(41,955)
Infrastructure (storage tanks)	(78,199)	(2,875)	-	(81,074)
Water/sewer system	(343,387)	(74,406)	-	(417,793)
Equipment	(34,935)	(11,105)	-	(46,040)
Land improvements	<u>(30,973)</u>	<u>(11,555)</u>	<u>-</u>	<u>(42,528)</u>
Sub-total	<u>(527,949)</u>	<u>(101,441)</u>	<u>-</u>	<u>(629,390)</u>
Net capital assets	<u>\$ 1,879,828</u>	<u>\$ (83,241)</u>	<u>\$ -</u>	<u>\$ 1,796,587</u>

Notes to Financial Statements (continued)

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

	Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>
Land	\$ 174,014	\$ -	\$ -	\$ 174,014
Total capital assets not being depreciated	<u>174,014</u>	<u>-</u>	<u>-</u>	<u>174,014</u>
Building and improvements	565,454	7,029	-	572,483
Infrastructure	2,078,196	37,017	-	2,115,213
Heavy equipment	541,017	-	-	541,017
Vehicles	121,577	1,500	-	123,077
Equipment	<u>72,096</u>	<u>12,216</u>	<u>-</u>	<u>84,312</u>
Total capital assets being depreciated	<u>3,378,340</u>	<u>57,762</u>	<u>-</u>	<u>3,436,102</u>
Less accumulated depreciation for:				
Building and improvements	(189,343)	(37,338)	-	(226,681)
Infrastructure	(343,399)	(105,760)	-	(449,159)
Heavy equipment	(217,858)	(11,360)	-	(229,218)
Vehicles	(59,046)	(6,499)	-	(65,545)
Equipment	<u>(53,147)</u>	<u>(10,464)</u>	<u>-</u>	<u>(63,611)</u>
Total accumulated depreciation	<u>(862,793)</u>	<u>(171,421)</u>	<u>-</u>	<u>(1,034,214)</u>
Total capital assets being depreciated	<u>2,515,547</u>	<u>(113,659)</u>	<u>-</u>	<u>2,401,888</u>
Net capital assets	<u>\$ 2,689,561</u>	<u>\$ (113,659)</u>	<u>\$ -</u>	<u>\$ 2,575,902</u>

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, 2013, 2012 and 2011 were \$3,359, \$4,153 and \$4,248 respectively equal to the amount of the required contributions for the year.

Notes to Financial Statements (continued)

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.

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>
Solid Waste Fund	Water/Sewer Fund
\$5,560	\$5,560

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

13. BUDGET VIOLATIONS

The Proprietary Solid Waste Fund had a budget overrun of \$769 and the Proprietary Water/Sewer Fund had a budget overrun of \$4,392.

Notes to Financial Statements (continued)

14. FUND BALANCES CLASSIFIED

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented here.

<u>Fund Balances</u>	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>LEPF Fund</u>	<u>Totals</u>
<u>Nonspendable:</u>				
Interfund loans	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-
Total nonspendable	-	-	-	-
<u>Restricted for:</u>				
Road improvements	23,830	-	-	23,830
Fire protection	-	12,918	-	12,918
Law Enforcement	-	-	2,797	2,797
Debt Service	5,084	-	-	5,084
Total restricted	28,914	12,918	2,797	44,629
<u>Committed to:</u>				
Other purposes	-	-	-	-
Total committed	-	-	-	-
<u>Unassigned:</u>	11,862	-	-	11,862
Total Fund Balances	<u>\$ 40,776</u>	<u>\$ 12,918</u>	<u>\$ 2,797</u>	<u>\$ 56,491</u>

**PROPRIETARY FUND
BUDGETS**

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 40,000	\$ 44,000	\$ 43,691	\$ (309)
State shared taxes	3,500	3,500	7,923	4,423
Local sources	3,500	5,000	1,371	(3,629)
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest income	-	-	-	-
Total revenues	<u>\$ 47,000</u>	<u>\$ 52,500</u>	<u>\$ 52,985</u>	<u>\$ 485</u>
EXPENDITURES				
Personal services	\$ 29,000	\$ 30,000	\$ 28,745	\$ 1,255
Operating expenses	14,000	19,000	24,647	(5,647)
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 43,000</u>	<u>\$ 49,000</u>	<u>\$ 53,392</u>	<u>\$ (4,392)</u>
OTHER FINANCING (USES)				
Transfer out	\$ -	\$ -	\$ 5,560	\$ 5,560
Total other financing (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,560</u>	<u>\$ 5,560</u>
REVENUES				
Budgetary basis			\$ 52,985	
Accounts receivable			(163)	
Modified accrual basis			<u>\$ 52,822</u>	
EXPENDITURES				
Budgetary basis			\$ 53,392	
Depreciation			80,531	
Capital assets purchased			-	
Difference in accounts payable/ compensated absences			1,606	
Modified accrual basis			<u>\$ 135,529</u>	

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 10,000	\$ 10,000	\$ 12,035	\$ 2,035
Local sources	25,000	25,000	29,710	4,710
Environmental gross receipts taxes	1,200	1,200	1,981	781
Interest Income	-	-	1	1
Total revenues	<u>\$ 36,200</u>	<u>\$ 36,200</u>	<u>\$ 43,727</u>	<u>\$ 7,527</u>
EXPENDITURES				
Personal services	\$ 3,000	\$ 3,000	\$ 2,513	\$ 487
Operating expenses	31,000	31,000	32,256	(1,256)
Total expenditures	<u>\$ 34,000</u>	<u>\$ 34,000</u>	<u>\$ 34,769</u>	<u>\$ (769)</u>
OTHER FINANCING SOURCES (Uses)				
Transfer out	\$ -	\$ -	\$ (5,560)	\$ (5,560)
Total other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,560)</u>	<u>\$ (5,560)</u>
EXPENDITURES				
Budgetary basis			\$ 34,769	
Depreciation			22,482	
Capital assets purchases			<u>(18,200)</u>	
Modified accrual basis			<u>\$ 39,051</u>	

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

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

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, in accordance with the 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 the financial statements of the governmental activities, the business-type activities, each major fund and the budgetary comparisons of the Village of Mosquero, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Village of Mosquero's basic financial statements and have issued our report thereon dated July 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Village of Mosquero's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances 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 of Mosquero's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Mosquero's internal control.

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. 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.

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 that might be material weaknesses or significant

deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Status of Comments and Responses, that we consider to be significant deficiencies: Late Audit Report (03-27) and Revenue Resources for Post-Closure Costs of Landfill (08-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Mosquero'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 noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the Status of Comments and Responses 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), New Hire Reporting (11-04), Checks Written Out of Sequence (12-01), Budget Overruns (12-03), Law Enforcement Contract (12-04), Utility Billing Rates (13-01), Grant not Utilized (13-02) and Rental Agreement (13-03).

The Village of Mosquero's Response to Findings

The Village of Mosquero's responses to the findings identified in our audit are described in the accompanying Status of Comments and Responses. The Village of Mosquero's responses were not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Mosquero's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rice & Associates, LLP

Albuquerque, New Mexico
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.
3. Water Conservation Fee (11-01) - Repeated.
4. Travel Policy (11-02) - Repeated.
5. Solid Waste Removal Contract (11-03) - Repeated.
6. New Hire Reporting (11-04) - Repeated.
7. Checks Written out of Sequence (12-01) - Repeated.
8. Missing PERA Payment/Report (12-02) - Resolved.
9. Budget Overruns (12-03) - Repeated.
10. Law Enforcement Contract (12-04) - Repeated.

Current Year Audit Findings

1. Utility Billing Rates (13-01)
2. Grant Not Utilized (13-02)
3. Rental Agreement (13-03)

Late Audit Report - Significant Deficiency
(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 Auditors guidelines. All reports are current and staff will continue to keep auditing done on a timely basis.

Revenue Resources for Post-Closure Costs of Landfill -
Significant Deficiency
(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. Funding resources have been looked into for the funding for this post closure plan.

Water Conservation Fee - Other Matter
(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 - Other Matter

(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 - Other Matter
(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 overruns.

New Hire Reporting - Other Matter
(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 enrolled in this program and is currently reporting all new hires on time.

Checks Written Out of Sequence - Other Matter
(12-01)

CONDITION	Management is writing checks out of sequence. This circumvents the internal control provided by checks being pre-numbered and issued in a sequence.
CRITERIA	The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that management is responsible for maintaining internal control that will, among other things, initiate, authorize, record, process and report transactions (as well as events and conditions) consistent with managements assertions embodied in the financial statements.
CAUSE	Management was trying to use up all checks before an order was made for new checks (stock).
EFFECT	Management is not ensuring proper internal control procedures are being used.
RECOMMENDATION	Management should ensure all checks are pre-numbered and issued (written) in sequence.
RESPONSE	Staff is working diligently to keep all checks in sequence and to void checks that are out of sequence.

Budget Overruns - Other Matter

(12-03)

CONDITION The Proprietary Solid Waste Fund had a budget overrun of \$769 and the Proprietary Water/Sewer Fund had a budget overrun of \$4,392.

CRITERIA According to Section 6-6-6 through 6-6-11 NMSA 1978 Compilation "prohibits local governments from making expenditures in excess of the approved budget".

CAUSE A budgetary adjustment did not occur to correct the budget deficit.

EFFECT The Village did not comply with the Section - 6-6-6 through 6-6-11 NMSA 1978 Compilation.

RECOMMENDATION Financial statements should be reviewed periodically for possible overruns and request the appropriate budgetary increase before expenditures exceed budget.

RESPONSE The Staff is monitoring all expenditures including outstanding transactions. Staff is monitoring the budget to ensure all funds are spent and adjustments are made.

Utility Billing Rates - Other Matter
(13-01)

CONDITION	The Village passed an increase in rates for utilities to be effective for the March 2013 billings. Management however, did not implement the new rates passed by the Council.
CRITERIA	All Ordinances passed by the Council should be implemented by management.
CAUSE	Management did not implement the new Ordinance.
EFFECT	The Village is not receiving the utilities revenues due them based on the new Ordinance.
RECOMMENDATION	Management should implement the new utility rate Ordinance as soon as possible.
RESPONSE	The Village has implemented the new rates and is currently charging the consumers rates as the Ordinance is stated.

Grant Not Utilized - Other Matter
(13-02)

CONDITION The Village received a CDBG planning grant in the amount of \$50,000. The Village spent the entire \$50,000. Upon closeout with the Department of Finance and Administration an amount equal to \$5771 was disallowed. Thus, the General Fund of the Village had to pay this amount of which was not budgeted for.

CRITERIA All grant monies received should be spent correctly according to the grant agreement. During the closeout all documents should be provided to ensure the expenditures are allowed.

CAUSE Management did not take time to ensure the expenditures were allowed and that all documents were provided to DFA during the closeout of this grant.

EFFECT The Village lost \$5771 in grant money that could have paid for the expenditures of the grant. Instead the General Fund had to cover the expenditures.

RECOMMENDATION Management should comply with all DFA grant closeout procedures and ensure all grant monies are used correctly.

RESPONSE The Village Staff is diligently working to process and manage all grant funding in a timely basis as instructed in the grant agreements.

Rental Agreement - Other Matter
(13-03)

CONDITION	Management did not obtain a rental agreement with the renter of their FEMA trailer.
CRITERIA	Management should obtain a rental agreement each fiscal year that sets forth all terms of the rent duration, etc. The agreement should be signed by both the renter and Village.
CAUSE	Management did not ensure a rental agreement was obtained for their tenant.
EFFECT	The terms of the agreement have not been approved by both parties and may not be legally enforceable.
RECOMMENDATION	Management of the Village should obtain approved, signed rental agreement for each rental at the start of the 2014 fiscal year.
RESPONSE	The rental agreement is currently being reviewed and renewed on a yearly basis.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2013 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.