

**STATE OF NEW MEXICO
VILLAGE OF VIRDEN
Independent Accountants' Report on
Applying Agreed-Upon Procedures
For the Year Ended
June 30, 2010**

**Harshwal & Company LLP
Certified Public Accountants
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STATE OF NEW MEXICO

VILLAGE OF VIRDEN

Table of Contents

	<u>Page</u>
Official Roster.....	1
Independent Accountants' Report on Applying	
Agreed-Upon Procedures.....	2
Schedule of Revenues and Expenditures - Budget and Actual (Accrual Basis)	
General Fund.....	7
Special Revenue Funds.....	8
Enterprise Fund.....	9
Schedule of Findings and Responses.....	14
Exit Conference.....	19

STATE OF NEW MEXICO

VILLAGE OF VIRDEN

OFFICIAL ROSTER

YEAR ENDED JUNE 30, 2010

Name

Title

Board of Directors

Archie W. Payne
Kent Clouse
Rulene Jensen
Carl Crofts

Mayor
Councilor
Councilor
Councilor

Staff

Nelda Potter
Charlene Jones

Clerk/Treasurer
Deputy Clerk

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

**To: Archie W. Payne, Mayor
Village of Virden
and
Honorable Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico**

We have performed the procedures enumerated below which were agreed to by Village of Virden (Village) and New Mexico State Auditor (the specified parties), solely to users in evaluating the Village's financial reporting relating to its Cash, Capital Assets, Revenue, Expenditures, Journal Entries, and Budget information and its compliance with Section 12-6-3B (4) NMSA 1978 and Section 2.2.2.16 NMAC as of and for the year ended June 30, 2010. The Village is responsible for its financial reporting to the State Auditor as described above. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

In accordance with Tier 4 of the Audit Act - Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC, we performed the following procedures:

1. CASH

Procedures

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand. For purposes of performing our procedures, "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for by the Village.
- b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division (DFA-LGD). For purposes of performing our procedures "accuracy" means that reconciling items agree to deposit slips and subsequent bank or investment statements.

c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Findings

The Village has three checking bank accounts and one savings account. We noted that the general fund checking account and saving account reconciliations were not tied with general ledger, which has been noted as finding 10-1 on page 15 of this report.

2. CAPITAL ASSETS

Procedures

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

Findings

The Village did not perform a yearly inventory as required by Section 12-6-10 NMSA 1978 and has not been maintaining capital asset listing. This has been noted as finding 10-2 on page 16 of this report.

3. REVENUE

Procedures

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Test 50% of the total amount of revenues for the following attributes:

b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

Findings

None.

4. EXPENDITURES

Procedures

Select a sample of cash disbursements and test at least 25 transactions and 50% of the total amount of expenditures for the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. For purposes of performing our procedures, disbursements were considered to be properly authorized if they contained evidence of review such as sign off on invoices or approval through correspondence.
- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Findings

None.

5. JOURNAL ENTRIES

Procedures

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Findings

None.

6. BUDGET

Procedures

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

Findings

Total actual expenditures exceeded the final budget at the total fund level, the legal level of budgetary control. This has been noted as finding 10-3 on page 17 of this report.

OTHER

Procedures

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section, 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10 (I) (3) (C) NMAC.

Findings

The agreed-upon procedures report for the year ending June 30, 2010 was not submitted by the deadline of December 1, 2010. The Village is not in compliance with Section 2.2.2.16 H of the NMAC, Audit Rule 2010. This has been noted as finding 10-4 on page 18 of this report.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the Village's financial reporting to the State Auditor as described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Village, the New Mexico Office of the State Auditor, the Department of Finance and Administration - Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
February 25, 2013

**SCHEDULE OF REVENUES &
EXPENDITURES - BUDGET AND
ACTUAL (ACCRUAL BASIS)**

STATE OF NEW MEXICO

VILLAGE OF VIRDEN

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (ACCRUAL BASIS)

GENERAL FUND

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Taxes:				
Property current	\$ 1,200	\$ 1,499	\$ 1,499	\$ 0
Gross receipts	12,586	9,642	7,394	(2,248)
Intergovernmental				
Gas tax [0.01 cent]	5,004	5,004	5,004	0
County gas tax	100	16		(16)
MVD	300	307	336	29
Small city assistance	39,992	35,000	35,000	0
Licenses and permits	42	91	91	0
Charges for services	4,400	7,159	7,459	300
Refund and other income	50	2,197	2,197	0
Interest	1,303	2,818	(48)	(2,866)
Total revenues	64,977	63,733	58,932	(4,801)
EXPENDITURES				
Administrative - legislative	38,071	40,563	40,800	(237)
Culture and recreation	20,294	13,964	14,024	(60)
Finance and administration	4,250	8,758		8,758
Election	294	338	338	0
Street utilities	3,500	2,735	2,735	0
Total expenditures	66,409	66,358	57,897	8,461
Net change in fund balances	(1,432)	(2,625)	1,035	3,660
Fund balances, beginning of year	0	0	141,898	0
Fund balances, end of year	\$ (1,432)	\$ (2,625)	\$ 142,933	\$ 3,660

STATE OF NEW MEXICO

VILLAGE OF VIRDEN

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (ACCRUAL BASIS)

SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
FIRE FUND				
REVENUES				
State fire allotment	\$ 43,651	\$ 55,348	\$ 55,348	\$ 0
Fire department interest	<u>100</u>	<u>100</u>	<u>73</u>	<u>(27)</u>
Total Revenues	<u>43,751</u>	<u>55,448</u>	<u>55,421</u>	<u>(27)</u>
EXPENDITURES	<u>43,400</u>	<u>53,766</u>	<u>50,603</u>	<u>3,163</u>
Net change in fund balances	351	1,682	4,818	3,136
Fund balances, beginning of year	<u>0</u>	<u>0</u>	<u>13,379</u>	<u>0</u>
Fund balances, end of year	<u>\$ 351</u>	<u>\$ 1,682</u>	<u>\$ 18,197</u>	<u>\$ 3,136</u>

STATE OF NEW MEXICO

VILLAGE OF VIRDEN

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (ACCRUAL BASIS)

ENTERPRISE FUND

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance
WATER FUND				
REVENUES				
Utility services	\$ 0	\$ 16,953	\$ 16,953	\$ 0
Connection		350	350	
Reconnect		45	295	250
Total revenues	0	17,348	17,598	\$ 250
EXPENDITURES	0	10,666	11,027	(361)
Net change in fund balances	0	6,682	6,571	(111)
Fund balances, beginning of year	0	0	30,292	0
Fund balances, end of year	0	6,682	36,863	\$ (111)

STATE OF NEW MEXICO

VILLAGE OF VIRDEN

YEAR-END FINANCIAL REPORT SUBMITTED TO DFA

YEAR ENDED JUNE 30, 2010

Village of Virden

State Finance Report Village of Virden
 GL Period: 06/10
 Summary Report

Page: 1
 Nov 07, 2012 09:55am

Report Criteria:

Electronic File: c:\STATEFIN\June2010.csv

Fund Title	Fund No	Beginning Cash	Revenue	Transfer	Expense	Balance Sheet Changes	Ending Cash	Outstanding Deposits	Outstanding Checks	Adjustments	Total	Ending Bank Balance	Difference
General Fund	101	46,528.62	35,488.99 -	.00	57,897.03	2,681.53	51,695.60	649.84	5,652.75		56,698.51	56,698.51	.00
Group 1 Totals:		46,528.62	35,488.99 -	.00	57,897.03	2,681.53	51,695.60	649.84	5,652.75		56,698.51	56,698.51	.00
Fire Fund	209	14,062.80	55,420.53	.00	50,602.94	3,122.49	22,002.88	.00	471.23		22,474.11	22,474.11	.00
Group 2 Totals:		14,062.80	55,420.53	.00	50,602.94	3,122.49	22,002.88	.00	471.23		22,474.11	22,474.11	.00
Water Fund	500	31,541.66	17,598.05	.00	11,027.48	675.86	39,385.16	381.43	825.93		39,829.66	39,829.66	.00
Group 3 Totals:		31,541.66	17,598.05	.00	11,027.48	675.86	39,385.16	381.43	825.93		39,829.66	39,829.66	.00
Grand Totals:		94,133.08	37,529.59	.00	119,527.45	6,479.88	113,083.64	1,031.27	6,949.91		119,002.28	119,002.28	.00

STATE OF NEW MEXICO

VILLAGE OF VIRDEN

YEAR-END FINANCIAL REPORT SUBMITTED TO DFA

YEAR ENDED JUNE 30, 2010

Village of Virden

State Finance Report Village of Virden

Page: 1

GL Period: 06/10

Nov 07, 2012 09:58am

Detail Report

Report Criteria:

Electronic File: c:\STATEFIN\June2010.csv

Receipts	Fund	Line Item	Qtr. Reporting	Year to Date Total	Approved Budget	Resolutions Adj. Budget	Adjusted Budget	Budget Balance	Budget % Received
Group 1									
Property Current	101	30	591.42	1,498.94	1,200.00	299.00	1,499.00	.06	100.00
Bus License/Reg	101	32	19.40	90.50	42.00	49.00	91.00	.50	99.45
Rent	101	33	2,051.36	7,458.84	4,400.00	2,759.00	7,159.00	299.84 -	104.19
Gross Receipts	101	311	2,247.09	7,394.18	12,585.50	2,943.50 -	9,542.00	2,247.82	76.69
Gas Tax (.01 cent)	101	312	1,251.00	5,004.00	5,004.00	.00	5,004.00	.00	100.00
County Gas Tax	101	313	.00	.00	100.00	84.00 -	16.00	16.00	.00
MVD	101	314	90.45	335.69	300.00	7.00	307.00	28.69 -	109.35
Small City Assistance	101	315	35,000.00	35,000.00	39,992.00	4,992.00 -	35,000.00	.00	100.00
Savings Account Interest	101	10080	48.25	94,420.29 -	.00	.00	.00	94,420.29	.00
Interest Income - Savings	101	70100	48.25 -	48.25 -	1,303.00	1,515.00	2,818.00	2,866.25	1.71 -
Reimburse/Refund	101	70280	.00	740.24	50.00	690.00	740.00	.24 -	100.03
Library Go Bond Reimbursement	101	70680	.00	1,457.16	.00	1,457.00	1,457.00	.16 -	100.01
General Fund Totals:			41,250.72	35,488.99 -	64,976.50	1,243.50 -	63,733.00	99,221.99	55.68 -
Group 1 Totals:			41,250.72	35,488.99 -	64,976.50	1,243.50 -	63,733.00	99,221.99	55.68 -
Group 2									
State Fire Allot	209	70130	.00	55,348.00	43,851.00	11,697.00	55,348.00	.00	100.00
Fire Department Interest	209	70140	11.63	72.53	100.00	.00	100.00	27.47	72.53
Fire Fund Totals:			11.63	55,420.53	43,751.00	11,697.00	55,448.00	27.47	99.95
Group 2 Totals:			11.63	55,420.53	43,751.00	11,697.00	55,448.00	27.47	99.95
Group 3									
Util Services	500	70120	3,775.26	16,953.05	.00	16,953.00	16,953.00	.05 -	100.00
Connect	500	70130	.00	350.00	.00	350.00	350.00	.00	100.00
Re-Connect	500	70140	265.00	265.00	.00	45.00	45.00	250.00 -	855.56
Group 3 Totals:			4,040.26	17,598.05	.00	17,348.00	17,348.00	250.05 -	101.44
Unclassified Revenue Totals:			.00	.00	.00	.00	.00	.00	.00

STATE OF NEW MEXICO

VILLAGE OF VIRDEN

YEAR-END FINANCIAL REPORT SUBMITTED TO DFA

YEAR ENDED JUNE 30, 2010

Village of Virden

State Finance Report Village of Virden
GL Period: 06/10
Detail Report

Page: 2
Nov 07, 2012 09:56am

Receipts	Fund	Line Item	Qtr. Reporting	Year to Date Total	Approved Budget	Resolutions Adj. Budget	Adjusted Budget	Budget Balance	Budget % Received
Revenue Grand Totals:			45,302.61	37,529.59	108,727.50	27,801.50	136,529.00	98,999.41	27.49

STATE OF NEW MEXICO

VILLAGE OF VIRDEN

YEAR-END FINANCIAL REPORT SUBMITTED TO DFA

YEAR ENDED JUNE 30, 2010

Village of Virden		State Finance Report Village of Virden							Page: 3	
		GL Period: 06/10							Nov 07, 2012 09:56am	
		Detail Report								
Disbursements	Fund	Line Item	Qtr. Reporting	Year to Date Total	Year to Date Encumbrances	Approved Budget	Resolutions Adj. Budget	Adjusted Budget	Budget Balance	Budget % Expended
Water Fund Totals:			.00	.00	.00	.00	.00	.00	.00	.00
Group 1										
Administrative Legislative	101	90	6,754.81	40,800.14	.00	38,071.00	2,492.00	40,563.00	237.14 -	100.58
Culture and Recreation	101	91	3,146.78	14,024.16	.00	20,294.00	6,329.64 -	13,964.16	60.00 -	100.43
Finance and Administration	101	93	.00	.00	.00	4,250.00	4,508.00	8,758.00	8,758.00	.00
Election	101	94	.00	337.50	.00	294.00	44.00	338.00	.50	89.85
Street Utilities	101	95	616.68	2,735.23	.00	3,500.00	765.00 -	2,735.00	.23 -	100.01
General Fund Totals:			10,518.27	57,897.03	.00	66,409.00	50.84 -	66,358.16	8,481.13	87.25
Group 1 Totals:			10,518.27	57,897.03	.00	66,409.00	50.84 -	66,358.16	8,481.13	87.25
Group 2										
Expenditure	209	90	8,545.24	50,602.94	.00	43,400.00	10,366.00	53,766.00	3,163.06	94.12
Group 2 Totals:			8,545.24	50,602.94	.00	43,400.00	10,366.00	53,766.00	3,163.06	94.12
Group 3										
Expenditures	500	90	2,138.87	11,027.48	.00	.00	10,666.00	10,666.00	361.48 -	103.39
Group 3 Totals:			2,138.87	11,027.48	.00	.00	10,666.00	10,666.00	361.48 -	103.39
Unclassified Expenditure Totals:			.00	.00	.00	.00	.00	.00	.00	.00
Expenditure Grand Totals:			21,202.38	119,527.45	.00	109,809.00	20,981.16	130,790.16	11,262.71	91.39

STATE OF NEW MEXICO

VILLAGE OF VIRDEN

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2010

1. **Current Year Findings**

	<u>Type of Finding</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Bank Reconciliation	D	N/A	10-1
Physical Inventory and Capital Listing	D	N/A	10-2
Budget Overages	D	N/A	10-3
Late Submission of the Agreed Upon Procedures Report	D	N/A	10-4

Follow-up on Prior Year Findings:

	<u>Type of Finding</u>	<u>Prior Year Finding Number</u>	<u>Status</u>
None	N/A	N/A	N/A

* **Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

STATE OF NEW MEXICO

VILLAGE OF VIRDEN

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2010

10-1 Bank Reconciliations

Criteria or Specific Requirement: Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC requires each local public body to perform bank reconciliations in a timely manner and maintain bank and investment statements as part of entity's records.

Condition: Bank reconciliations during the fiscal year were not properly reconciled. The Village did not reconcile the saving account on a monthly basis and the Village did not properly reconcile general fund bank account at June 30, 2010. Our testwork revealed a difference of \$1,547 on the saving account and a difference of \$59 on the general fund account between the reconciled balance and the general ledger balance.

Cause and Effect: The financial statements may have risk of misstatements and loss of assets, because of untimely bank reconciliations. The Village has not complied with Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC requirement.

Recommendation: We recommend that the Village maintain bank statements and reconcile the bank, per NMAC requirement.

Entity Response: Going forward we are implementing steps to maintain the bank statements and to reconcile with the Bank.

STATE OF NEW MEXICO

VILLAGE OF VIRDEN

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2010

10-2 Physical Inventory and Capital Listing

Criteria or Specific Requirement: Capital asset records and yearly inventory should be maintained in accordance with Section 12-6-10 NMSA 1978. The records should be detailed enough that program management is able to adequately and efficiently identify and locate any and all items.

Condition: During the year ended June 30, 2010, the Village's capital asset listing was not kept current in accordance with the above requirements. In addition, an adequate physical inventory has not been completed.

Cause and Effect: The Village has not complied with Section 12-6-10 NMSA 1978 requirements. The entity does not have controls in place to ensure that all capital asset additions and disposals are captured by the accounting system in a timely manner.

Recommendations: We recommend the Village to perform physical inventory count of capital assets and maintain documentation of the inventories at hand.

Entity Response: We have plan in place to perform a physical inventory of capital assets and maintain documentation of the inventories on hand.

STATE OF NEW MEXICO

VILLAGE OF VIRDEN

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2010

10-3 Budget Overages

Criteria or Specific Requirement: State Statute 6-6-6 NMSA 1978 requires that local government spending does not exceed budgeted amounts at the fund level, unless the Commission approves a budget adjustment.

Condition: During our analysis of budget to actual reports for the year ended June 30, 2010, we noted the total expenditures exceeded the total budgeted amounts resulting in water fund with over expended budgets totaling \$361.

Cause and Effect: The Village did not place emphasis on compliance with budget reporting requirements. The Village has not complied with the requirement to ensure adequate cash is available for budgeted expenditures. Therefore, they could be budgeting cash that is not available and be in violation of 6.20.2.9 NMAC.

Auditors' Recommendations: We recommend the Village develops and adheres to a system that tracks the budget effectively to ensure budgetary compliance.

Entity Response: We are working to get our accounting software on track and educate our employees on its use. Doing so will allow us to better track the budget and ensure compliance.

STATE OF NEW MEXICO

VILLAGE OF VIRDEN

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2010

10-4 Late Submission of the Agreed Upon Procedure Report

Criteria or Specific Requirement: 2.2.2 NMAC, Audit Rule 2010, specifies the deadline for submission of agreed-upon procedures report. Section 2.2.2.16 H stipulates that Village reports are due no later than December 1. Further, Section 2.2.2.9 A (2) requires that submission of a late report shall be reported as current year audit finding in the audit report.

Condition: The agreed-upon procedures report for the year ending June 30, 2010 was not submitted by the deadline of December 1, 2010.

Cause and Effect: There was a delay in submitting the IPA recommendation form and contract to the State Auditor's Office. The Village is not in compliance with Section 2.2.2.16 H of the NMAC, Audit Rule 2010.

Auditors' Recommendations: Management should ensure that contract be executed on a timely manner to ensure that report will be submitted on or before the deadline.

Entity Response: Going forward we will make every effort to get the contract executed in a timely manner.

STATE OF NEW MEXICO

VILLAGE OF VIRDEN

EXIT CONFERENCE

YEAR ENDED JUNE 30, 2010

The report contents were discussed at an exit conference held on November 14, 2012 with the following in attendance:

Village of Virden

Archie W. Payne, Mayor
Nelda Potter, Clerk/Treasurer

Harshwal & Company LLP

Migule Garcia , Staff Auditor
Albert Hwu, Staff Auditor