

**STATE OF NEW MEXICO**  
**VILLAGE OF WAGON MOUND**  
**AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**(WITH AUDITOR'S REPORT THEREON)**

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

STATE OF NEW MEXICO

VILLAGE OF WAGON MOUND

AUDIT REPORT

For The Year Ended June 30, 2006

(with Auditor's Report Thereon)

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
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STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
Official Roster  
Year Ended June 30, 2006

Village Council

<u>Name</u>	<u>Title</u>
Mr. Benito F. Armijo	Mayor
Mr. Mark Severance	Council Member
Mr. Lawrence J. Martinez	Council Member
Ms. Corinne Duran	Council Member
Ms. Betty A. Medina	Council Member

Village Administration

Ms. Victoria Chavez	Village Clerk/ Treasurer
Ms. Gloria Mejillas	Clerk Assistant

# *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 Board of Trustees  
Village of Wagon Mound  
Wagon Mound, New Mexico

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the General Fund and major special revenue funds, and the aggregate remaining fund information of the Village of Wagon Mound, (Village), as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements of each of the Village's non-major governmental funds, including the respective budgetary comparisons, and the enterprise budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 20, 2006, as listed in the table of contents. We did not audit the financial statements of the discretely presented component unit-proprietary fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component unit-proprietary fund, is based on the report of the other auditors. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

The Village of Wagon Mound's accounting records were insufficient to audit. The Village does not maintain a complete balanced, double entry set of books. Accounting records were not available to substantiate balances reported for assets, liabilities, revenues, expenses, or expenditures for any fund. Therefore, due to the limited accounting records, we were unable to apply auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States to the capital asset records, the long-term debt records, accounts payable, accounts receivable, expenditures, expenses, and cash, or reasonably determining the amount by which these departures affected the assets, liabilities, revenues and expenditures of the General Fund, Road Fund, Fire Protection Fund, EMS Fund, Law Enforcement Protection Fund, Recreation Fund, Environmental Gross Receipts Fund, Solid Waste Fund, Natural Gas Fund and the Water and Sewer Fund is not reasonably determinable.

Because the Village's insufficient accounting records as discussed in the preceding paragraph, and the report of other auditors, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the governmental activities, the business-type activities, each major fund, the General Fund and major special revenue fund budgetary comparisons, and the aggregate remaining fund information of the Village of Wagon Mound as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. In addition, because of the Village's insufficient accounting records, and the report of other auditors, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the non-major governmental funds, or respective budgetary comparisons, or the enterprise fund budgetary comparisons, presented as supplementary information in the accompanying combining and individual fund financial statements of the Village of Wagon Mound as of and for the year ended June 30, 2006.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2008, on our consideration of the Village of Wagon Mound's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

For the year ended June 30, 2006 the Village of Wagon Mound has not presented the Management's Discussion and Analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

We were engaged to audit for the purpose of forming an opinion on the basic financial statements and the combining and individual fund financial statements and the budgetary comparisons of the Village of Wagon Mound. The accompanying financial information listed as Statement of Cash Flows - Housing Authority, Schedule of Changes in Assets and Liabilities - Agency Funds is not a required part of the basic financial statements. Such information has not been audited, the scope of our work was not sufficient to enable us to express, and we do not express an opinion, in relation to the financial statements of each of the respective combining and individual funds taken as a whole.



September 17, 2008



**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
Statement of Net Assets  
June 30, 2006

Statement 1  
Page 1 of 2

	Governmental Activities	Business Type Activities	Total	Housing Authority Component Unit
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	\$ 288,202	\$ 44,977	\$ 333,179	\$ 34,233
Accounts receivable (net of uncollectible accounts)	6,132	16,264	22,396	1,710
Due from grantor	20,985	70,000	90,985	-
Due from other funds	70,000	-	70,000	-
Prepaid insurance	-	-	-	630
Inventory	-	-	-	788
<b>Total current assets</b>	<u>385,319</u>	<u>131,241</u>	<u>516,560</u>	<u>37,361</u>
<b>Restricted Assets (Cash)</b>				
Customer meter deposits	-	7,916	7,916	-
Repair and replacement	-	14,705	14,705	-
<b>Total restricted assets</b>	<u>-</u>	<u>22,621</u>	<u>22,621</u>	<u>-</u>
<b>Capital Assets</b>				
Land	15,865	-	15,865	7,227
Works of art	3,000	-	3,000	-
Buildings and improvements	176,798	-	176,798	95,577
Equipment, furniture & fixtures	189,996	63,000	252,996	1,383
Infrastructure	852,102	-	852,102	-
Construction in progress	69,376	-	69,376	-
Plant	-	1,856,220	1,856,220	-
<b>Total capital assets (net of accumulated depreciation)</b>	<u>1,307,137</u>	<u>1,919,220</u>	<u>3,226,357</u>	<u>104,187</u>
<b>Total assets</b>	<u>\$ 1,692,456</u>	<u>\$ 2,073,082</u>	<u>\$ 3,765,538</u>	<u>\$ 141,548</u>

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

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
Statement of Net Assets  
June 30, 2006

	Governmental Activities	Business Type Activities	Total	Housing Authority Component Unit
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 4,040	\$ 4,087	\$ 8,127	\$ 5,926
Customer meter deposits (restricted)	-	1,990	1,990	-
Due to other funds	-	70,000	70,000	-
Loans payable - current portion	15,030	-	15,030	-
Tenant security deposits	-	-	-	2,158
Prepaid rent	-	-	-	99
PILOT liability	-	-	-	3,994
<b>Total current liabilities</b>	<u>19,070</u>	<u>76,077</u>	<u>95,147</u>	<u>12,177</u>
<b>Non-Current Liabilities</b>				
Compensated absences payable	4,437	3,331	7,768	-
Landfill closure and post closure liability	-	193,515	193,515	-
Loans payable (less current portion)	30,151	-	30,151	-
<b>Total non-current liabilities</b>	<u>34,588</u>	<u>196,846</u>	<u>231,434</u>	<u>-</u>
<b>Total liabilities</b>	<u>53,658</u>	<u>272,923</u>	<u>326,581</u>	<u>12,177</u>
<b>Net Assets</b>				
Invested in net assets net of related debt	1,261,956	1,919,220	3,181,176	104,187
Unrestricted	376,842	(135,876)	240,966	25,184
Restricted for repair and replacement	-	16,815	16,815	-
<b>Total net assets</b>	<u>1,638,798</u>	<u>1,800,159</u>	<u>3,438,957</u>	<u>129,371</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,692,456</u>	<u>\$ 2,073,082</u>	<u>\$ 3,765,538</u>	<u>\$ 141,548</u>

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

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
Statement of Activities  
Year Ended June 30, 2006

Statement 2

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 341,494	\$ 19,662	\$ 117,320	\$ -	\$ (204,512)	\$ -	\$ (204,512)	\$ -
Highways and streets	25,168	-	-	25,000	(168)	-	(168)	-
Public safety	99,606	-	79,010	-	(20,596)	-	(20,596)	-
Health and welfare	4,065	-	-	-	(4,065)	-	(4,065)	-
Interest on long-term debt	173	-	-	-	(173)	-	(173)	-
Depreciation - unallocated	-	-	-	-	-	-	-	-
<b>Total governmental activities</b>	<b>470,506</b>	<b>19,662</b>	<b>196,330</b>	<b>25,000</b>	<b>(229,514)</b>	<b>-</b>	<b>(229,514)</b>	<b>-</b>
Business-type activities:								
Utility	206,866	217,971	-	250,315	-	261,420	261,420	-
Depreciation - unallocated	44,220	-	-	-	-	(44,220)	(44,220)	-
<b>Total business-type activities</b>	<b>251,086</b>	<b>217,971</b>	<b>-</b>	<b>250,315</b>	<b>-</b>	<b>217,200</b>	<b>217,200</b>	<b>-</b>
<b>Total all activities</b>	<b>\$ 721,592</b>	<b>\$ 237,633</b>	<b>\$ 196,330</b>	<b>\$ 275,315</b>	<b>(229,514)</b>	<b>217,200</b>	<b>(12,314)</b>	<b>-</b>
Component Unit:								
Housing Authority	\$ 130,488	\$ 28,987	\$ 98,876	\$ -	-	-	-	(2,625)
General Revenues:								
Property taxes					11,887	-	11,887	-
Gross receipts taxes					96,385	-	96,385	-
State aid not restricted to special purpose								
General					36,500	-	36,500	-
Investment earnings					1,812	640	2,452	195
Transfers					-	-	-	-
<b>Total general revenues and transfers</b>					<b>146,584</b>	<b>640</b>	<b>147,224</b>	<b>195</b>
Change in net assets					(82,930)	217,840	134,910	(2,430)
Net assets - beginning					1,721,728	1,582,319	3,304,047	131,801
Net assets - ending					<b>\$ 1,638,798</b>	<b>\$ 1,800,159</b>	<b>\$ 3,438,957</b>	<b>\$ 129,371</b>

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

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
Statement of Net Assets  
June 30, 2006

Statement 1  
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 288,202	\$ 44,977	\$ 333,179
Accounts receivable (net of uncollectible accounts)	6,132	16,264	22,396
Due from grantor	20,985	70,000	90,985
Due from other funds	70,000	-	70,000
<b>Total current assets</b>	<b>385,319</b>	<b>131,241</b>	<b>516,560</b>
<b>Restricted Assets (Cash)</b>			
Customer meter deposits	-	7,916	7,916
Repair and replacement	-	14,705	14,705
<b>Total restricted assets</b>	<b>-</b>	<b>22,621</b>	<b>22,621</b>
<b>Capital Assets</b>			
Land	15,865	-	15,865
Works of art	3,000	-	3,000
Buildings and improvements	176,798	-	176,798
Equipment, furniture & fixtures	189,996	63,000	252,996
Infrastructure	852,102	-	852,102
Construction in progress	69,376	-	69,376
Plant	-	1,856,220	1,856,220
<b>Total capital assets (net of accumulated depreciation)</b>	<b>1,307,137</b>	<b>1,919,220</b>	<b>3,226,357</b>
<b>Total assets</b>	<b>\$ 1,692,456</b>	<b>\$ 2,073,082</b>	<b>\$ 3,765,538</b>

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

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
Statement of Net Assets  
June 30, 2006

Statement 1  
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts payable	\$ 4,040	\$ 4,087	\$ 8,127
Customer meter deposits (restricted)	-	1,990	1,990
Due to other funds	-	70,000	70,000
Loans payable - current portion	15,030	-	15,030
Total current liabilities	19,070	76,077	95,147
Non-Current Liabilities			
Compensated absences payable	4,437	3,331	7,768
Landfill closure and post closure liability	-	193,515	193,515
Loans payable (less current portion)	30,151	-	30,151
Total non-current liabilities	34,588	196,846	231,434
Total liabilities	53,658	272,923	326,581
Net Assets			
Invested in net assets net of related debt	1,261,956	1,919,220	3,181,176
Unrestricted	376,842	(135,876)	240,966
Restricted for repair and replacement	-	16,815	16,815
Total net assets	1,638,798	1,800,159	3,438,957
Total liabilities and net assets	\$ 1,692,456	\$ 2,073,082	\$ 3,765,538

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

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
Statement of Activities  
Year Ended June 30, 2006

Statement 2

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 341,494	\$ 19,662	\$ 117,320	\$ -	\$ (204,512)	\$ -	\$ (204,512)
Highways and streets	25,168	-	-	25,000	(168)	-	(168)
Public safety	99,606	-	79,010	-	(20,596)	-	(20,596)
Health and welfare	4,065	-	-	-	(4,065)	-	(4,065)
Interest on long-term debt	173	-	-	-	(173)	-	(173)
Depreciation - unallocated	-	-	-	-	-	-	-
Total governmental activities	470,506	19,662	196,330	25,000	(229,514)	-	(229,514)
<b>Business-type activities:</b>							
Utility	206,866	217,971	-	250,315	-	261,420	261,420
Depreciation - unallocated	44,220	-	-	-	-	(44,220)	(44,220)
Total business-type activities	251,086	217,971	-	250,315	-	217,200	217,200
Total all activities	\$ 721,592	\$ 237,633	\$ 196,330	\$ 275,315	(229,514)	217,200	(12,314)
<b>General Revenues:</b>							
Property taxes					11,887	-	11,887
Gross receipts taxes					96,385	-	96,385
State aid not restricted to special purpose							
General					36,500	-	36,500
Investment earnings					1,812	640	2,452
Transfers					-	-	-
Total general revenues and transfers					146,584	640	147,224
Change in net assets					(82,930)	217,840	134,910
Net assets - beginning					1,721,728	1,582,319	3,304,047
Net assets - ending					\$ 1,638,798	\$ 1,800,159	\$ 3,438,957

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

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
Balance Sheet - All Governmental Funds  
June 30, 2006

Statement 3

	General Fund	Road Fund	Fire Protection Fund	Senior Citizen Program Fund	Other Governmental	Total
<b>ASSETS</b>						
Cash on deposit	\$ 170,087	\$ 21,505	\$ 59,416	\$ 4,215	\$ 32,979	\$ 288,202
Due from other funds	88,513	-	-	-	-	88,513
Accounts receivable, collectible	5,582	477	-	-	73	6,132
Due from grantor	-	-	-	20,985	-	20,985
<b>Total assets</b>	<b><u>\$ 264,182</u></b>	<b><u>\$ 21,982</u></b>	<b><u>\$ 59,416</u></b>	<b><u>\$ 25,200</u></b>	<b><u>\$ 33,052</u></b>	<b><u>\$ 403,832</u></b>
<b>LIABILITIES</b>						
Due to other funds	\$ -	\$ -	\$ -	\$ 18,513	\$ -	\$ 18,513
Accounts payable	4,040	-	-	-	-	4,040
<b>Total liabilities</b>	<b><u>4,040</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>18,513</u></b>	<b><u>-</u></b>	<b><u>22,553</u></b>
<b>FUND BALANCE</b>						
Unreserved:						
Undesignated, reported in:						
General Fund	260,142	-	-	-	-	260,142
Special Revenue Funds	-	21,982	59,416	6,687	33,052	121,137
<b>Total fund balance</b>	<b><u>260,142</u></b>	<b><u>21,982</u></b>	<b><u>59,416</u></b>	<b><u>6,687</u></b>	<b><u>33,052</u></b>	<b><u>381,279</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 264,182</u></b>	<b><u>\$ 21,982</u></b>	<b><u>\$ 59,416</u></b>	<b><u>\$ 25,200</u></b>	<b><u>\$ 33,052</u></b>	<b><u>\$ 403,832</u></b>

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



STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2006

Statement 4

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

Total fund balances - governmental funds	\$	381,279
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

The cost of capital assets	2,681,890		
Accumulated depreciation	<u>(1,374,753)</u>		<u>1,307,137</u>

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:

Loans payable	(45,181)		
Compensated absences	<u>(4,437)</u>		<u>(49,618)</u>

Net assets of governmental activities	\$	<u><u>1,638,798</u></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
Statement of Revenues, Expenditures and Changes in  
Fund Balances - All Governmental Funds  
Year Ended June 30, 2006

Statement 5

	General Fund	Road Fund	Fire Protection Fund	Senior Citizen Program Fund	Other Governmental	Total
<b>REVENUES</b>						
Property taxes	\$ 11,887	\$ -	\$ -	\$ -	\$ -	\$ 11,887
Gross receipts taxes	26,717	1,258	-	-	-	27,975
Charges for services	-	-	-	18,662	-	18,662
Licenses and permits	1,000	-	-	-	-	1,000
Local sources	597	-	5,634	-	1,000	7,231
State sources	36,500	25,000	50,876	109,244	21,500	243,120
Federal sources	-	-	-	34,685	-	34,685
State shared taxes	51,294	15,157	-	-	1,959	68,410
Earnings from investments	565	-	1,242	-	5	1,812
<b>Total revenues</b>	<u>128,560</u>	<u>41,415</u>	<u>57,752</u>	<u>162,591</u>	<u>24,464</u>	<u>414,782</u>
<b>EXPENDITURES</b>						
<b>Current:</b>						
General government	183,035	-	-	155,904	-	338,939
Highways and streets	920	24,248	-	-	-	25,168
Public safety	21,544	-	66,003	-	27,051	114,598
Culture and recreation	-	-	-	-	-	-
Health and welfare	-	-	-	-	4,065	4,065
Capital outlay	-	-	-	-	-	-
<b>Total expenditures</b>	<u>205,499</u>	<u>24,248</u>	<u>66,003</u>	<u>155,904</u>	<u>31,116</u>	<u>482,770</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(76,939)</b>	<b>17,167</b>	<b>(8,251)</b>	<b>6,687</b>	<b>(6,652)</b>	<b>(67,988)</b>
<b>Other financing sources (uses)</b>						
Transfer in	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<b>(76,939)</b>	<b>17,167</b>	<b>(8,251)</b>	<b>6,687</b>	<b>(6,652)</b>	<b>(67,988)</b>
Fund balance beginning of year	337,081	4,815	67,667	-	39,704	449,267
<b>Fund balance end of year</b>	<u><b>\$ 260,142</b></u>	<u><b>\$ 21,982</b></u>	<u><b>\$ 59,416</b></u>	<u><b>\$ 6,687</b></u>	<u><b>\$ 33,052</b></u>	<u><b>\$ 381,279</b></u>

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

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
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, 2006

Statement 6

Net change in fund balances - total governmental funds \$ (67,988)

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

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

Capital outlays	-
Depreciation expense	-
	-

Excess of capital outlay over depreciation expense -

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	(2,555)
Deferred portion of property taxes receivable	(27,206)

Repayment of capital leases payable is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the Statement of Activities 14,819

Change in net assets of governmental activities \$ (82,930)

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

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
General Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 12,274	\$ 12,274	\$ 12,515	\$ 241
Gross receipts taxes	40,000	40,000	26,717	(13,283)
Charges for services	-	-	-	-
Licenses and permits	1,705	1,705	1,000	(705)
Local sources	1,200	1,200	6,221	5,021
State sources	36,400	36,400	36,500	100
Federal sources	-	-	-	-
State shared taxes	56,800	56,800	45,712	(11,088)
Earnings from investments	150	150	565	415
<b>Total revenues</b>	<b><u>\$ 148,529</u></b>	<b><u>\$ 148,529</u></b>	<b><u>\$ 129,230</u></b>	<b><u>\$ (19,299)</u></b>
<b>EXPENDITURES</b>				
General government	\$ 142,284	\$ 142,284	\$ 184,047	\$ (41,763)
Highways and streets	70,447	70,447	920	69,527
Public safety	13,947	13,947	21,544	(7,597)
Culture and recreation	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 226,678</u></b>	<b><u>\$ 226,678</u></b>	<b><u>\$ 206,511</u></b>	<b><u>\$ 20,167</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 78,149</u></b>	<b><u>\$ 78,149</u></b>		

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

STATE OF NEW MEXICO  
 VILLAGE OF WAGON MOUND  
 Road Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Gross receipts taxes	\$ -	\$ -	\$ 1,258	\$ 1,258
State sources	26,667	26,667	25,000	(1,667)
State shared taxes	17,128	17,128	14,681	(2,447)
Earnings on investments	-	-	-	-
<b>Total revenues</b>	<b><u>\$ 43,795</u></b>	<b><u>\$ 43,795</u></b>	<b><u>\$ 40,939</u></b>	<b><u>\$ (2,856)</u></b>
<b>EXPENDITURES</b>				
Highways and streets	\$ 31,667	\$ 31,667	\$ 24,248	\$ 7,419
<b>Total expenditures</b>	<b><u>\$ 31,667</u></b>	<b><u>\$ 31,667</u></b>	<b><u>\$ 24,248</u></b>	<b><u>\$ 7,419</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 12,128</u></b>	<b><u>\$ 12,128</u></b>		

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

STATE OF NEW MEXICO  
 VILLAGE OF WAGON MOUND  
 Fire Protection Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Local sources	\$ -	\$ -	\$ 5,634	\$ 5,634
State sources	46,185	46,185	50,876	4,691
Earnings on investments	100	100	1,242	1,142
<b>Total revenues</b>	<b><u>\$ 46,285</u></b>	<b><u>\$ 46,285</u></b>	<b><u>\$ 57,752</u></b>	<b><u>\$ 11,467</u></b>
<b>EXPENDITURES</b>				
Public safety	\$ 100,937	\$ 100,937	\$ 66,003	\$ 34,934
<b>Total expenditures</b>	<b><u>\$ 100,937</u></b>	<b><u>\$ 100,937</u></b>	<b><u>\$ 66,003</u></b>	<b><u>\$ 34,934</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 54,652</u></b>	<b><u>\$ 54,652</u></b>		

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

STATE OF NEW MEXICO  
 VILLAGE OF WAGON MOUND  
 Senior Citizens Program Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ 18,662	\$ 18,662
Local sources	-	-	-	-
State sources	-	-	106,772	106,772
Federal sources	-	-	34,685	34,685
Earnings on investments	-	-	-	-
	<u>-\$ -</u>	<u>-\$ -</u>	<u>\$ 160,119</u>	<u>\$ 160,119</u>
<b>EXPENDITURES</b>				
General government	\$ -	\$ -	\$ 155,904	\$ (155,904)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,904</u>	<u>\$ (155,904)</u>

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

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
Enterprise Funds  
Statement of Net Assets  
June 30, 2006

Statement 11

	Enterprise Fund
<b>ASSETS</b>	
Current Assets	
Cash on deposit	\$ 44,977
Accounts receivable (net)	16,264
Due from grantor	70,000
Total Current Assets	131,241
Restricted Assets (Cash)	
Customer meter deposits	7,916
Repair and replacement	14,705
Total Restricted Assets (Cash)	22,621
Property, Plant and Equipment	
Land	-
Equipment	70,000
Plant	2,255,657
Accumulated depreciation	(406,437)
Total Property, Plant and Equipment	1,919,220
Total Assets	\$ 2,073,082
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 4,087
Customer meter deposits payable from Restricted Assets	1,990
Due to other funds	70,000
Total Current Liabilities	76,077
Long-Term Liabilities	
Compensated absences	3,331
Landfill closure	193,515
Total Long-Term Liabilities	196,846
<b>NET ASSETS</b>	
Invested in Capital Assets	1,919,220
Restricted for repair and replacement	16,815
Unrestricted	(135,876)
Total Net Assets	1,800,159
Total Liabilities and Net Assets	\$ 2,073,082

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



STATE OF NEW MEXICO  
 VILLAGE OF WAGON MOUND  
 Enterprise Funds  
 Statement of Revenues, Expenses and  
 Changes in Fund Net Assets  
 For the Year Ended June 30, 2006

	Enterprise Fund
OPERATING REVENUES	
Sales and services	\$ 217,971
Intergovernmental	250,315
Total operating revenue	468,286
OPERATING EXPENSES	
Maintenance and operations	206,866
Depreciation	44,220
Total operating expenses	251,086
Operating income (loss)	217,200
NON-OPERATING REVENUE (EXPENSE)	
Investment income	640
Investment expense	-
Total Non-Operating Revenue (Expense)	640
Income (loss) before transfers	217,840
Operating transfers in	-
Operating transfers out	-
Net transfers	-
Change in Net Assets	217,840
Total Net Assets, beginning of year	1,582,319
Total Net Assets, end of year	\$ 1,800,159

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

STATE OF NEW MEXICO  
 VILLAGE OF WAGON MOUND  
 Enterprise Funds  
 Statement of Cash Flows  
 For the Year Ended June 30, 2006

	Enterprise Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 210,211
Cash received from state sources	70,000
Cash received from federal sources	180,315
Cash payments to employees and to suppliers for goods and services	(209,408)
Net cash provided by operating activities	251,118
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition of capital assets	(250,315)
Net cash provided (used) by capital and related financing activities	(250,315)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investment income	640
Net cash provided by investing activities	640
Net increase (decrease) in cash	1,443
Cash, beginning of year	66,155
Cash, end of year	\$ 67,598
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ 217,200
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	44,220
Changes in assets and liabilities:	
(Increase) decrease in receivables	(3,913)
Increase (decrease) in accounts payable	(659)
Increase (decrease) in compensated absences	(2,534)
Increase (decrease) in security deposits	(3,196)
Total	33,918
Net cash provided (used) by operating activities	\$ 251,118

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

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
Statement of Fiduciary Assets and Liabilities - Agency Funds  
June 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,410
Total Assets	<u>\$ 1,410</u>
LIABILITIES	
Due to other agencies	\$ 1,410
Total Liabilities	<u>\$ 1,410</u>

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

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
Notes to Financial Statements  
Year Ended June 30, 2006

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Wagon Mound was incorporated as a municipality in the State of New Mexico. The Village of Wagon Mound operates under the direction of a Mayor-Council form of government. The Village provides the following services as authorized by its charter: public safety (police and fire), highways and streets, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include water and sewer services, solid waste disposal, ambulance and public housing.

The summary of significant accounting policies of the Village of Wagon Mound is presented to assist in the understanding of the Village of Wagon Mound's financial statements. The financial statements and notes are the representation of the Village of Wagon Mound's management who is responsible for their integrity and objectivity. The financial statements of the Village 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 financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the Village, 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 basis - 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.

## Notes to Financial Statements (continued)

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the Village 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 Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each component unit addressed in defining the governments reporting entity.

### Village of Wagon Mound Housing Authority

The Village of Wagon Mound Housing Authority is located in Wagon Mound, New Mexico. The primary goal of the Low Income Housing program is the provision of a decent home in a suitable living environment for families that cannot afford standard private housing.

#### B. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds as well as 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, net of estimated refunds and estimated uncollectible amounts, in the year for which they are levied.

Notes to Financial Statements (continued)

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 ~~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 60 days 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:

**General Fund** - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Fund - Road Fund** - To account for revenues received from the levy of a tax per gallon of gasoline purchased within Village boundaries, pursuant to the county and Municipal Gasoline Tax Act, NMSA 7-2-11. Expenditures from this fund may be used for bridge and road projects on transit routes; for purchasing, maintaining or operating transit facilities; for operating a transit authority; for operating a vehicle omissions inspection program; or for road, street or highway construction, repair or maintenance on transit routs. Financing is also provided by grants from the New Mexico State Highway and Transportation Department.

**Special Revenue Fund - Fire Protection Fund** - To account for the operations and maintenance of the Department. Financing provided by a specific allotment from the State Fire Marshall's Office. Authority is NMSA 59A-53-1.

Notes to Financial Statements (continued)

Special Revenue Fund - Senior Citizens Program Fund - To account for the operations of the senior citizen centers funded by Eastern New Mexico Area Agency on Aging, congregate and charges for deliveries, and the County's contributions. Resources are received by a grant from Area Agency on Aging from the Older Americans Act, Title III-B, IIIC-1, IIIC-2 and IIID, monies and monies appropriated in Chapter 12, 1996 Laws of New Mexico (HB2). Authority is the Older American Act, House Bill 2 and th U.S. Department of Agriculture.

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. Taxes and other items not properly included among program revenue are reported instead as *general revenues*.

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 wastewater, natural gas, solid waste, and sewer funds are charges to customers for sales and services. The wastewater 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.

The Village reports the following Proprietary Funds.

Enterprise Funds - The enterprise fund is a culmination of the following individual funds that could not be separated and presented in the audit report.

Water Fund - To account for the activities of the Village's water operations.

Notes to Financial Statements (continued)

Sewer Fund - To account for the activities of the Village's sewer operations.

Solid Waste Fund - To account for the activities of the Village's solid waste operations.

Natural Gas Fund - To account for the activities of the Village's natural gas operations.

Additionally, the Village reports the following fund types:

Fiduciary Funds - Agency Funds

Agency Funds - To account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the Village.

The Village also reports additional Government funds as non-major. They include:

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Village reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Village does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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 to follow subsequent private-sector guidance.



Notes to Financial Statements (continued)

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the Statement of Cash Flows, the Village considers all highly liquid investments including restricted cash assets to be cash equivalents.

State statutes authorize the Village to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the Village are reported at cost.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as "internal balances".

Advances between funds, as reported in the fund financial statement, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are not recorded as revenue until received.

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption, and are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are reported at cost, and expenditures are recorded at the time individual inventory items are purchased. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when purchased.

## Notes to Financial Statements (continued)

### Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

### 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) per Section 12-6-10 NMSA 1978 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.

The Village does not capitalize computer software or software developed for internal use (if applicable) unless they exceed the \$5,000 threshold. Also, the Village does not capitalize library books unless they exceed the \$5,000 threshold.

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

Notes to Financial Statements (continued)

<u>Assets</u>	<u>Years</u>
Buildings	25 to 50
Building improvements	25 to 50
Office equipment	5 to 15
Heavy equipment	5 to 15

Deferred Revenues

Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues.

Compensated Absences

Vested or accumulated vacation and compensation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

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. Bonds payable are reported net of the applicable bond premium or discount.

Net Assets

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

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

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

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

Notes to Financial Statements (continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change. Fund equity was reserved or designated for:

Unreserved, designated for subsequent year's expenditures - This represents the amounts, other than carryover expenditures, which are designated for subsequent year's expenditures in accordance with grantor status.

Unreserved, undesignated - Amounts which have not been reserved or designated for any purpose. These funds are available for unrestricted usage by the Village.

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.

E. Budgetary Information

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

1. The Village Clerk-Treasurer submits to the Village Council a proposed operating budget for the fiscal year commencing July 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Village offices to obtain taxpayer comments. The budget is legally enacted through passage of a resolution.
3. The Village Mayor and Clerk-Treasurer are authorized to transfer budget amounts between departments within any fund; however, the Local-Government Division of the State Department of Finance and Administration must approve any revisions that alter the total expenditures of any fund.
4. Formal budgetary integration is to be employed as a management control device during the year for all of the governmental fund types.

Notes to Financial Statements (continued)

5. Encumbrances are not considered in budget preparation.
6. The level of classifications detail in which expenditures may not legally exceed appropriations for each budget is in fund total. Appropriates lapse at year-end.
7. All budgets are adopted on a cash basis.
8. Budgets have been adopted for all funds of the Village, except for the Housing Authority. HUD controls the Budget of the Housing Authority. The budgetary comparison for the Housing Authority appears in the Authority's separate audit report.

F. Property Taxes

Property taxes are collected by the County Treasurer and remitted to the Village monthly. Delinquent property taxes payable to the County Treasurer are not recognized until actually collected and remitted by the Mora County Treasurer to the Village. Property taxes are payable to the County Treasurer in two equal installments, due on November 10th of each year in which the tax bill was prepared and mailed and on April 10th of the following year. Pursuant to Section 7-38-46, NMSA 1978, property taxes are delinquent if not paid within thirty days after the date on which they are due. Taxes on real property may be collected by selling the real property on which the taxes are delinquent.

G. Interfund Transactions

Transactions that constitute material reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and other non-operating revenues/expenses in proprietary funds.

H. Risk Management

The City 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 City carries commercial insurance of these risks of loss, including workers' compensation and employee health and accident insurance.

Notes to Financial Statements (continued)

I. Encumbrances

The Village does not utilize encumbrance accounting.

2. DEPOSITORY COLLATERAL

New Mexico statutes provide that deposits of public monies in financial institutions must be secured by pledged collateral in an aggregate value equal to one-half of the amount of the public monies deposited after deducting the amount of Federal Deposit Insurance Corporation insurance coverage (for each financial institution).

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 \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

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

Wells Fargo Bank	Savings-Natural Gas	\$ 8,984
Wells Fargo Bank	Savings-Repair & Replacement	7,831
Wells Fargo Bank	Checking-Gas Meter Deposits	1,346
Wells Fargo Bank	Checking-Water Meter Deposits	4,459
Wells Fargo Bank	Checking-Water/Sewer/Solid Waste	18,540
Wells Fargo Bank	Checking-General Account	345,821
Wells Fargo Bank	Checking-EMS	5,966
Wells Fargo Bank	Checking-MVD	1,674
Bank of Las Vegas	Checking-Senior Citizens	1,654
Wells Fargo Bank	Checking-Senior Citizens	43,209
Bank of Albuquerque	Savings-Fire	6,876
Wells Fargo Bank	Certificate of Deposit-Meter	26,905
Wells Fargo Bank	Certificate of Deposit-General	<u>10,478</u>
	Total	<u>\$ 483,743</u>
	Total amount on deposit	\$ 483,743
	Outstanding checks	<u>(126,533)</u>
	Total per financial statements	<u>\$ 357,210</u>

Notes to Financial Statements (continued)

The following schedule details the public money held by the banks and pledged collateral held by the Village follows:

	<u>Wells Fargo Bank</u>	<u>Bank of Las Vegas</u>	<u>Bank of Albuquerque</u>
Cash on deposit at June 30, 2006	\$ 475,213	\$ 1,654	\$ 6,876
Less F.D.I.C.	<u>(154,198)</u>	<u>(1,654)</u>	<u>(6,876)</u>
Uninsured funds	321,015	-	-
50% Collateral requirement	<u>160,508</u>	<u>-</u>	<u>-</u>
Pledged collateral at June 30, 2006	440,458	-	-
Excess of pledged collateral	<u>\$ 279,950</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2006, \$321,015 of the Village's bank balance of \$475,213 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	<u>321,015</u>
Total	<u>\$ 321,015</u>

Pledged collateral of the Wells Fargo Bank consists of the following at June 30, 2006:

<u>Wells Fargo Bank, California</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FNCI #31368HVG5	1-01-2009	\$ 23,084
G2SF #36202DLT6	2-20-2031	39,904
GNSF #36225BG36	10-15-2029	<u>377,470</u>
		<u>\$ 440,458</u>

Notes to Financial Statements (continued)

3. ACCOUNTS RECEIVABLE

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

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Receivables from customers	\$ -	\$ 16,614
Less allowance for uncollectible accounts	<u>-</u>	<u>350</u>
Subtotal	-	16,264
MVD	339	
Property taxes	184	-
Gas taxes	1,596	-
Cigarette tax	13	-
Gross receipts tax	3,085	-
Local sources	915	-
Intergovernmental	<u>90,985</u>	<u>-</u>
Total	<u>\$ 97,117</u>	<u>\$ 16,264</u>

4. LONG-TERM LIABILITIES

A. Long-Term Debt Obligations - Governmental Funds

During the year ended June 30, 2006, the following changes occurred in the liabilities reported in the Statement of Net Assets:

	<u>Balance 6-30-2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6-30-2006</u>	<u>Due Within One Year</u>
Compensated absences	\$ 1,882	\$ 2,555	\$ -	\$ 4,437	\$ -
NMFA Loan	<u>60,000</u>	<u>-</u>	<u>14,819</u>	<u>45,181</u>	<u>15,030</u>
Total	<u>\$ 61,882</u>	<u>\$ 2,555</u>	<u>\$ 14,819</u>	<u>\$ 49,618</u>	<u>\$ 15,030</u>

The General and Road Funds normally pay for all compensated absences.

The Village entered into a loan agreement with the New Mexico Finance Authority (NMFA) to pay principal in the amount of \$60,000 and interest for the purpose of defraying the cost of constructing a fire substation for the Villages 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 0.00% plus 0.25% administrative fee. The maturity date is May 1, 2009.



Notes to Financial Statements (continued)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 15,030	\$ 113	\$ 15,143
2008	15,046	75	15,121
2009	<u>15,105</u>	<u>38</u>	<u>15,143</u>
	<b><u>\$ 45,181</u></b>	<b><u>\$ 226</u></b>	<b><u>\$ 45,407</u></b>

B. Long-Term Obligations - Enterprise Fund

The following is a summary of changes in long-term obligations for the Enterprise Fund for the year ended June 30:

	<u>Balance 6-30-2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6-30-2006</u>	<u>Due Within One Year</u>
Compensated absences	\$ 5,865	\$ -	\$ 2,534	\$ 3,331	\$ -
Landfill closure	<u>193,515</u>	<u>-</u>	<u>-</u>	<u>193,515</u>	<u>-</u>
Total	<b><u>\$199,380</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,534</u></b>	<b><u>\$ 196,846</u></b>	<b><u>\$ -</u></b>

See Note 11 for Landfill Closure information.

5. DEPOSITS HELD FOR OTHERS , ENTERPRISE FUND

Deposits in the Water and Wastewater Utility Enterprise Fund consist of the following:

Hydrant Meter deposits **\$1,990**

Water meter deposits are charged to new customers and consist of the following:

	<u>Water</u>	<u>Gas</u>
Homeowners	\$ 35	\$ 50
Renters	\$ 50	\$ 100

Notes to Financial Statements (continued)

6. CAPITAL ASSETS

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

	Balances <u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>June 30, 2006</u>
Land	\$ 15,865	\$ -	\$ -	\$ 15,865
Total assets not depreciated	<u>15,865</u>	<u>-</u>	<u>-</u>	<u>15,865</u>
Construction in progress	69,376	-	-	69,376
Buildings	657,420	-	-	657,420
Infrastructure	1,448,993	-	-	1,448,993
Equipment	487,236	-	-	487,236
Works of Art	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Sub-total	<u>2,666,025</u>	<u>-</u>	<u>-</u>	<u>2,666,025</u>
Less: accumulated depreciation	<u>(1,374,753)</u>	<u>-</u>	<u>-</u>	<u>(1,374,753)</u>
Net capital assets	<u>\$ 1,307,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,307,137</u>

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

	Balances <u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>June 30, 2006</u>
Land	\$ -	\$ -	\$ -	\$ -
Total assets not depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Heavy equipment	-	70,000	-	70,000
Construction in progress	832,272	-	-	832,272
Plant	<u>1,243,070</u>	<u>180,315</u>	<u>-</u>	<u>1,423,385</u>
Sub-total	<u>2,075,342</u>	<u>250,315</u>	<u>-</u>	<u>2,325,657</u>
Less: accumulated depreciation	<u>(362,218)</u>	<u>(44,219)</u>	<u>-</u>	<u>(406,437)</u>
Net capital assets	<u>\$ 1,713,124</u>	<u>\$ 206,096</u>	<u>\$ -</u>	<u>\$ 1,919,220</u>

Notes to Financial Statements (continued)

7. PROPERTY TAXES

The Village of Wagon Mound receives property taxes from the Mora County Treasurer for operational purposes. Property taxes are assessed on January 1<sup>st</sup> of each year, except on livestock, and are payable in two equal installments on November 10<sup>th</sup> of the year in which the tax bill is prepared and April 10<sup>th</sup> of the following year. In addition, tax levies are authorized by statute to service payments due on general obligation bonds which have been authorized pursuant to state law. The full faith and credit of the necessary to pay the interest and on the principal of the negotiable bonds as the interest and principal become due, without limitation as to rate or amount. The Village may pay the principal or interest on any general obligation bonds from any available revenues, and the levy or levies of taxes may be diminished to the extent such other revenues are available for the payment of such principal and interest.

Proceeds from the issuance of general obligation bonds are restricted in usage.

1. Erecting and operating natural or artificial gas works;
2. Erecting and operating electric works;
3. Constructing, purchasing, rehabilitating or remodeling, or any combination thereof, public buildings, including additions and improvements thereto;
4. Building, beautifying and improving public parks within or without the municipal boundary, but not beyond the planning and platting jurisdiction of the municipality;
5. Acquiring land or buildings for playgrounds, recreation centers, zoos, and other recreational purposes and the equipment thereof, or any combination thereof;
6. Providing proper means for protecting from fire including but not limited to purchasing apparatus for fire protection and providing, enlarging and improving fire equipment and facilities;
7. Laying off, opening, constructing, repairing, and otherwise improving municipal alleys, streets, public roads, and bridges or any combination thereof;
8. Providing apparatus for the collection and disposal of garbage and refuse; acquiring, constructing and maintaining garbage and refuse;
9. Constructing or purchasing a system for supplying water or constructing and purchasing such a system, for the municipality, including without limiting the generality of the foregoing, the enlargement, improvement, extension or acquisition of the system, and acquisition of water or water rights, necessary real estate or rights of way, bridges and easements, and necessary apparatus for a water system, or any combination of the foregoing;

Notes to Financial Statements (continued)

10. Construction or purchasing a sewer system or the construction and purchase of a sewer system, including without limiting the generality of the foregoing, acquiring, enlarging, improving, or extending, or any combination of the foregoing, said system;
11. Flood control purposes are provided in Section 3-41-1 NMSA 1978;
12. Constructing, purchasing, rehabilitating or remodeling, or any combination thereof, hospital, including additions and improvements thereto;
13. Purchasing, improving, or erecting public auditoriums or public buildings of a similar nature for a general civic purposes, or for authorizing the improvement of erection of public auditoriums or buildings of similar nature by agreement, with officers of the county in which the municipality is located; and
14. Acquiring, purchasing, constructing, improving, rehabilitating, or remodeling, or any combination thereof, of cemeteries or mausoleums.

8. BUDGET VIOLATIONS

The Village had several funds with budget violations. They are as follows:

Senior Citizens Program Fund	\$ 155,904
Law Enforcement Protection Fund	\$ 4,818
CDBG Program (Water Fund)	\$ 180,315

9. BUDGET TO GAAP RECONCILIATION

	<u>General Fund</u>	<u>Road Fund</u>	<u>Fire Protection Fund</u>	<u>Senior Citizens Fund</u>	<u>Non- Major Special Revenue Fund</u>
<u>Revenues</u>					
Modified accrual basis	\$128,560	\$ 41,415	\$ 57,752	\$ 162,591	\$ 24,464
Budgetary basis	<u>129,230</u>	<u>40,939</u>	<u>57,752</u>	<u>160,119</u>	<u>24,391</u>
Increase (decrease) in receivables	<u>\$ (670)</u>	<u>\$ 476</u>	<u>\$ -</u>	<u>\$ 2,472</u>	<u>\$ 73</u>
<u>Expenditures</u>					
Modified accrual basis	\$205,499	\$ 24,248	\$ 66,003	\$ 155,904	\$ 31,116
Budgetary basis	<u>206,511</u>	<u>24,248</u>	<u>66,003</u>	<u>155,904</u>	<u>31,116</u>
Increase (decrease) in payables	<u>\$ (1,012)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Financial Statements (continued)

10. LANDFILL CLOSURE AND POST CLOSURE COSTS

Federal laws required the Village to close and cover the local landfill. These laws also require that the Village perform certain maintenance and monitoring functions at the landfill for thirty years after the closure. In the year ended June 30, 1997 the Village recorded the estimated cost of the closure and post closure costs to be \$197,200. These liabilities have been recorded in the Village's Joint Utilities Fund. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Village is currently under contract with an independent contractor to dispose of its waste.

11. INTERFUND RECEIVABLES/PAYABLES

As of June 30, 2006 the amount shown as due to General Fund from the Senior Citizens Program in the amount of \$18,513 is for salaries paid on the Senior Programs behalf that was from amounts received from the State Senior Program in the following fiscal year. A due from grantor amount of \$18,513 is shown in the Senior Citizens Fund. The amount shown as due to the General Fund for \$70,000 from the Water/Sewer Fund is for a backhoe purchased before the fiscal year end. The Special Appropriation Project Grant monies were not received until after the fiscal year end. A receivable for this SAP is shown in the Enterprise Fund.

12. RETIREMENT PLAN

*Plan Description.* Substantially all of Village of Wagon Mound'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% for policemen 9.15% for all other members (range from 4% to 16.3% depending upon the division, i.e., state general, state hazardous duty, state police, municipal general, municipal police, municipal fire) of their gross salary. The Village of Cimarron is required to contribute 10% for policemen and 9.15% for all other plan members (range from 7% to 25.72% depending upon the division) of the gross covered salary. The contribution requirements of plan members and the Village of Wagon Mound are established in Chapter 10, Article 11 NMSA 1978. The

Notes to Financial Statements (continued)

requirements may be amended by acts of legislature. The Village of Cimarron's contributions to PERA for the years ending June 30, 2006, 2005, and 2004 were \$11,426, \$15,034 and \$13,210 respectively equal to the amount of the required contributions for the year.

13. RETIREE HEALTH CARE ACT

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

14. RISK MANAGEMENT

The Village is exposed to various risks for loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the Village carries insurance with the New Mexico Self Insurer's Fund for a shared premium cost. The Village established a limited risk management program for general and auto liability, workman's compensation, employer's liability, and property. Premiums are paid by the General, Fire and Enterprise Funds.

15. COMPONENT UNIT

The Village of Wagon Mound Housing Authority is a component unit of the Village. The Housing Authority issues a separate, publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Village of Wagon Mound Housing Authority, PO Box 188, Wagon Mound, NM 87728.

### NON-MAJOR SPECIAL REVENUE FUNDS

**E.M.S. (EMERGENCY MEDICAL SERVICES)** - To account for the operation of the Villages' emergency services. Financing is provided from the State Emergency Medical Services Act. Authority is NMSA 24-10A-2.

**LAW ENFORCEMENT PROTECTION FUND (LEPF)** - To account for funds allotted by the Law Enforcement Protection Fund, Section 29-13-5, NMSA 1978, to "enhance the efficiency and effectiveness of law enforcement service."

**RECREATION FUND** - To account for the operation and maintenance of all Village-owned recreational facilities. Financing is provided by a specific annual cigarette tax levy. Authority is NMSA 7-12-1 and 7-12-15.

**ENVIRONMENTAL GRT FUND** - To account for the operations of solid waste disposal services which is financed by the environmental gross receipts taxes received each month. Authority is NMSA 74-9-1.

**CORRECTION FEES FUND** - To account for fines collected by the Village Courts and designated to be used for the operation and maintenance of the Village jail. Authority is Section 35-14-11 NMSA.

STATE OF NEW MEXICO  
 VILLAGE OF WAGON MOUND  
 Non-Major Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2006

	EMS Fund	Law Enforcement Fund	Recreation Fund	Environmental GRT Fund	Correction Fees Fund	Total
<b>ASSETS</b>						
Cash on deposit	\$ 5,789	\$ 4,136	\$ 2,658	\$ 8,714	\$ 11,682	\$ 32,979
Accounts receivable	-	-	13	60	-	73
<b>Total assets</b>	<b><u>\$ 5,789</u></b>	<b><u>\$ 4,136</u></b>	<b><u>\$ 2,671</u></b>	<b><u>\$ 8,774</u></b>	<b><u>\$ 11,682</u></b>	<b><u>\$ 33,052</u></b>
<b>FUND BALANCE</b>						
Unreserved:						
Undesignated for subsequent years expenditures	\$ 5,789	\$ 4,136	\$ 2,671	\$ 8,774	\$ 11,682	\$ 33,052
<b>Total fund balance</b>	<b><u>\$ 5,789</u></b>	<b><u>\$ 4,136</u></b>	<b><u>\$ 2,671</u></b>	<b><u>\$ 8,774</u></b>	<b><u>\$ 11,682</u></b>	<b><u>\$ 33,052</u></b>

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



STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2006

Statement A-2

	EMS Fund	Law Enforcement Protection Fund	Recreation Fund	Environmental GRT Fund	Correction Fees Fund	Total
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Local sources	1,000	-	-	-	-	1,000
State sources	1,500	20,000	-	-	-	21,500
State shared taxes	-	-	641	1,318	-	1,959
Earnings on investments	5	-	-	-	-	5
<b>Total revenues</b>	<u>2,505</u>	<u>20,000</u>	<u>641</u>	<u>1,318</u>	<u>-</u>	<u>24,464</u>
<b>EXPENDITURES</b>						
<b>Current:</b>						
Public safety	2,028	24,818	-	-	205	27,051
Culture and recreation	-	-	-	-	-	-
Health and welfare	-	-	-	4,065	-	4,065
<b>Total expenditures</b>	<u>2,028</u>	<u>24,818</u>	<u>-</u>	<u>4,065</u>	<u>205</u>	<u>31,116</u>
Net change in fund balance	477	(4,818)	641	(2,747)	(205)	(6,652)
Fund balance, beginning of year	<u>5,312</u>	<u>8,954</u>	<u>2,030</u>	<u>11,521</u>	<u>11,887</u>	<u>39,704</u>
Fund balance, end of year	<u>\$ 5,789</u>	<u>\$ 4,136</u>	<u>\$ 2,671</u>	<u>\$ 8,774</u>	<u>\$ 11,682</u>	<u>\$ 33,052</u>

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

STATE OF NEW MEXICO  
 VILLAGE OF WAGON MOUND  
 Non-Major Special Revenue - E.M.S. Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Local sources	\$ -	\$ -	\$ 1,000	\$ 1,000
State sources	-	-	1,500	1,500
Earnings on investments	-	-	5	5
<b>Total revenues</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,505</u></b>	<b><u>\$ 2,505</u></b>
<b>EXPENDITURES</b>				
Public safety	\$ 5,312	\$ 5,312	\$ 2,028	\$ 3,284
<b>Total expenditures</b>	<b><u>\$ 5,312</u></b>	<b><u>\$ 5,312</u></b>	<b><u>\$ 2,028</u></b>	<b><u>\$ 3,284</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 5,312</u></b>	<b><u>\$ 5,312</u></b>		

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

STATE OF NEW MEXICO  
 VILLAGE OF WAGON MOUND  
 Non-Major Special Revenue - Law Enforcement Protection Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
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	\$ 20,000	\$ 20,000	\$ 24,818	\$ (4,818)
Total expenditures	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 24,818</u>	<u>\$ (4,818)</u>

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

STATE OF NEW MEXICO  
 VILLAGE OF WAGON MOUND  
 Non-Major Special Revenue - Recreation Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State shared taxes	\$ 500	\$ 500	\$ 628	\$ 128
Total revenues	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 628</u>	<u>\$ 128</u>
EXPENDITURES				
Culture and recreation	\$ 200	\$ 200	\$ -	\$ 200
Total expenditures	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 200</u>

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

STATE OF NEW MEXICO  
 VILLAGE OF WAGON MOUND  
 Non-Major Special Revenue - Environmental GRT Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State shared taxes	\$ 5,000	\$ 5,000	\$ 1,258	\$ (3,742)
Total revenues	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 1,258</u>	<u>\$ (3,742)</u>
<b>EXPENDITURES</b>				
Health and welfare	\$ 5,000	\$ 5,000	\$ 4,065	\$ 935
Total expenditures	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 4,065</u>	<u>\$ 935</u>

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

STATE OF NEW MEXICO  
CITY OF SANTA ROSA  
Non-Major Special Revenue - Correction Fees Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Fines and forfeitures	\$ 100	\$ 100	\$ -	\$ (100)
Total revenues	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ (100)</u>
EXPENDITURES				
Public safety	\$ 2,000	\$ 2,000	\$ 205	\$ 1,795
Total expenditures	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 205</u>	<u>\$ 1,795</u>
BUDGETED CASH BALANCE	<u>\$ 1,900</u>	<u>\$ 1,900</u>		

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

**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
Schedule of Changes in Assets  
and Liabilities - Agency Funds  
Year Ended June 30, 2006

	Balances June 30, 2005	Additions	Deletions	Balances June 30, 2006
<b>ASSETS</b>				
Cash	\$ 1,262	\$ 40,440	\$ 40,292	\$ 1,410
Total assets	<u>\$ 1,262</u>	<u>\$ 40,440</u>	<u>\$ 40,292</u>	<u>\$ 1,410</u>
<b>LIABILITIES</b>				
Due to other agencies	\$ 1,262	\$ 40,440	\$ 40,292	\$ 1,410
Total liabilities	<u>\$ 1,262</u>	<u>\$ 40,440</u>	<u>\$ 40,292</u>	<u>\$ 1,410</u>

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



STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND  
Component Unit  
Housing Authority  
Statement of Cash Flows  
For the Year Ended June 30, 2006

	Component Unit
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 34,733
Cash payments to employees	(34,673)
Cash payments to suppliers for goods and services	(83,165)
Net cash provided by operating activities	(83,105)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Subsidy from federal grant	37,295
Capital grant	64,814
Net cash provided by financing activities	102,109
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	194
Net increase (decrease) in cash	19,198
Cash, beginning of year	15,035
Cash, end of year	\$ 34,233
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ (101,501)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	15,607
Changes in assets and liabilities:	
Accounts receivable	5,997
Inventory	436
Accrued payroll	(1,151)
Prepaid items	2,936
Accounts payable and contracts	(5,178)
Customer deposits	(350)
Tenants prepaid rent	99
Total	18,396
Net cash (used) by operating activities	\$ (83,105)

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

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

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

Mr. Hector H. Balderas  
New Mexico State Auditor  
and  
Honorable Mayor and Board of Trustees  
Village of Wagon Mound  
Wagon Mound, New Mexico

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the General Fund and major special revenue fund, and the combining and individual fund presented as supplemental information of the Village of Wagon Mound, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 17, 2008. We were also engaged to audit the non-major governmental funds, including the respective budgetary comparisons and the enterprise budgetary comparisons presented as supplementary information as listed in the table of contents. Our report was modified to include a reference to other auditors. We do not express an opinion on the financial statements of the governmental activities, the business-type activities, each major fund including budget comparisons, and the aggregate remaining fund information as well as the non-major governmental funds, including budget comparisons, and the enterprise fund budget comparison presented as supplementary information in the accompanying combining and individual fund financial statements, because the Village of Wagon Mound did not maintain a double entry set of accounting records. Therefore, we were unable to apply generally accepted auditing procedures to the capital asset records, the long-term debt records, accounts payable, accounts receivable, revenues, expenditures, expenses, and cash, or reasonably determine the amount by which these departures affected the assets, liabilities, revenues, and expenditures of the General Fund, Road Fund, Fire Protection Fund, EMS Fund, Law Enforcement Protection Fund, Recreation Fund, Environmental Gross Receipts Fund, Solid Waste Fund, Natural Gas Fund and the Water and Sewer Fund. Therefore as discussed in the preceding sentence, we were unable to conduct 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.

Other auditors audited the financial statements of the component unit proprietary fund, as described in our report on the Village's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Wagon Mound's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted several matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village of Wagon Mounds's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described as comments 03-02 Capital Asset Listing, 06-01 Bank Account Reconciliation, 06-02 Checks Not Posted to System, 06-03 Check Dates Changed, 06-04 Checks Clearing Without Signatures, 06-06 Agency Fund Balance, 06-07 Bank Service Charges, 06-08 Senior Fund Transactions, 06-09 Monies Received With No Known Source, 06-10 Receipt Books, 06-11 Investment Policy, 06-12 Water/Gas Meter Deposits, 06-13 Old Meter Deposits, 06-14 Landfill Closure Costs, 06-15 Incorrect PERA Withholding, 06-16 State Withholding Not Submitted, 06-17 NM Department of Labor Reports Prepared Incorrectly, 06-20 Travel Vouchers, 06-21 Per Diem Expenses, 06-22 Seniors Program Relinquished, 06-23 Natural Gas Services, 06-25 Purchase Orders Required, 06-27 Required Matching Funds, 06-28 CDBG Transactions, 06-29 Water conservation Fee Reports, 06-30 Expenditures for the Utilities Fund, 06-33 Senior Citizen Program Expenditures, 06-35 Depreciation Policy, 06-36 Depreciation of Capital Assets, 06-38 Revenues Provided to Fire Department, 06-39 Personnel Policy Updated, 06-41 Fire Departments Rental of Hearse, 06-42 CD Deposited into Wrong Bank Account, 06-43 Senior Citizens Revenues, 06-44 Senior Citizens Program Budget, 06-45 Incomplete General Ledger, 06-46 Detail of Proprietary Fund.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all

reportable conditions that are also considered to be material weaknesses. However, we believe several of the reportable conditions described above are material weaknesses. The material weaknesses are described as 03-02, Capital Asset Listing, 06-02 Checks Not Posted to System, 06-06 Agency Fund Balance, 06-08 Senior Fund Transactions, 06-14 Landfill Closure Costs, 06-25 Purchase Orders Required, 06-28 CDBG Transactions, 06-30 Expenditures for the Utilities Fund, 06-33 Senior Citizen Program Expenditures, 06-36 Depreciation of Capital Assets, 06-38 Revenues Provided to Fire Department, 06-42 CD Deposited into Wrong Bank Account, 06-45 Incomplete General Ledger and 06-46 Detail of Proprietary Fund.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Wagon Mound's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. They are listed in the accompanying Status of Comments as 02-02 Late Audit Report, 05-01 DFA Quarterly Reports, 05-02 Preliminary Budget Not Submitted Timely, 06-05 Bank Account Closed Without Board Approval, 06-15 Incorrect PERA Withholding, 06-17 NM Department of Labor Reports Prepared Incorrectly, 06-18 Employee Files, 06-19 IRS W-3 Form Incorrect, 06-20 Travel Vouchers, 06-21 Per Diem Expense, 06-24 Signatures of Receipt or Approval For Payment, 06-25 Purchase Orders Required, 06-26 1099 Forms Not Prepared, 06-27 Required Matching Funds, 06-28 CDBG Transactions, 06-31 Sealed Bids, 06-32 Approval of Contract Continuation, 06-33 Senior Citizens Program Expenditures, 06-34 Three Quotes Not Obtained, 06-36 Depreciation of Capital Assets, 06-37 Budget Overruns, 06-40 Fire Department Non-Profit Organization, 06-44 Senior Citizens Program Budget and 06-46 Detail of Proprietary Fund.

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

*Rico & Associates, C.P.A.*

September 17, 2008

## STATUS OF COMMENTS

### Prior Year Audit Findings:

1. Late Audit Report (02-02) - Repeated.
2. Capital Assets Listing (03-02) - Repeated.
3. DFA Quarterly Reports (05-01) - Repeated.
4. Preliminary Budget Not Submitted Timely (05-02) - Repeated.

### Current Year Audit Findings:

1. Bank Account Reconciliation (06-01)
2. Checks Not Posted to System (06-02)
3. Checks Dates Changed (06-03)
4. Checks Clearing Without Signatures (06-04)
5. Bank Account Closed Without Board Approval (06-05)
6. Agency Fund Balance (06-06)
7. Bank Service Charges (06-07)
8. Senior Fund Transactions (06-08)
9. Monies Received With No Known Source (06-09)
10. Receipt Books (06-10)
11. Investment Policy (06-11)
12. Water/Gas Meter Deposits (06-12)
13. Old Meter Deposits (06-13)
14. Landfill Closure Costs (06-14)
15. Incorrect PERA Withholding (06-15)
16. State Withholding Not Submitted (06-16)
17. New Mexico Department of Labor Reports Prepared Incorrectly (06-17)
18. Employee Files (06-18)
19. IRS W-3 Form Incorrect (06-19)
20. Travel Vouchers (06-20)
21. Per Diem Expenses (06-21)

Status of Comments - continued

22. Seniors Program Relinquished (06-22)
23. Natural Gas Services (06-23)
24. Signatures of Receipt or Approval for Payment (06-24)
25. Purchase Orders Required (06-25)
26. 1099 Forms Not Prepared (06-26)
27. Required Matching Funds (06-27)
28. CDBG Transactions (06-28)
29. Water Conservation Fee Reports (06-29)
30. Expenditures for the Utilities Fund (06-30)
31. Sealed Bids (06-31)
32. Approval of Contract Continuation (06-32)
33. Senior Citizen Program Expenditures (06-33)
34. Three Quotes Not Obtained (06-34)
35. Depreciation Policy (06-35)
36. Depreciation of Capital Assets (06-36)
37. Budget Overruns (06-37)
38. Revenues Provided to Fire Department (06-38)
39. Personnel Policy Updated (06-39)
40. Fire Department Non-Profit Organization (06-40)
41. Fire Departments Rental of Hearse (06-41)
42. Certificates of Deposit Deposited Into Wrong Bank Account (06-42)
43. Senior Citizens Revenues (06-43)
44. Senior Citizens Program Budget (06-44)
45. Incomplete General Ledger (06-45)
46. Detail of Proprietary Fund (06-46)

Late Audit Report  
(02-02)

CONDITION	The audit report was submitted to the State Auditor after the required deadline of December 1, 2006.
CRITERIA	Village audits are required to be submitted to the State Auditor by December 1 as required by NMAC 2.2.2.9A(1)(d).
CAUSE	A contract with an auditor for the 2006 fiscal year was not obtained until March, 2007. This is several months after the required deadline.
EFFECT	NMAC 2.2.2.9A(1)(d) was not followed.
RECOMMENDATION	The Village should work closely with the new State Auditor to ensure all future audits are prepared timely.
RESPONSE	The Village will work closely with the State Auditor to ensure all future audits are prepared in a timely fashion.

Capital Assets Listing  
(03-02)

CONDITION	A complete capital asset listing including current year additions and deletions was not available.
CRITERIA	A complete capital asset listing including current year additions and deletions should be maintained at all times. This is to comply with 1 NMAC 1.2.1.8 and 12-6-10 NMSA 1978.
CAUSE	The current management has worked on compiling a listing, however, it is still not complete.
EFFECT	The capital asset records could be overstated/understated.
RECOMMENDATION	The Village should continue to reconcile all capital assets to the prior years audit reports and bring it current.
RESPONSE	The Village of Wagon Mound will seek help and consultation on creating an asset management plan which works within our budget.



DRA Quarterly Reports  
(05-01)

CONDITION Management of the Village did not prepare and submit a correct fourth quarter DFA report to their budget analyst at the Department of Finance and Administration, Local Government Division.

CRITERIA According to Statute 6-6-3 NMSA 1978 all local governments are to submit an accurate quarterly performance report to the Department of Finance and Administration.

CAUSE Management of the Village were not capable of preparing this report. The Village then contracted with an outside consultant to prepare and submit the DFA quarterly reports. This consultant however prepared the report with a \$7,500 error and submitted the report late.

EFFECT The Village did not comply with the Statute. Also, because the report was submitted with an error it is clear that the financial statements of the Village have an error.

RECOMMENDATION The Village needs to hire an adequately trained staff person to prepare and submit these quarterly reports accurately and on time.

RESPONSE The Village will prepare and submit accurate quarterly reports to DFA and file them on time. The Village will also consult with their Council of Governments representative about how to correct the old entry.

Preliminary Budget Not Submitted Timely  
(05-02)

CONDITION                    The Village failed to submit its initial budget for fiscal year ended June 30, 2007 to the New Mexico Department of Finance and Administration, Local Government Division by the required deadline.

CRITERIA                     Statute 6-6-2A NMSA 1978 requires local governments to deliver its preliminary annual budget by June 1<sup>st</sup> preceding the beginning of the new fiscal year.

CAUSE                         It is unknown why the Village could not submit its preliminary budget by the required deadline.

EFFECT                        The Village did not comply with State Law 6-6-2A.

RECOMMENDATION             The Village should make every effort to comply with State of New Mexico budget laws by submitting its preliminary budget report on a timely basis.

RESPONSE                     The Village will comply with the State of New Mexico budget laws and submit their preliminary budget report by the required June 1<sup>st</sup> deadline.

Bank Account Reconciliation  
(06-01)

CONDITION	Management of the Village did not properly reconcile any of the bank accounts for the fiscal year.
CRITERIA	All bank accounts should be reconciled monthly upon receiving the bank statement. This is to comply with 6-6-3 NMSA 1978.
CAUSE	Management of the Village did not complete this procedure.
EFFECT	Cash could be misstated.
RECOMMENDATION	The Village should hire staff that are adequately trained in reconciling bank statements, or train existing staff.
RESPONSE	The Village recently reconciled the years of bank statement which hadn't been reconciled in QuickBooks and brought them up to date. The bank statements will be reconciled monthly, right after the end of the month.

Checks Not Posted to System  
(06-02)

CONDITION	A check for \$109 was written in June, 2006 and subsequently cleared the bank account in August, 2006. This check however was never posted to the financial statements or put on the outstanding check list used to reconcile the bank statements.
CRITERIA	To comply with 6-6-3 NMSA 1978 all transactions of the Village should be posted to the books of record.
CAUSE	Prior management of the Village were not completing all steps/procedures to post all transactions to the Villages books of record.
EFFECT	Cash could be misstated. Also, the Village is not complying with Statute 6-6-3.
RECOMMENDATION	The Village should train all existing staff on how to properly record all transactions of the Village.
RESPONSE	The current Village staff is properly trained to record all transactions, both debits and credits, to the Village books and will continue to do so.

Checks Dates Changed  
(06-03)

CONDITION	Prior management would periodically change the computer printed date on checks.
CRITERIA	All transactions of the Village should be prepared accurately (and not subsequently changed) to comply with 6-6-3 NMSA 1978.
CAUSE	Prior management of the Village did not ensure that all documents prepared by the Village were not subsequently altered or changed.
EFFECT	The financial statements could be altered after they were originally prepared.
RECOMMENDATION	The Village should implement policies to ensure that all documents are not subsequently altered for any reason.
RESPONSE	The Village will implement a new policy ensuring no financial documents will be altered. All reports will be generated from the accounting software and no check dates will be altered.

Checks Clearing Without Signatures

(06-04)

CONDITION	The Villages bank cleared four checks totaling \$5,067 with only one signature on the check. The bank also cleared one check for \$144 without any signatures. Management of the Village did not bring this to the attention of the bank.
CRITERIA	Two signatures are required on all checks issued by the Village.
CAUSE	Management of the Village is not reviewing these checks when returned from the bank with the monthly bank statement.
EFFECT	Checks not issued by the Village could be cashed. Thus, cash is not being properly safeguarded.
RECOMMENDATION	Management of the Village should ensure that all checks prepared are complete before issuance. Also, review all checks returned by the bank to ensure they were actually prepared by the Village. This will help safeguard the assets of the Village.
RESPONSE	The Village Management shall ensure that all checks are prepared properly before being issued. All checks will be reviewed for correct signatures during the monthly reconciliation.

Bank Account Closed Without Board Approval  
(06-05)

CONDITION	Management of the Village closed two bank accounts without Board approval.
CRITERIA	According to 3-12-3 NMSA 1978 the Board has the duty to "manage and control the finances... belonging to the municipality". Thus, it is their duty to approve the closure of any bank accounts.
CAUSE	It is unclear why management did not obtain Board approval before the account was closed.
EFFECT	Assets are not being properly safeguarded.
RECOMMENDATION	The board should make the employees of the Village aware of the Boards responsibilities and implement policies and ensure they are followed.
RESPONSE	The Village management will seek the permission of the Financial Board before changing, altering or closing any bank accounts. Required signatures of the Financial Board will prevent this from happening in the future.

Agency Fund Balance  
(06-06)

CONDITION                    The Village operates a Motor Vehicle Department on behalf of the State. The bank account in which these amounts are deposited and then subsequently submitted to the State is not being reconciled monthly by the management of the Village. Upon reconciling the account there is a large balance. This suggests that the daily reports submitted to the State are not being prepared correctly.

CRITERIA                    All monies collected daily are to be remitted to the State within twenty four hours.

CAUSE                        We are unsure why the staff of the Village were not reconciling this bank account and ensuring all monies were being remitted to the State in a timely basis. It is also unclear how far back this situation occurs.

EFFECT                      Monies due to other agencies are not being remitted timely or correctly.

RECOMMENDATION            Staff of the Village should be trained on how to reconcile this bank account. They should also be trained on how to prepare and submit the daily reports to the State. Staff should also reconcile several years prior to find where the balance came from and submit it to the State.

RESPONSE                    Recently the MVD set up a direct deposit account for MVD transactions at the Village field office. Daily deposits are made and daily transaction reports are filed with the MVD. The MVD will be responsible for reconciling this account.

As to the balance on the MVD account the Village has open, the Village management has requested assistance from MVD on auditing this account to find out how to reconcile this long standing balance.



Bank Service Charges

(06-07)

CONDITION	The Senior Citizen Bank account was charged a monthly service charge for six months (\$40).
CRITERIA	Government agencies are not required by financial institutions to pay a monthly service charge.
CAUSE	The employee that opened this bank account did not ensure that the financial institution was aware that it was an account for a government entity.
EFFECT	The Senior Program is paying charges that are not budgeted for or required.
RECOMMENDATION	The Village no longer has the Senior Program however, Staff should ensure that whenever an account is opened that the financial institution is aware that the account is for a government agency.
RESPONSE	The Village management will contact Wells Fargo bank and see if it can get a refund on the service fees paid on this account during that period.

Senior Program Fund Transactions  
(06-08)

CONDITION	The transactions of the Senior Program Fund were not posted to the system. Thus, there were no financial statements created for this fund.
CRITERIA	All transactions of the Village are to be posted to the Village books of record to comply with 6-6-3 NMSA 1978.
CAUSE	This was a new program/fund started late in the fiscal year. At that time staff running the program did not also post the transactions. Village staff were not aware that the Senior Program staff were not completing all duties, and Village staff did not post the transactions either.
EFFECT	Financial statements could be misstated.
RECOMMENDATION	The Village no longer has this program/fund, however Village staff should ensure that all funds are having their transactions posted and financial statements prepared.
RESPONSE	The Village staff currently posts all transactions for all funds and accurate financial reports can easily be generated using the accounting software.

Monies Received With No Known Source  
(06-09)

CONDITION	The Village received \$8,967 without any supporting documentation to provide guidance as to which fund and revenue source these monies should be posted on the financial statements.
CRITERIA	All monies received should have proper documentation attached (and kept) to guide the Village staff on how to post these receipts to the books of record.
CAUSE	The supporting documentation for these monies could not be found to verify that these monies were posted correctly.
EFFECT	Financial statements could be misstated.
RECOMMENDATION	Current staff of the Village should implement procedures to ensure that all documents are properly received and filed to ensure all transactions can be properly verified.
RESPONSE	All revenue is currently accounted for with a letter of statement, a copy of the check if available, as well as a corresponding receipt and an entry in the accounting software.

Receipt Books  
(06-10)

CONDITION	Village management did not prepare a receipt for all monies received.
CRITERIA	According to Statute 6-6-3 NMSA 1978 the Village is to keep all records in the form prescribed by the Local Government Division.
CAUSE	It is unclear why Village employees did not use receipt books to verify the receiving of any/all revenues.
EFFECT	Village management used source documents to post transactions to the books of record. In this instance the monthly bank statement.
RECOMMENDATION	Current Village management should use receipt books for all monies being received by the Village.
RESPONSE	The current Village management makes use of all receipts books for all funds as well as general ledger entries in the accounting software for all monies received.

Investment Policy  
(06-11)

CONDITION	There was no clear approved investment policy available to verify that all interest earned should be posted as revenue to the General Fund.
CRITERIA	An approved investment policy should be available to ensure investments are received and posted correctly.
CAUSE	Neither the Board or management of the Village has created and approved an investment policy for the Village.
EFFECT	Investment income received may not be posted to the correct fund, or calculated correctly (based on the investment policy guidelines).
RECOMMENDATION	The Village should create, approve and follow an investment policy as soon as possible.
RESPONSE	Currently the Village management reports General Fund interest on DFA reports as investment income. The Village will create an investment policy as stated in a resolution by the end of the third quarter.

Water/Gas Meter Deposits

(06-12)

CONDITION	The Village is not reconciling their monthly Water and Gas meter deposits to the bank accounts each month.
CRITERIA	The monthly meter deposit lists should be reconciled and agreed to the reconciled bank account each month.
CAUSE	Management is aware of this situation but has not completed an accurate meter deposit list (water and gas) and reconciled it to the reconciled bank account on a monthly basis.
EFFECT	Available resources could not be budgeted for and used in the Water Fund or in the Gas Fund.
RECOMMENDATION	Management should perform this duty each month, identify differences and resolve those differences.
RESPONSE	The current Village management reconciles the Water and Gas Meter deposits to the bank statements each month. The Village will generate an updated list of all customers and their deposit amounts. The deposit money is not budgeted for anything and the Village understands that money belongs to the customer.

Old Meter Deposits  
(06-13)

CONDITION	The Village has failed to create a policy providing guidance on when meter deposits (water and gas) could be returned after a designated time period.
CRITERIA	The Village may determine that meter deposits could be returned after a certain time period, instead of keeping them indefinitely.
CAUSE	Management was unaware they could prepare such a policy.
EFFECT	Staff time is wasted on keeping track of \$5 meter deposits that are over 10 years old.
RECOMMENDATION	The Village should prepare a policy as soon as possible and return these deposits.
RESPONSE	The Village will check current utility ordinances to see if a policy has been set up for returning old utility deposits. If there is none, a new policy will be created by the end of the third quarter which designates a time period for how long the deposits will be held and how they will be returned to the customer.

Landfill Closure Costs

(06-14)

CONDITION	The Village has a Landfill Closure Payable on its books of record in the amount of \$193,515. The Village could not provide any information on the determination of this amount.
CRITERIA	To comply with 6-6-3 NMSA 1978 every local public body shall keep all the books, records and accounts in their respective offices in the form prescribed by the Local Government Division.
CAUSE	It is unclear why management of the Village cannot substantiate this payable.
EFFECT	The financial statements of the Landfill Closure Fund could be misstated.
RECOMMENDATION	The Village management should obtain verification immediately on how this amount was determined.
RESPONSE	The Village will immediately take steps to find all documents tracing the history of the landfill closure as well as consult former Village elected officials on the matter. The Village will also consult the NM Environment Dept. on the proper monitoring of the closed landfill.



Incorrect PERA Withholding  
(06-15)

CONDITION                   The Village did not correctly withhold PERA on a particular employee.

CRITERIA                    According to PERA regulations all full time employees are required to have a percentage of the salary withheld and remitted to PERA.

CAUSE                        Management of the Village did not correctly deduct and remit PERA contributions for this employee.

EFFECT                      This employees contributions could be incorrect. Monies may still be owed to PERA.

RECOMMENDATION            The Village should recalculate any contributions/deductions still needed to be remitted to PERA and submit them immediately to avoid any possible interest or penalties.

RESPONSE                    The Village management will recalculate the payroll contributions for this employee and remit them to the PERA as soon as possible. The Village will collect the employee's portion that the employee should have paid.

State Withholding Not Submitted  
(06-16)

CONDITION                    The April, 2006 CRS-1 report submitted to the New Mexico Taxation and Revenue for State income taxes was short by \$161.

CRITERIA                     The CRS-1 reports should include all amounts withheld from employees salaries and should be submitted by the required deadline.

CAUSE                         The employee preparing the April CRS-1 report omitted a particular employee paid that month.

EFFECT                        The Village owes the amount due to the New Mexico Taxation and Revenue Department. Also, the Village may be charged penalties and interest of which are not budgeted for.

RECOMMENDATION             The Village should amend the April, 2006 CRS-1 report and submit the amount due immediately.

RESPONSE                     The current Village administration thinks this April 2006 CRS-1 report short of \$161 may have been cleared up in 2007. The Village management will check this and confirm if it has been paid through proper documentation. If not, correct records will be amended and filed sometime in January 2009.

New Mexico Department of Labor Reports Prepared Incorrectly  
(06-17)

CONDITION                    The gross salaries paid for the fiscal year did not agree to the gross wages reported on the Department of Labor Reports. Also, there are no excess wages being reported.

CRITERIA                    According to New Mexico Department of Labor regulations all wages paid to employees are to be reported quarterly. Also, any wages paid over the taxable base rate of \$17,900 are to be considered excess wages and reported as such on the quarterly report.

CAUSE                        The employee preparing these forms was not trained on how to prepare these reports.

EFFECT                      The Village could be subject to taxes incorrectly, based on inaccurate DOL reports.

RECOMMENDATION            The current Village employee preparing these reports has been trained on how to accurately prepare them. However, these reports should be reviewed periodically to ensure they are correct.

RESPONSE                    Recently the current Village management was trained on how to use QuickBooks to generate accurate Department of Labor reports and will continue to use that method as well as review it periodically for accuracy.

Employee Files  
(06-18)

CONDITION	A review of 5 employee files out of 5 chosen revealed that they were all missing 1) an I-9 form, 2) a W-4 form, 3) PERA application and 4) a wage pay rate form.
CRITERIA	According to IRS regulations, PERA regulations and INS regulations these forms are required to be included in the employees personnel file.
CAUSE	The Village has not designated an employee with the duties of obtaining and filing these reports for all employees of the Village.
EFFECT	Various payroll regulations have not been complied with.
RECOMMENDATION	Village management should obtain these forms for all employees immediately and have them filed in their personnel file.
RESPONSE	The Village management will immediately inspect all employee files to determine if all proper documentation is there. If not, the correct documents will be filled out and put there. A wage statement will be created for every employee and put in their personnel file.

IRS W-3 Form Incorrect  
(06-19)

CONDITION	None of the amounts reported as wages, social security wages, medicare wages, social security taxes withheld and medicare taxes withheld on the IRS W-3 form (2005) could be matched/traced to the IRS 941 quarterly reports.
CRITERIA	The IRS W-3 form is prepared based on the 4 quarterly 941 reports.
CAUSE	Management of the Village is not complying with IRS procedures to ensure that the W-3 form matches and can be traced to the 4 quarterly 941 reports.
EFFECT	If these forms do not match the IRS will send notices requesting information as to why. Also, the IRS could impose interest and penalties for the incorrect portion that wasn't paid.
RECOMMENDATION	Management should ensure that these procedures are performed to ensure these reports match.
RESPONSE	The Village management will consult with more experienced bookkeepers to seek help to recalculate these amounts correctly and re-file the forms and make additional payments if necessary for this tax period. The current Village management is paying the 941 via the accounting software.

Travel Vouchers  
(06-20)

CONDITION	Two employees were paid 100% of their travel expenses before the trip was taken.
CRITERIA	According to DFA travel regulations only 80% of the travel expenses can be paid before the trip is taken.
CAUSE	Management did not follow the DFA regulations concerning travel expenses.
EFFECT	Management did not follow DFA regulations.
RECOMMENDATION	Management should implement a policy to ensure that all employees understand and follow the DFA regulations concerning travel.
RESPONSE	The Village management will make sure all employees understand the DFA per diem policy and will also make sure all Per Diem reports are filled out correctly, following the state guidelines.

Per Diem Expenses  
(06-21)

CONDITION	Two employees received an extra days per diem that did not appear to be earned. The per diem expense sheet for these two employees could not be verified as to how the per diem was determined when compared to the Village's per diem resolution.
CRITERIA	All travel vouchers need to be checked and verified that they agree to the Village resolution for mileage and per diem.
CAUSE	The employee that paid these per diem vouchers did not recalculate them and ensure they were prepared based on the Village's mileage and per diem resolution.
EFFECT	The Village possibly overpaid two mileage and per diem vouchers.
RECOMMENDATION	Management of the Village should follow its own mileage and per diem resolution.
RESPONSE	The Village management will make sure all employees follow the Village's own mileage and per diem resolution and fill out per diem requests correctly.

Seniors Program Relinquished  
(06-22)

CONDITION	The Village of Wagon Mound relinquished the Senior Citizens Program as of December 22, 2006. This was due to the failure of the Village to properly staff and administer the program.
CRITERIA	All programs/contracts entered into by the Village should be properly staffed, administered and completed.
CAUSE	It is unclear why the Village could not administer the Senior Citizens Program.
EFFECT	The Village could lose needed programs. Additional monies for other programs may not be obtained based on the performance of previous staff and programs.
RECOMMENDATION	The Village should ensure that all programs/contracts can be properly staffed and administered.
RESPONSE	The Village will make sure that all future programs and contract commitments are properly staffed and administered in the correct fashion.



Natural Gas Services  
(06-23)

CONDITION                    The Village paid \$99,178 for Natural Gas from the City of Las Vegas without an approved, negotiated contract.

CRITERIA                     All services obtained by the Village have to follow procurement guidelines. All purchases over \$30,000 should have sealed bids to ensure the best price is being obtained for the taxpayers of the Village.

CAUSE                        Neither management of the Village or the Board Members have ensured that sealed bids have been obtained before purchasing these services.

EFFECT                      The Village did not comply with procurement policies. Also, the Village could be paying more for services that could be purchased for less from another vendor.

RECOMMENDATION            The Village should obtain sealed bids for propane services as soon as possible.

RESPONSE                    The Village will obtain sealed bids for natural gas services as soon as can be arranged with vendors. The Village will also secure a contract for natural gas with a vendor.

Signatures of Receipt or Approval for Payment  
(06-24)

CONDITION	Twenty five out of twenty five paid vouchers chosen did not have a signature verifying the receipt of all goods/services. Also, out of all twenty five chosen there was no signature of approval to pay the expenditure.
CRITERIA	A signature verifying all goods/services have been received is required so the disbursements department is aware that the invoice can now be paid. A signature verifying approval to pay is required to show the Board that all documents have been attached, that it is not a duplicate payment and that it is a proper expenditure of the village and ready for payment.
CAUSE	It is unclear why these signatures were not being obtained before payment was made.
EFFECT	Incorrect payments could be made. This includes duplicate payments.
RECOMMENDATION	The Village should implement procedures to ensure these signatures are obtained before payments are made.
RESPONSE	The Village management will implement procedures to ensure all invoices and shipping receipts are accounted for and signed before any invoices are paid.

Purchase Orders Required  
(06-25)

CONDITION	Twenty five out of twenty five paid invoices chosen had not approved purchase orders attached.
CRITERIA	According to the Department of Finance and Administration regulations purchase orders are to be used as part of the internal control process. They are used to ensure the purchase has been authorized, cash and budget authorized, cash and budget are available and the correct fund and line item have been charged.
CAUSE	Purchase orders have not been used in the Village for some time.
EFFECT	Department of Finance and Administration regulations have not been followed.
RECOMMENDATION	The Village should start using purchase orders as soon as possible.
RESPONSE	The Village will start issuing a Purchase Order for every purchase, complete with authorizing signatures, fund to be paid out of and the line item it is to be charged against.

1099 Forms Not Prepared  
(06-26)

CONDITION	It appeared that the Village only prepared three 1099 forms when at least six appeared to be required.
CRITERIA	According to IRS regulations any entity paid over \$600 (that is not paid through payroll) is required to have a 1099 form prepared and a copy sent to the IRS.
CAUSE	Management of the Village did not ensure that a review of all payments made was done so that all entities requiring a 1099 form were included.
EFFECT	IRS regulations were not followed. The IRS could assess a \$50 penalty per 1099 form not prepared. These penalties are not budgeted for.
RECOMMENDATION	Management should implement a review process at the end of each calendar year to ensure that all entities requiring a 1099 form actually receive one.
RESPONSE	The Village management will implement a review process at the end of each calendar year to make sure all entities requiring a 1099 form actually receive one.

Required Matching Funds  
(06-27)

CONDITION	The Village was required to match a \$25,000 Special Appropriation Project with \$8,333 of local monies. Also, they were required to match a \$400,000 CDBG Grant with \$100,000 local cash match. Neither of the matching amounts could be verified as paid (or matched).
CRITERIA	To comply with Grant/SAP agreements the Village must be able to match or pay the local cash amount due on any particular project.
CAUSE	Management of the village could not provide any documentation verifying that the Village had matched these grants.
EFFECT	Future grants may not be received as it appears that the Village did not comply with previous grant agreements.
RECOMMENDATION	The Village should ensure that proper documentation exists to show that all grant agreements were complied with.
RESPONSE	The Village management will seek assistance from our state project director to make sure all proper documents and accounting procedures for grant agreements are set up and complied with.

CDBG Transactions  
(06-28)

CONDITION	The Village did not record any of the CDBG transactions on the DFA report or on any books of record. These transactions totaled \$180,315 in revenues and \$180,315 in expenditures.
CRITERIA	According to Statute 6-6-3 NMSA 1978 all local governments are to submit an accurate quarterly performance report to the Department of Finance and Administration. Also, to comply with 6-6-3 NMSA 1978 all transactions for the Village should be posted to the books of record.
CAUSE	It is unknown why these transactions were not recorded by the Village.
EFFECT	None of the taxpayers, Board or DFA are receiving adequate financial information to properly show the transactions of the Village.
RECOMMENDATION	The Village should implement policies to ensure that all transactions of the Village are properly recorded on the books of record and then on DFA quarterly reports.
RESPONSE	The Village management will make sure all transactions are documented on quarterly reports to DFA.

Water Conservation Fee Reports  
(06-29)

CONDITION	The payments for the monthly conservation fee paid to the New Mexico Taxation and Revenue did not have a CRS form attached verifying the gallons used, how the amount was calculated, etc.
CRITERIA	All payments made by the Village should be properly supported by an invoice or in this case a CRS water conservation fee form.
CAUSE	It is unknown why these forms were not available for review.
EFFECT	These payments could be miscalculated.
RECOMMENDATION	The Village should implement policies to ensure that all required documents are attached before payments are made.
RESPONSE	The Village will implement policies to ensure all required documents are attached to payments for the monthly CRS water conservation fee.

Expenditures for the Utilities Fund  
(06-30)

CONDITION                    The expenditures reported for the utilities fund were compiled by a consultant. Individual financial statements were not prepared by Village staff. Some of these expenditures do not appear accurate. For one example all payroll was charged to the Solid Waste Fund. The Village however contracts with another entity to provide these services. Also, a \$2,600 valve repair for the sewer lagoons was charged to the Solid Waste Funds.

CRITERIA                    The Village should prepare original books of record based on the transactions for the year.

CAUSE                        The Village did not have staff that were adequately trained to prepare financial statements for each of the Villages funds.

EFFECT                      DFA nor the Board or the Village taxpayers have properly prepared financial statements for review.

RECOMMENDATION            The Village has hired a properly trained employee that can prepare financial statements. The Board should ensure that these financial statements are prepared monthly and provided to them for review and approval.

RESPONSE                    The Village management currently produces monthly financial reports for the finance board on the general fund and utility fund. The management will further breakout financial statements for the gas, water and solid waste funds monthly.



Sealed Bids  
(06-31)

CONDITION	The Village purchased a \$70,000 backhoe without obtaining three sealed bids. Also, the Village purchased \$33,333 in road repairs, without obtaining three sealed bids.
CRITERIA	To comply with DFA procurement regulations three sealed bids are to be obtained for purchases over \$30,000.
CAUSE	It is unclear as to why the Village did not obtain three sealed bids.
EFFECT	The Village did not comply with procurement policies.
RECOMMENDATION	The Village should implement policies to ensure that all procurements are done within the prescribed DFA guidelines.
RESPONSE	The current administration adopted the state procurement code as its own by resolution. The Village management will make sure procurement code is followed in all purchases.

Approval of Contract Continuation  
(06-32)

CONDITION	The Village signed a contract with an entity on the 21 <sup>st</sup> of August, 2003 to provide Solid Waste Services for the Village. This contract has a clause providing an option to renew the contract for an additional five years. There is no Board approval in the Board minutes extending this contract.
CRITERIA	The Village Board has the duty to manage and control the finances... belonging to the municipality according to 3-12-3 NMSA 1978.
CAUSE	The Board neglected to ensure that this contract was formally approved for its continuance.
EFFECT	The Board of the Village is not adequately managing the finances of the municipality. Also, the Village may be able to obtain these services at a lower rate, however, the Village has not reviewed the contract annually or compared it to other vendors.
RECOMMENDATION	The Board should ensure that it formally approves all transactions required in each Board meeting so as to comply with 3-12-3 NMSA 1978.
RESPONSE	The Village management had the financial board approve and adopt all annual contracts at the beginning of the new fiscal year 2008-2009. This was noted in the minutes. With the exception of a current natural gas contract, the Board has approved all contracts.

Senior Citizen Program Expenditures  
(06-33)

CONDITION	The Senior Citizens Program could provide copies of all checks written however, could not provide any purchase orders, invoices, packing slips, signatures of receipt or approval. Thus, none of the expenditures could be verified as legitimate.
CRITERIA	According to 6-6-3 NMSA 1978 "Every local public body shall keep all the books, records and accounts in their respective offices in the form prescribed by the Local Government Division".
CAUSE	It is unclear as to why the Senior Citizens Program could not provide any of the supporting documents for the years expenditures.
EFFECT	DFA regulations were not followed. Some or all of these expenditures may not be legitimate.
RECOMMENDATION	The Village should ensure that all books and records are kept according to the regulations prescribed by DFA.
RESPONSE	The Village management will ensure that all books and records are kept according to DFA regulations.

Three Quotes Not Obtained  
(06-34)

CONDITION	The Village purchased \$15,000 in renovations to the Senior Center without obtaining three written quotes.
CRITERIA	Three written quotations should be received and kept on file for all small purchase exceeding \$5,000, but not exceeding \$20,000, according to 1.4.1.51 NMAC.
CAUSE	It is unclear why management of the Village did not obtain three written quotes.
EFFECT	Management did not comply with 1.4.1.51 NMAC.
RECOMMENDATION	Current management should ensure that policies are in place so the procurement procedures are followed.
RESPONSE	Village management will ensure that the state procurement code is followed when making purchases for goods or services.

Depreciation Policy  
(06-35)

CONDITION	The Village has not approved a depreciation policy so depreciation can be charged to capital assets.
CRITERIA	The Village needs a depreciation policy so capital assets can be depreciated correctly. This is due to the implementation of GASB 34.
CAUSE	The Village Board has not approved a policy for management to follow.
EFFECT	Depreciation may be charged incorrectly because no set policy is in place.
RECOMMENDATION	The Village Board should approve a policy as soon as possible. Management should then implement that policy as soon as possible.
RESPONSE	The Village Board will approve a depreciation policy as soon as possible to be in compliance with GASB 34.

Depreciation of Capital Assets  
(06-36)

CONDITION	The Village has not successfully managed to depreciate their capital assets.
CRITERIA	In accordance with GASB 34 all capital assets must be depreciated in accordance with the entity's policy approved by the Village Board.
CAUSE	Management can only provide estimates of depreciation to be charged due to the lack of a depreciation policy.
EFFECT	The financial statements could be misstated.
RECOMMENDATION	The Village needs to approve a depreciation policy so Management can accurately implement that policy. Thus, creating an accurate depreciation schedule.
RESPONSE	The Village will set up a depreciation schedule as soon as possible. Since it has been quite a while since an inventory of all Village assets has been made, this will be done in conjunction with that process.

Budget Overruns  
(06-37)

CONDITION	The Village had budget overruns in the following Funds: The Law Enforcement Protection Fund by \$4,818, the Senior Citizens Program Fund by \$155,904 and the CDBG Program by \$180,315 (as part of the Utility Fund).
CRITERIA	According to Sections 6-6-6 through 6-6-11 NMSA 1978 Compilation "prohibits local governments from making expenditures in excess of the approved budget".
CAUSE	Budgetary adjustments did not occur to correct budget deficits.
EFFECT	The Village did not comply with the Section 6-6-6 through 6-6-11 NMSA 1978 compilation.
RECOMMENDATION	The Village should ensure that all funds are reviewed for possible overruns and request the appropriate budgetary increases before expenditures exceed budget.
RESPONSE	The Village management will ensure that all funds are reviewed for possible overruns on a quarterly basis and request the appropriate budget increases before expenditures exceeds the budget.

Revenues Provided to Fire Department  
(06-38)

CONDITION                    The Village signed over a check for \$390 to the Fire Departments Non-Profit bank account. These monies were not received, recorded or spent according to State Fire Marshall regulations.

CRITERIA                     All reimbursements for fire fighting to the Village are public monies and must follow all guidelines on how to receive, post and spend those monies.

CAUSE                         It is unclear why the previous Mayor and management of the village signed over this \$390 to a non-profit administered by the Village Fire Department.

EFFECT                        These public monies may not be spent correctly.

RECOMMENDATION             The Village should discontinue providing any public monies to the Fire Departments Non-Profit.

RESPONSE                     The Village has discontinued providing public monies to the Fire Department's non-profit fund and will seek to have those public funds reimbursed to the Village.



Personnel Policy Updated

(06-39)

CONDITION	The Village has an outdated personnel policy. It has not been updated since 1994.
CRITERIA	Personnel policies should be updated periodically so that they cover any changes in IRS, DFA, PERA, etc. laws and regulations.
CAUSE	Neither the Board or Management has taken the time to ensure this policy is updated to include any relevant changes in laws or regulations.
EFFECT	Personnel laws or regulations may not be followed.
RECOMMENDATION	The Village should review and update the current personnel policy as soon as possible.
RESPONSE	The Village Board will review its personnel ordinance as soon as possible and update it, making sure it covers any changes required by state and federal laws and regulations.

Fire Department Non-Profit Organization  
(06-40)

CONDITION                    The Fire Department has a non-profit entity established as a 501(c)(4)(A). This is a "civic league or organization not organized for profit, but operated exclusively for the promotion of social welfare, the membership of which is limited to the employees in a municipality and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes". This non-profit however is not operating or holding itself out "to the public" as a 501(c)(4)(A). The entity is accepting local donations as if it is a 501(c)(3). This includes \$390 of "public" monies from the Village for a reimbursement from the State Fire Marshall. The Village management has provided monies to this non-profit over the years. It is unclear at this time how much money has been provided from the Village.

CRITERIA                    Public monies cannot be "donated" to other entities even if they are non-profits. This also violates the States "anti-donation clause".

CAUSE                        It is unclear why the Village has donated monies to this entity.

EFFECT                      The public believes it is donating monies to a non-profit set up as a 501(c)(3). Also, the States anti-donation clause could be violated. It is unknown at this time how much money has been given to this entity by the Village.

RECOMMENDATION            The Village should discontinue providing any monies to the Fire Departments Social Fund.

RESPONSE                    The Village will not be providing any monies to the Fire Department Social Fund.

Fire Departments Rental of Hearse  
(06-41)

CONDITION                    The Fire Department leased an antique hearse to a film company. The proceeds (totaling \$1,614) were deposited into the Firemen's Social Fund. The Village Board contends that this money should have been given and deposited into the Village bank account. This is based on the Boards belief that the Village owns the hearse. Board minutes approved from September 18, 1975 seem to suggest that the Village owns the hearse but directed the Fire Department to be "in charge" of the hearse.

CRITERIA                    All monies derived by the Village's assets should be deposited and recorded in the Village's books of record.

CAUSE                        The Village Board and the Village Fire Department clearly disagree about the ownership of this hearse and which entity would receive any proceeds from the lease of this asset.

EFFECT                      The Village did not receive \$1,614 owed to them.

RECOMMENDATION            The Board for the Village should formally request the \$1,614 from the Fire Department Social Fund.

RESPONSE                    The Village Board will formally request \$1,614 from the Fire Department Social Fund.

Certificate of Deposit Deposited Into Wrong Bank Account  
(06-42)

CONDITION	The Village had two certificates of deposit mature in March, 2006. One CD for \$675 was disclosed in the 2005 audit report as belonging to the Water/Sewer Meter Fund. The other CD for \$1,435 was disclosed in the 2005 audit report as belonging to the Natural Gas Meter Fund. Both of these CD's were deposited into the Natural Gas Repair and Replacement Savings account. Neither of these CD's were deposited into the correct bank account when they matured.
CRITERIA	All cash reported in a particular fund must remain in that fund unless the entity budgets for a permanent transfer.
CAUSE	It is unclear why these amounts were deposited into the wrong bank account.
EFFECT	Assets are not being adequately safeguarded.
RECOMMENDATION	The Village management should repay these amounts to the correct bank accounts immediately.
RESPONSE	The Village staff says the previous auditor told management to merge the gas, water/sewer and solid waste into one account known as Utility Enterprises. It is going to be difficult to separate these funds, especially since we run so close on it month to month. Since this was money earmarked for meter deposits the amounts will be removed from the utility enterprise fund and put into the water/meter account and the gas meter fund, this will however, create a shortfall in our utility fund.

Senior Citizens Revenues  
(06-43)

CONDITION	The Village did not categorize the different resources received from the New Mexico Area Agency on Aging. Because this procedure was not performed, it cannot be determined whether the revenues are from State sources or federal sources.
CRITERIA	To comply with 6-6-3 NMSA 1978 all transactions of the Village should be posted to the books of record.
CAUSE	This was a new program/fund started late in the fiscal year. At that time staff running the program did not post the revenues to any books of record.
EFFECT	The resources received could be incorrect when compared to the grant agreement.
RECOMMENDATION	The Village no longer has this program/fund, however, Village staff should ensure that all funds are having their transactions posted and financial statements prepared.
RESPONSE	The Village management will be sure all funds will have their transactions properly posted and financial statements prepared.

Senior Citizens Program Budget  
(06-44)

CONDITION	The Village obtained the Senior Citizens Program late in the fiscal year. The Program had a budget with the NM Area Agency on Aging, however the Village did not modify the Village budget through a Budget Adjustment Request with the Department of Finance and Administration.
CRITERIA	According to Sections 6-6-6 through 6-6-11 NMSA 1978 Compilation "prohibits local governments from making expenditures in excess of the approved budget".
CAUSE	Budgetary adjustment did not occur to correct budget deficits.
EFFECT	The Village did not comply with the Section 6-6-6 through 6-6-11 NMSA 1978 compilation.
RECOMMENDATION	The Village should ensure that all funds are reviewed for possible overruns and request the appropriate budgetary increases before expenditures exceed budget.
RESPONSE	The Village management will be diligent about monitoring line item budget amounts and will request appropriate budget increases to avoid exceeding expenditure budgets.

Incomplete General Ledger  
(06-45)

CONDITION	The Village did not maintain a complete general ledger for any of the funds for the fiscal year. Because of this the Village hired a consultant to prepare schedules to then prepare the Department of Finance and Administration, Local Government Division quarterly report. The DFA report however was not prepared correctly as already stated in comment 05-01. The schedules prepared by the consultant were "plugged" and also could not be adequately tested so it could be relied upon. Thus, a complete general ledger of any kind prepared by the Village or the consultant was not available.
CRITERIA	To comply with 6-6-3 NMSA 1978 all transactions of the Village should be posted to the books of record.
CAUSE	Management of the Village did not utilize the accounting software adequately so a general budget could be prepared/provided.
EFFECT	The Village is unable to maintain adequate control over its assets, liabilities, fund balance, revenues or expenditures for any of its funds.
RECOMMENDATION	Village management should obtain an accounting software that can be used adequately or have the current Village staff trained on how to use the current software. In doing this a complete general ledger could be prepared. With a complete and accurate general ledger Village staff could then prepare the DFA report correctly.
RESPONSE	The Village management has completed a year's task of computerizing all the Village's books and can now generate accurate financial reports out of the general ledger. This will greatly help the quarterly report preparations for DFA.

Detail of Proprietary Fund  
(06-46)

CONDITION	The prior years auditor did not separate the proprietary funds. Also the Village did not keep separate general ledgers for each of the proprietary funds.
CRITERIA	The Water, Sewer, Solid Waste and Gas Funds are required to be kept as separate funds for budget and reporting purposes according to the Department of Finance and Administration regulations.
CAUSE	It is unknown why the previous auditor did not separate the proprietary funds. It may be due to the fact that the Village did not separate these funds in their books of record.
EFFECT	The proprietary fund can be reported collectively however the detail for each fund cannot. Also, it cannot be determined if any of the budgets were overrun because the detail is not available.
RECOMMENDATION	The Village should separate these funds as soon as possible and keep them separate when posting all transactions and budgets.
RESPONSE	The Village management can now pull detailed reports on the revenues and expenditures for each of the proprietary funds; gas, solid waste and water/sewer. The funds are currently comingled in the Utility Enterprise fund and since the cash flow on that fund is so close each month, the management would prefer keeping the funds in the one account but will monitor and maintain accurate records of each fund's revenue and expenditures.



## FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2006 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 112. Management is responsible for these financial statements.

## EXIT CONFERENCE

An exit conference was held on December 3, 2008. In attendance were Mr. Benito F. Armijo, Mayor, Ms. Betty A. Medina, Mayor Pro-Tem, Ms. Lisa Clouthier, Council Member, Mr. Lawrence Martinez, Council Member, Mr. Robert Mondradon, Fire Chief and Ms. Pamela A. Rice, CPA, Contract Auditor. A quorum was present at the exit conference. A properly advertised closed Special Session was held.