

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

**Harshwal & Company LLP
Certified Public Accountants
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San Diego, CA. 92126
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VILLAGE OF WAGON MOUND

Table of Contents

	<u>Page</u>
Official Roster	1
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	2
Schedule of Revenues and Expenditures - Budget and Actual (Cash Basis)	
General Fund.....	10
Special Revenue Fund.....	11
Enterprise Fund.....	12
Other Information	
Schedule of Findings and Responses.....	13
Exit Conference	19

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
OFFICIAL ROSTER
YEAR ENDED JUNE 30, 2010

Name

Title

Board of Directors

Arthur Arguello	Mayor
Lisa Clouthier	Councilor
Joe Nick Pino	Councilor
Rosell M. Muniz	Councilor
Betty Medina	Councilor

Staff

Rachel A Chavez	Treasurer
Frances Levato	Office Assistant

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

**To: Arthur Arguello, Mayor
Village of Wagon Mound
and
Honorable Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico**

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

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

1. CASH

Procedures

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand. For purposes of performing our procedures "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for by the Village.

- b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division (DFA-LGD). For purposes of performing our procedures "accuracy" means that reconciling items agree to deposit slips and subsequent bank or investment statements.

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

Results of Procedures 1 (a) - 1 (c)

The Village has six checking account, one savings accounts and two certificate of deposit and utilizes Quickbooks to record cash transactions. We noted that the bank reconciliations are not performed on a timely basis and were not complete and on-hand for the year ended June 30, 2010, which has been noted as finding 10-01 on page 14 of this report.

Random tests of bank reconciliations revealed that the reconciliations were either not done or not conducted on time. We were therefore unable to review if the reconciliations were accurate and agreed with supporting documentation. We were unable to verify if the cash balances agreed to the quarterly financial reports submitted to DFA-LGD during the year.

No other instances of noncompliance were noted as a result of performing the procedures described in 1(a) - 1(c).

2. CAPITAL ASSETS

Procedures

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

Results of Procedure 2

The Village did not perform a yearly inventory as required by Section 12-6-10 NMSA 1978 and has not been maintaining capital asset listing since 2005. This has been noted as finding 10-2 on page 14 of this report.

3. DEBT

Procedures

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

Results of Procedure 3

The Village has no debt and, accordingly, Section 12-6-10 NMSA 1978 is not applicable.

4. REVENUE

Procedures

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

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

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

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

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

Results of Procedures 4 (a) - 4 (c)

a) Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.

b) Amounts recorded on General Ledger generated through Quickbooks agreed with supporting documentation and the bank statements.

c) Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation.

5. EXPENDITURES

Procedures

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

a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.

b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. For purposes of performing our procedures, disbursements were considered to be properly authorized if they contained evidence of review such as sign off on invoices or approval through correspondence.

c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Results of Procedures 5 (a) - 5 (c)

a) Out of the thirty disbursements tested, three disbursement amounts lacked supporting documentation and we were unable to verify if the amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and cancelled check, as appropriate. This has been noted as finding 10-3 on page of this report.

b) Out of the thirty disbursements tested, three disbursements were not properly authorized and approved in compliance with the budget and legal requirements. We also noted the Village does not have a policy regarding disbursements or their approval process. This has been noted as finding 10-3 on page 15 of this report.

c) The bid process (or request for proposal process, if applicable), purchase orders, contracts and agreements were not processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC). This has been noted as finding 10-4 on page 16 of this report.

6. JOURNAL ENTRIES

Procedures

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

a) Journal entries appear reasonable and have supporting documentation.

b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Results of Procedures 6 (a) - 6 (c)

The Village utilizes Quickbooks to record transactions. There were no journal entries posted for the year ended June 30, 2010. We also noted the Village does not have a policy regarding journal entries or their approval process.

7. BUDGET

Procedures

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

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

Results of Procedures 7 (a) - 7 (c)

- a) A review of the Village minutes did not reflect Board approval of the 2010 budget that was prepared for internal use. The Village made no subsequent 2010 budget adjustments.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) The Village did not submit a budget report for the year ended June 30, 2010 to DFA-LGD. This has been noted as finding 10-5 on page 17 of this report. A schedule of revenues and expenditures – budget and actual was prepared from the Village records on the cash budgetary basis.

8. CAPITAL OUTLAY APPROPRIATIONS

Procedures

Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year.

Test all capital outlay expenditures during the fiscal year to:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.

- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient.

Results of Procedures on Capital Outlay Appropriations

The Village did not expend any capital outlay for the year ended June 30, 2010. Hence, procedures for Capital Outlay Appropriations are not applicable.

OTHER

Procedures

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(0(3)(C) NMAC.

Results of Procedures - Other

We have been informed on December 29, 2010, by the Office of the State Auditor regarding allegations of the possible mismanagement of the financial affairs of the Village.

During our inquiries with the management, we have been made aware by the mayor of the fraud allegations during the period prior to financial year ending June 30, 2010, affecting the entity involving management, employees having significant roles in internal control or other activities where the fraud could have a material effect on village's compliance with the applicable Office of State Auditor tiered system of reporting.

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

This report is intended solely for the information and use of the Village and the New Mexico Office of the State Auditor and is not intended to be and should not be used by anyone other than those specified parties.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

San Diego, California
June 22, 2011

**SCHEDULE OF REVENUES &
EXPENDITURES - BUDGET AND
ACTUAL (Cash Basis)**

STATE OF NEW MEXICO

VILLAGE OF WAGON MOUND

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

GENERAL FUND

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		
	Original & Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Tax receipts	\$ 64,909	\$ 67,063	\$ (2,154)
Motor vehicle	15,000	16,868	(1,868)
Licences and permits	350	350	
Cemetry grave digging		500	(500)
Refunds and other income		1,741	(1,741)
Bank interest	5,300	7,352	(2,052)
City assistance	107,373	91,294	16,079
Total revenues	192,932	185,168	7,764
Expenditures:			
Office supplies and administration	185,381	43,579	141,802
Street maintenance		11,524	(11,524)
Payroll		131,285	(131,285)
Natural gas		3,143	(3,143)
Fuel and oil		2,590	(2,590)
Repairs and maintenance		417	(417)
Miscellaneous		1,235	(1,235)
Total expenditures	185,381	193,773	(8,392)
Net change in fund balance	7,551	(8,605)	16,156
Fund balances, begining of year	423,604	423,604	
Fund balances, end of year	\$ 431,155	\$ 414,999	\$ 16,156

STATE OF NEW MEXICO

VILLAGE OF WAGON MOUND

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

SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		
	Original & Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Tax receipts	\$ 14,759	\$ 5,780	\$ 8,979
Law enforcement grant	20,000	20,000	
State grant	287,039	203,311	83,728
State fire allotment grant	99,194	141,591	(42,397)
Senior center contract		16,129	(16,129)
	<u>420,992</u>	<u>386,811</u>	<u>34,181</u>
Total revenues	<u>420,992</u>	<u>386,811</u>	<u>34,181</u>
Expenditures:			
Fire protection	99,194	133,477	(34,283)
Environment	800	78,304	(77,504)
Law enforcement	20,670	98,996	(78,326)
Emergency medical services	4,300	2,141	2,159
Homeland security		28,125	(28,125)
Senior Center		9,797	(9,797)
Other special revenue expense	304,189		304,189
	<u>304,189</u>	<u>350,840</u>	<u>78,313</u>
Total expenditures	<u>304,189</u>	<u>350,840</u>	<u>78,313</u>
Net change in fund balance	(8,161)	35,971	(44,132)
Fund balances, beginning of year	(126,535)	(126,535)	
Fund balances, end of year	<u>\$ (134,696)</u>	<u>\$ (90,564)</u>	<u>\$ (44,132)</u>

STATE OF NEW MEXICO

VILLAGE OF WAGON MOUND

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

ENTERPRISE FUND

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Natural gas	\$ 104,793	\$ 122,588	\$ (17,795)
Water	44,187	52,624	(8,437)
Solid waste	33,079	38,063	(4,984)
Sewer	40,368	28,311	12,057
Bank interest		1,308	(1,308)
Other income	500	25	475
	<u>222,927</u>	<u>242,919</u>	<u>(19,992)</u>
Total revenues	222,927	242,919	(19,992)
Expenditures:			
Office supplies and administrative		2,208	(2,208)
Water	32,429	4,219	28,210
Street maintenance		51	(51)
Payroll		30,211	(30,211)
Solid waste	13,435	5,145	8,290
Sewer	33,930	8,425	25,505
Natural gas	133,151	90,964	42,187
Fuel and oil		2,875	(2,875)
Repairs and maintenance		3,125	(3,125)
	<u>212,945</u>	<u>147,223</u>	<u>65,722</u>
Total expenditures	212,945	147,223	65,722
Net change in fund balance	9,982	95,696	(85,714)
Fund balances, begining of year	17,335	17,335	
Fund balances, end of year	\$ 27,317	\$ 113,031	\$ (85,714)

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2010

1. Current Year Findings

	<u>Type of Finding</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Bank Reconciliation	D	N/A	10-1
Physical Inventory and Capital Listing	D	N/A	10-2
Unsupported Disbursement/Costs	C	N/A	10-3
Bid Process for Expenditures	D	N/A	10-4
Budget Submission/Approval and Quarterly Financial Reports	D	N/A	10-5
Late submission of the Agreed-Upon Procedure Report	D	N/A	10-6

Follow-up on Prior Year Findings:

None	N/A	N/A	N/A
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*** Legend for Findings:**

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

STATE OF NEW MEXICO

VILLAGE OF WAGON MOUND

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2010

10-1 Bank Reconciliations

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

Condition: We reviewed the accounting records and made inquiries of the management and noted that the banks were not reconciled, neither were the bank and investment statements for the fiscal year maintained on-hand.

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

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

Entity Response: The Village will conduct Bank Reconciliations on a timely and monthly basis, reconciliation will be completed by the 10th of every month but no later than the 15th so all reports can be completed and submitted to all entities as needed.

10-2 Physical Inventory and Capital Listing

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

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

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

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

Entity Response: The Village is in the process of completing a binder with all assets and inventory with vin numbers and pictures of each item. Also, binders will be updated yearly and or when purchases or disposals of new assets or inventory is added or needs to be removed.

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2010

10-3 Unsupported Disbursements/Costs

Criteria or Specific Requirement: Maintenance of adequate supporting documentations for all disbursements as purchase requisitions, purchase orders, approval for disbursements are integral part of sound internal control system established by the management to safeguard the assets and accomplish timely preparation and submission of financial reports.

Condition: During our fieldwork, we noted out of 30 items of disbursement tested, 3 of the disbursements amounting to \$28,405 were not supported properly. The amount could not be verified with vendors invoice or checks.

Cause & Effect: The Village did not follow proper internal control procedures. The VWM may have lost valuable resources.

Auditors' Recommendations: The Village should implement procedures to maintain proper supporting documentation.

Entity Response: The Village will begin a process as follows for any purchase items less than \$500.00 if more than \$500.00 they will also have to conduct the bid process: 1st a requisition must be submitted for items needed, 2nd a Purchase Order and PO number must be completed with approval signatures of Mayor and Clerk/Treasurer for approval before ordering. When payment is going to be made all documentation will be needed: Req., PO and invoice for payment. If item is more than \$500.00 all documentations needed plus all bids attached.

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2010

10-4 Bid Process for Expenditures

Criteria or Specific Requirement: Purchase orders, contracts and agreements are required to be processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Condition: During the year ended June 30, 2010, we found that transactions amounting to \$255,216 were not processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC). Purchases amounting to \$255,216 were made on the basis of mutual agreements and not through the process of bid as required by the New Mexico Procurement Code.

Cause & Effect: The Village was not aware of this requirement. The Village did not comply with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC).

Recommendations: We recommend the Village to process purchase orders and contracts in accordance with the guidelines specified in the New Mexico Procurement Code and State Purchasing Regulations.

Entity Response: The Village will follow the following state regulations in regards to purchases that are more than \$500.00 and all purchases of that value will go through a bid process and all documentation will be approved and paid with all correct documentation.

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2010

10-5 Budget Submission/Approval and Quarterly Financial Reports

Criteria or Specific Requirement: Section 6-6-2 (A) NMSA, 1978 requires each local public body to furnish and file with the DFA-LGD, on or before June 1, of each year, a proposed budget for the next fiscal year. Upon receipt of any budget approved by the DFA-LGD, the local public body shall cause such budget to be made a part of the minutes of such body. Section 6-6-2 (B) NMSA, 1978 requires each local public body to submit periodic financial reports, at least quarterly, to the DFA-LGD. Section 6-6-3 NMSA, 1978 Compilation states that every local public body shall make all reports as may be required by the Department of Finance and Administration-Local Government Division (DFA-LGD) and conform to the rules and regulations adopted by the DFA-LGD.

Condition: We were unable to verify if the Village submitted their 2010 budget or the periodic financial reports, as required.

Cause & Effect: The Village has not complied with Sections 6-6-2 and 6-6-3 NMSA 1978.

Recommendations: We recommend that the Village submit their proposed budget to DFA-LGD for approval, on or before June 1 of each year and that upon receipt of the approved budget cause such budget to be made a part of the minutes. We further recommend that the Village submit periodic financial reports, as required.

Entity Response: The Village will complete and submit all reports to DFA on a quarterly basis also will submit their proposed budget by June 1st for the following fiscal year.

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2010

10-6 Late Submission of the Agreed Upon Procedure Report

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

Condition: The agreed-upon procedures reports for the year ending June 30, 2010 were not submitted by the deadline of December 1, 2010. These reports were submitted to the State Auditor's Office on May 24, 2011 which was rejected by the office since the report was not presented to the tier 6 requirements.

Cause and Effect: There was a delay in submitting letter of recommendation to the State Auditor's Office. Hence, executed contract was only received in February 2011. The Village is not in compliance with Section 2.2.2.16 H of the NMAC, Audit Rule 2010.

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

Entity Response: The Village management team will begin submitted all information on a timely manner, so audits can be submitted to the Office of the State Auditors on a timely manner. The Village has had a turnover on Clerk/Treasurer for the past year, so we are hoping now that we have a new Clerk/Treasurer she stays in office and assists us completed all reports and information need to all entities on a timely manner.

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2010

The report contents were discussed at an exit conference held on March 24, 2011 with the following in attendance:

Village of Wagon Mound

Arthur Arguello, Mayor
Lisa Clouthier, Councillor
Rachel A. Chavez, Treasurer

Accounting Firm

Sanwar Harshwal, CPA

STATE OF NEW MEXICO
Village of Wagon Mound
Accountants' Compilation Report
For the Year Ended
June 30, 2010

HARSHWAL & COMPANY LLP
Certified Public Accountants
7960 Silverton Avenue, Suite 206
San Diego, CA 92126
(858)-784-1622

VILLAGE OF WAGON MOUND

Table of Contents

	<u>Page</u>
Accountant's Compilation Report	1
Fund Financial Statements	
Balance Sheet.....	2
Statement of Revenues, Expenditures & Changes in Fund Balances.....	3
Notes to Financial Statements	5

ACCOUNTANTS' COMPILATION REPORT

**Members of the Village Council,
Village of Wagon Mound
Wagon Mound, New Mexico**

We have compiled the accompanying statement of financial position of Village of Wagon Mound as of and for the Year Ended June 30, 2010, and the related statement of activity for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. During our compilation, we did become aware of a departure from U.S. generally accepted accounting principles that is described in the following paragraph.

A statement of cash flows for the year ended June 30, 2010, has not been presented. U.S. generally accepted accounting principles require that such a statement be presented when financial statements purport to present financial position and results of operations.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

**Harshwal & Company LLP
Certified Public Accountants**

Harshwal & Company LLP

**San Diego, California
June 22, 2011**

FUND FINANCIAL STATEMENT

VILLAGE OF WAGON MOUND

BALANCE SHEET

YEAR ENDED JUNE 30, 2010

ASSETS	<u>General Fund</u>	<u>Grant/Special Revenue Fund</u>	<u>Enterprise Fund</u>	<u>Total VWM Funds</u>
Cash and cash equivalents	\$ 447,839	\$ 730	\$ 87,915	\$ 536,484
Investments	35,121		27,452	62,573
Total Assets	<u>482,960</u>	<u>730</u>	<u>115,367</u>	<u>599,057</u>
LIABILITIES				
Accounts payable	88		81	169
Accrued payroll taxes	<u>159,167</u>		<u>2,255</u>	<u>161,422</u>
Total Liabilities	<u>159,255</u>		<u>2,336</u>	<u>161,591</u>
FUND BALANCES				
Unreserved	<u>414,999</u>	<u>(90,564)</u>	<u>113,031</u>	<u>437,466</u>
Total Fund Balances	<u>414,999</u>	<u>(90,564)</u>	<u>113,031</u>	<u>437,466</u>
Total Liabilities and Fund Balances	<u>\$ 574,254</u>	<u>\$ (90,564)</u>	<u>\$ 115,367</u>	<u>\$ 599,057</u>

VILLAGE OF WAGON MOUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2010

REVENUES	<u>General Funds</u>	<u>Grant/Special Revenue Funds</u>	<u>Enterprise Funds</u>	<u>Total VWM Funds</u>
Tax receipts	\$ 67,063	\$ 5,780		\$ 72,843
Motor vehicle	16,868			16,868
Licences and permits	350			350
Cemetry grave digging	500			500
Refunds and other income	1,740		\$ 25	1,765
Bank interest	7,352		1,308	8,660
Natural Gas			122,588	122,588
Sewer			28,311	28,311
Solid Waste			38,063	38,063
Water			52,624	52,624
Law enforcement grant		20,000		20,000
State Grant		203,311		203,311
State fire allotment grant		141,591		141,591
Senior center contract		16,129		16,129
City assistance	91,294			91,294
Total Revenue	<u>185,167</u>	<u>386,811</u>	<u>242,919</u>	<u>814,897</u>
EXPENDITURES				
Office Supplies and administrative	43,578		2,208	45,786
Fire protection		133,477		133,477
Water			4,219	4,219
Street Maintenance and Environment	11,524	78,304	51	89,879
Payroll expense	131,285		30,211	161,496
Solid waste			5,145	5,145
Sewer			8,425	8,425
Natural gas	3,143		90,964	94,107
Law enforcement		98,996		98,996
Emergency medical services		2,141		2,141
Homeland security		28,125		28,125
Senior Center		9,797		9,797
Fuel and oil	2,590		2,875	5,465
Repairs and maintenance	417		3,125	3,542
Miscellaneous	1,235			1,235
Total expenditure	<u>193,772</u>	<u>350,840</u>	<u>147,223</u>	<u>691,835</u>
Net change in fund balance	<u>(8,605)</u>	<u>35,971</u>	<u>95,696</u>	<u>123,062</u>
Fund balances, beginning of the year	423,604	(126,535)	17,335	314,404
Fund balances, end of year	<u>\$ 414,999</u>	<u>\$ (90,564)</u>	<u>\$ 113,031</u>	<u>\$ 437,466</u>

See accountant's compilation report and accompanying notes

**NOTES TO THE
FINANCIAL STATEMENTS**

VILLAGE OF WAGON MOUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Village of Wagon Mound is a political subdivision of the State of New Mexico duly created and existing pursuant to Sections 5-11-1 through 5-11-27 NMSA 1978. The Village of Wagon Mound, is named after and located at the foot of a butte called Wagon Mound. According to the United States Census Bureau, the village has a total area of 1.0 square miles with a population density of 364 people per square mile.

The Village of Wagon Mound follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The Village is not a component of any other governmental entity.

The Village is governed by the board council, consisting of five council members. The Village council has control over and management supervision of all affairs of the Village. Council members serve six-year terms.

The basic financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standard Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Village does not have any written policies and procedures.

Basis of Presentation

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures.

Governmental Funds

The Village reports the following major governmental funds:

- a. General Fund - is the Village's primary operating fund. It accounts for all the financial resources of the general government except those required to be accounted for in another fund.
- b. Special Revenue Fund - used to account for the grant/contract revenues received and are legally restricted to expenditures for specified purposes.
- c. Enterprise Fund - used to account for operations where the Village has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

VILLAGE OF WAGON MOUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The governmental fund statements are reported using the current resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when they are both measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Budgetary Data

Budgets are submitted with original requests for grants through the approval of the village's Board of Council. Modifications are made to these budgets as funding levels are changed or as program requirements change. These budgets represent the financial plan of the village.

Cash Equivalents

The Village considers all highly liquid debt instruments with original maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets, which include construction in progress, building and improvements, furniture and equipment, and vehicles are not included in the financial statements since the Village has not provided us the schedule of capital assets.

Fund Equity Reservations

In the fund financial statements, governmental funds report reservations for amounts that are not available for appropriation or are legally restricted.

Fund Balances

In the fund financial statements, fund balances of governmental funds are classified in two separate categories. The two categories and their general meaning are as follows:

Reserved fund balance—indicates that portion of fund equity which has been legally segregated for specific purposes or is not available for appropriation.

Unreserved fund balance or deficits—indicates that portion of fund equity which is available for appropriation and expenditure in future periods.

VILLAGE OF WAGON MOUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Revenues/Expenditures

Taxes and related state revenue sharing (which is based on population and homesteads in the municipality) are recorded in the year the taxes are assessed. Federal and state grants are recorded when the municipality is entitled to the funds. Interest income on investments is recorded when the investments have matured and the income is available.

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2010, cash and cash equivalents consisted of the following:

	Carrying Amount	Bank Balance
Carrying amount of deposits	<u>\$ 599,057</u>	<u>\$ 639,032</u>
Total	<u><u>\$ 599,057</u></u>	<u><u>\$ 639,032</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 the Village. The Village does not have a deposit policy for custodial credit risk. At June 30, 2010, the carrying amount of the Village's deposits was \$599,057 and the bank balance was \$639,032. At June 30, 2010, the Village's deposits, in compliance with federal cash management regulations, were entirely covered by Federal depository insurance or by collateral held by the pledging financial institution.

NOTE 3 - RISK MANAGEMENT

The Village is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. In the opinion of Village management, the potential loss with respect to these actions will not materially affect the Village's financial position.