

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
Independent Accountants' Report on
Applying Agreed-Upon Procedures
For the Year Ended
June 30, 2011**

**Harshwal & Company LLP
Certified Public Accountants
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VILLAGE OF WAGON MOUND

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STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
OFFICIAL ROSTER
YEAR ENDED JUNE 30, 2011

Name	Title
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Board of Directors

Arturo Arguello	Mayor
Lisa Clouthier	Councilor Pro Tem
Rosella Muniz	Councilor
Nick Pino	Councilor
Zeke Trujillo	Councilor

Staff

Rachel A. Chavez	Clerk/Treasurer
Tami Hernandez	Deputy Clerk
Frances Lovato	Office Aide
Richard Lovato	Utilities Supt.
Michael Vaughn	Utilities Assistant

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

**To: Arturo 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 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC as of and for the year ended June 30, 2011. 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.

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

No findings.

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 11-1 on page 13 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)

No findings.

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)

No findings.

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 several bank balance adjustment non-routine journal entries posted during FY 2011 without supporting documentation. This has been noted as finding 11-2 on page 13 of this report.

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) Total actual expenditures exceeded the final budget at the total fund level, the legal level of budgetary control. This has been noted as finding 11-3 on page 14 of this report.

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, 2011. 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(I)(3)(C) NMAC.

Results of Procedures - Other

No findings.

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

Albuquerque, New Mexico
November 29, 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, 2011

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Tax receipts	\$ 62,100	\$ 70,356	\$ 8,256
Motor vehicle	15,000	17,320	2,320
Licences and permits	350	755	405
Cemetery grave digging		500	500
Refunds and other income		7,024	7,024
Bank interest	4,500	7,976	3,476
City assistance	91,000	87,515	(3,485)
Other Income		126	126
Total revenues	172,950	191,572	18,622
Expenditures:			
Office supplies and administration	171,396	48,503	122,893
Street maintenance		6,664	(6,664)
Payroll		149,090	(149,090)
Natural gas		2,318	(2,318)
Fuel and oil		399	(399)
Repairs and maintenance			
Miscellaneous		786	(786)
Total expenditures	171,396	207,760	(36,364)
Net change in fund balance	1,554	(16,188)	(17,742)
Fund balances, beginning of year	414,999	414,999	
Fund balances, end of year	\$ 416,553	\$ 398,811	\$ (17,742)

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, 2011

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Tax receipts	\$ 5,804	\$ 1,362	\$ (4,442)
Law enforcement grant	20,584	20,000	(584)
State grant	496,284	521,363	25,079
State fire allotment grant	117,397	96,690	(20,707)
Other Income		225,105	225,105
Total revenues	640,069	864,520	224,451
Expenditures:			
Fire protection	117,397	343,957	(226,560)
Street maintenance and environment	800	4,553	(3,753)
Law enforcement	21,838	526,654	(504,816)
Emergency medical services	1,500	105	1,395
Homeland security		5,477	(5,477)
Senior Center		5,182	(5,182)
Other special revenue expense	516,788		516,788
Total expenditures	658,323	885,928	(227,605)
Net change in fund balance	(18,254)	(21,408)	(3,154)
Fund balances, beginning of year	(90,564)	(90,564)	
Fund balances, end of year	\$ (108,818)	\$ (111,972)	\$ (3,154)

STATE OF NEW MEXICO

VILLAGE OF WAGON MOUND

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

ENTERPRISE FUND

YEAR ENDED JUNE 30, 2011

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Natural gas	\$ 125,000	\$ 95,250	\$ (29,750)
Water	50,000		50,000
Solid waste	36,043	90,344	54,301
Sewer	50,000	30,286	(19,714)
Bank interest			
Cemetery	500	968	
Investment Income		12,901	12,901
Total revenues	<u>261,543</u>	<u>229,749</u>	<u>(31,794)</u>
Expenditures:			
Office supplies and administrative		312	(312)
Water	53,587	16,654	36,933
Street maintenance			
Payroll		32,105	(32,105)
Solid waste	36,001	6,214	29,787
Sewer	19,419	1,736	17,683
Natural gas	127,209	52,368	74,841
Fuel and oil		4,021	(4,021)
Repairs and maintenance		5,885	(5,885)
Cemetery	500		500
Total expenditures	<u>236,716</u>	<u>119,295</u>	<u>117,421</u>
Net change in fund balance	24,827	110,454	85,627
Fund balances, beginning of year	113,031	113,031	
Fund balances, end of year	<u>\$ 137,858</u>	<u>\$ 223,485</u>	<u>\$ 85,627</u>

STATE OF NEW MEXICO

VILLAGE OF WAGON MOUND

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2011

1. Current Year Findings

	<u>Type of Finding</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Physical Inventory and Capital Listing	D	10-2	11-1
Unsupported Non-Routine Journal Entries	C	N/A	11-2
Budget Overages	D	N/A	11-3

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

*** 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, 2011

11-1 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, 2011, 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 of Wagon Mound is working on a complete Physical and Capital Listing on all Village property.

11-2 Unsupported Non-Routine Journal Entries

Criteria or Specific Requirement: Maintenance of adequate supporting documentations for all non-routine journal entries is 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 the journal entries for bank balances adjustment with total amount \$5256.55 were not supported properly. The amount could not be verified with adequate supporting documentations.

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 of Wagon Mound Clerk/Treasurer will begin keeping records and all documentation needed to complete all journal entries.

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011

11-3 Budget Overages

Criteria or Specific Requirement: State Statute 6-6-6 NMSA 1978 from HB 565 requires that local government spending does not exceed budgeted amounts at the fund level, unless the Commission approves a budget adjustment.

Condition: During our analysis of budget to actual reports for the year ended June 30, 2011, we noted the total expenditures exceeded the total budgeted amounts.

Cause & Effect: Failure or lack of budgetary controls.

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

Entity Response: The Village of Wagon Mound Clerk/Treasurer will monitor all budget balances on a monthly basis and when needed with budget increases or decreases follow the DFA procedures and complete budget adjustment resolutions.

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2011

The report contents were discussed at an exit conference held on August 26, 2011 with the following in attendance:

Village of Wagon Mound

Arturo Arguello, Mayor
Rachel A. Chavez, Clerk/Treasurer

Accounting Firm

Sanwar Harshwal, CPA