

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
Independent Accountants' Report on
Applying Agreed-Upon Procedures
For the Year Ended
June 30, 2013**

**Harshwal & Company LLP
Certified Public Accountants
6739 Academy Road NE, Suite 130
Albuquerque, NM 87109
(505) 814-1201**

VILLAGE OF WAGON MOUND

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STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
OFFICIAL ROSTER
YEAR ENDED JUNE 30, 2013

Name	Title
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Board of Directors

Arturo Arguello	Mayor
F. Luis Lopez	Councilor
Eldie Cruz	Councilor, Pro Tem
Adrian Clouthier	Councilor
Zeke Trujillo	Councilor

Staff

Rachel A. Sandoval	Clerk/Treasurer
Sandy Romero	Office Aide
Patrick Lopez	Utilities Supt.
Gary Sanchez	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 assist 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, 2013. 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 reconciliation 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)

The Village has six checking account, one savings accounts and two certificate of deposit and utilizes Quickbooks to record cash transactions. We noted that even though the bank reconciliations are performed on a timely basis, they are not complete and reconciled for the year ended June 30, 2013, which has been noted as finding 13-01 on page 15 of this report.

Random tests of bank reconciliations revealed that the reconciliations were conducted on time. However, we were 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 since the reconciliations were not complete and accurate.

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 a complete capital assets listing including current year additions and deletions was not available. This has been noted as finding 11-1 on page 12 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.

Select a sample of revenues based on auditor judgment and test using 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 instances of noncompliance were noted as a result of performing the procedures described in 4 (a) - 4 (c).

5. EXPENDITURES

Procedures

Select a sample of cash disbursements based on auditor judgment and test using 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) For 25 of 25 disbursements tested, totaling to \$87,836, village did not have formal approval process in place to authorize and approve invoices for payment. This has been noted as finding 12-1 on page 14 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 several bank balance adjustment non-routine journal entries posted during FY 2013 without supporting documentation. This has been noted as finding 13-2 on page 16 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 13 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, 2013. 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

The recommendation for agreed-upon procedures and the contract for the year ending June 30, 2013 was not submitted by the deadline of July 1, 2013. The Village is not in compliance with Section 2.2.2 of the NMAC, Audit Rule 2013. This has been noted as finding 13-3 on page 17 of this report.

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

This report is intended solely for the information and use of the Village 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 8, 2013

**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, 2013

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Tax receipts	\$ 69,250	\$ 101,600	\$ 32,350
Motor vehicle	16,000	14,031	(1,969)
Licenses and permits	500	710	210
Cemetery grave digging		100	100
Refunds and other income	5,000	45,485	40,485
Bank interest		1	1
City assistance	78,383	79,925	1,542
Other Income	2,000		(2,000)
Total revenues	<u>171,133</u>	<u>241,852</u>	<u>70,719</u>
Expenditures:			
Office supplies and administration	171,374	88,446	82,928
Street maintenance		7,304	(7,304)
Payroll		258,483	(258,483)
Fuel and oil		4,792	(4,792)
Repairs and maintenance		35,682	(35,682)
Miscellaneous		6,980	(6,980)
Total expenditures	<u>171,374</u>	<u>401,687</u>	<u>(230,313)</u>
Net change in fund balance	(241)	(159,835)	(159,594)
Fund balances, beginning of year	<u>277,384</u>	<u>277,384</u>	<u>0</u>
Fund balances, end of year	<u><u>\$ 277,143</u></u>	<u><u>\$ 117,549</u></u>	<u><u>\$ (159,594)</u></u>

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, 2013

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Tax receipts	\$ 1,300	\$ 1,380	\$ 80
Law enforcement grant	20,000	21,590	1,590
State grant	1,500		(1,500)
State fire allotment grant	95,000	93,124	(1,876)
Senior center contract		<u>15,268</u>	<u>0</u>
Total revenues	<u>117,800</u>	<u>131,362</u>	<u>13,562</u>
Expenditures:			
Fire protection		78,277	(78,277)
Street maintenance and environment		533	(533)
Law enforcement		20,803	(20,803)
Emergency medical services		5,663	(5,663)
Senior Center		<u>20,951</u>	<u>(20,951)</u>
Total expenditures	<u>0</u>	<u>126,227</u>	<u>(126,227)</u>
Net change in fund balance	117,800	5,135	(112,665)
Fund balances, beginning of year	<u>(132,417)</u>	<u>(132,417)</u>	<u>0</u>
Fund balances, end of year	<u><u>\$ (14,617)</u></u>	<u><u>\$ (127,282)</u></u>	<u><u>\$ (112,665)</u></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, 2013

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Natural gas	\$ 500	\$ 109,872	\$ 109,372
Water	60,000	50,360	9,640
Solid waste	43,000	28,314	(14,686)
Sewer		27,732	27,732
Waste Water	37,000		(37,000)
Bank interest		2,156	2,156
	<u>140,500</u>	<u>218,434</u>	<u>77,934</u>
Total revenues			
Expenditures:			
Office supplies and administrative		4,618	(4,618)
Water	60,000	13,279	46,721
Solid waste	40,000	6,034	33,966
Sewer		5,751	(5,751)
Natural gas		67,860	(67,860)
Fuel and oil		6,640	(6,640)
Repairs and maintenance		27,419	(27,419)
Waste Water	30,000		30,000
	<u>130,000</u>	<u>131,601</u>	<u>(1,601)</u>
Total expenditures			
Net change in fund balance	10,500	86,833	76,333
Fund balances, beginning of year	<u>340,993</u>	<u>340,993</u>	<u></u>
Fund balances, end of year	<u>\$ 351,493</u>	<u>\$ 427,826</u>	<u>\$ 76,333</u>

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013

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	11-1	11-1
Budget Overages	D	11-3	11-3
Internal Control over Disbursements	C	12-1	12-1
Bank Reconciliations	D	N/A	13-1
Unsupported Non-Routine Journal Entries	C	N/A	13-2
Contracting for Agreed Upon Services	D	N/A	13-3

	<u>Type of Finding</u>	<u>Prior Year Finding Number</u>	<u>Status</u>
<u>Follow-up on Prior Year Findings:</u>			
Physical Inventory and Capital Listing	D	11-1	Repeated
Budget Overages	D	11-3	Repeated
Unsupported Disbursements/Costs	C	12-1	Repeated
Late submission of the Agreed-Upon Procedure Report	D	12-2	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, 2013

11-1 Physical Inventory and Capital Listing

Condition: The Village did not perform a yearly inventory as required by Section 12-6-10 NMSA 1978 and a complete capital assets listing including current year additions and deletions was not available.

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.

Effect: The Village has not complied with Section 12-6-10 NMSA 1978 requirements.

Cause: The Village does not have controls in place to ensure that all capital asset additions and deletions are captured by the accounting system in a timely manner.

Recommendations: We recommend the Village perform a physical inventory of capital assets and maintain documentation of the inventories on hand.

Entity Response: The Village will be conducting inventory on all assets the Maintenance Department will begin working on a inventory list for the Village.

STATE OF NEW MEXICO

VILLAGE OF WAGON MOUND

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2013

11-3 **Budget Overages**

Condition: During our analysis of budget to actual reports for the year ended June 30, 2013, we noted the total expenditures exceeded the total budgeted amounts resulting in two funds with over expended budgets totaling \$358,141 as follows:

General Fund	\$ 230,313
Special Revenue Fund	126,227
Enterprise Fund	<u>1,601</u>
Total	<u><u>358,141</u></u>

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

Effect: The Village has not complied with the requirement to ensure adequate cash is available for budgeted expenditures. Therefore, they could be budgeting cash that is not available and be in violation of 6.20.2.9 NMAC.

Cause: The Village did not place emphasis on compliance with budget reporting requirements.

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

Entity Response: The CPA will come and assist the Clerk/Treasurer to get all forms and reports up to par and see exactly where the problems are at. The Clerk has been asking for a CPA for 3 past years due to so many people using the Quickbook system before she came on board. The council of the Village finally agreed to hire a CPA to assist clerk and clean all the financial books.

STATE OF NEW MEXICO

VILLAGE OF WAGON MOUND

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2013

12-1 Internal Control over Disbursements

Condition: Per Review of the Village's control over disbursements, we noted that for 25 of 25 disbursements reviewed, totaling \$87,836, Village did not have formal approval process in place to authorize and approve invoices for payment.

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

Effect: The village's internal control over purchasing authorization, approval and double payments limits management's ability to monitor the accuracy of transactions and provide assurance with respect to public funds.

Cause: The Village did not follow proper internal control procedures.

Recommendations: The Village should exercise more caution with its document retention, purchase authorization, and payment procedure to ensure similar instances do not occur.

Entity Response: The Village will begin paying all bills with a requisition and purchase order before any bill will be paid.

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013

13-1 Bank Reconciliations did not agree with Books of Account

Condition: The bank reconciliation per books prepared by the Village did not agree with the trial balance.

Criteria or Specific Requirement: Section 12-6-3 B (6) 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.

Effect: General ledger cash balances are not reflective of actual cash available in the funds and could cause the Village to spend cash that is not available. The Village has not complied with Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC requirement.

Cause: The Village does not have controls in place to ensure that all the bank accounts are reconciled and complete.

Recommendation: We recommend that the Village maintain bank and investment statements and reconcile the bank, per NMAC requirement. The Village should ensure that cash in the general ledger agrees to trial balance.

Entity Response: The Village hired a CPA to come in and work on the books and assist Clerk/Treasurer to correct all financial issues and bring the Village up to par with all financials.

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013

13-2 Unsupported Non-Routine Journal Entries

Condition: We noted that for 10 of 10 journal entries reviewed, totaling \$370, Village did not have supporting documentation to justify the journal entries. Further, the Village did not have formal review and approval process in place to authorize and approve the journal entries.

Criteria or Specific Requirement: Maintenance of adequate supporting documentations, review and approval 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.

Effect: The Village may have lost valuable resources.

Cause: The Village did not follow proper internal control procedures.

Recommendations: The Village should implement procedures to maintain proper supporting documentation, review and approval.

Entity Response: The Village will begin with more internal control with all financials by first adopting a financial policy and procedure handbook that all purchases shall apply, also so there can be a policy on how to enter journal entries and submit the proper documentation.

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013

13-3 Contracting for Agreed Upon Services

Condition: The recommendation for agreed upon services and the contract was submitted late to the New Mexico State Auditor for his approval on September 23, 2013.

Criteria or Specific Requirement: Local Public Bodies that qualify for the tiered system pursuant to Subsections A and B of 2.2.2.16 NMAC must submit the required recommendation form for tiered system local public bodies and the completed signed agreed upon procedures contract to the State Auditor by July 01, 2013.

Effect: Lack of contract could delay the agreed upon process and jeopardize timely financial reporting by the entity. In addition, 2.2.2 NMAC regulations have been violated.

Cause: This is due to lack of oversight by the management.

Recommendations: We recommend that the Village comply with 2.2.2 NMAC submission deadlines when submitting future contracts.

Entity Response: The Clerk/Treasurer has made a calendar with all due dates for all reports and will follow to have everything done on a timely manner.

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2013

The report contents were discussed at an exit conference held on November 27, 2013 with the following in attendance:

Village of Wagon Mound

Arturo Arguello, Mayor
Eldie Cruz, Councillor, Pro Tem
Rachel A. Chavez, Clerk/Treasurer

Accounting Firm

Sanwar Harshwal, Managing Partner
Deepa Adhikari, Senior Auditor

STATE OF NEW MEXICO
Village of Wagon Mound
Accountants' Compilation Report
For the Year Ended
June 30, 2013

HARSHWAL & COMPANY LLP
Certified Public Accountants
6739 Academy Road NE, Suite 130
Albuquerque, NM 87109
(505) 814-1201

VILLAGE OF WAGON MOUND

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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, New Mexico, as of and for the year ended June 30, 2013, 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 of America.

The management of the Village of Wagon Mound, New Mexico is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America 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, 2013, 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.

Management has elected to omit the government-wide financial statement and the notes related to the government-wide financial statements. If the omitted government-wide financial statements and related note disclosures were included in the financial statements, they might influence the user's conclusions about Village of Wagon Mound's financial position, respective changes in financial position and, where applicable, cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

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

Albuquerque, New Mexico
November 8, 2013

FUND FINANCIAL STATEMENTS

VILLAGE OF WAGON MOUND

BALANCE SHEET

AS OF JUNE 30, 2013

	<u>General Fund</u>	<u>Grant/Special Revenue Fund</u>	<u>Enterprise Fund</u>	<u>Total VWM Funds</u>
ASSETS				
Cash and cash equivalents	\$ 203,256	\$ 219	\$ 411,767	\$ 615,242
Investments	<u>35,121</u>		<u>21,184</u>	<u>56,305</u>
Total Assets	<u>\$ 238,377</u>	<u>\$ 219</u>	<u>\$ 432,951</u>	<u>\$ 671,547</u>
LIABILITIES				
Accounts payable	\$ (250)	\$	\$ 81	\$ (169)
Accrued payroll taxes	<u>121,078</u>	<u>127,501</u>	<u>5,044</u>	<u>253,623</u>
Total Liabilities	<u>120,828</u>	<u>127,501</u>	<u>5,125</u>	<u>253,454</u>
FUND BALANCES				
Unreserved	<u>117,549</u>	<u>(127,282)</u>	<u>427,826</u>	<u>418,093</u>
Total Fund Balances	<u>117,549</u>	<u>(127,282)</u>	<u>427,826</u>	<u>418,093</u>
Total Liabilities and Fund Balances	<u>\$ 238,377</u>	<u>\$ 219</u>	<u>\$ 432,951</u>	<u>\$ 671,547</u>

VILLAGE OF WAGON MOUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2013

REVENUES	<u>General Fund</u>	<u>Grant/Special Revenue Fund</u>	<u>Enterprise Fund</u>	<u>Total VWM Funds</u>
Tax receipts	\$ 101,600	\$ 1,380	\$	\$ 102,980
Motor vehicle	14,031			14,031
Licenses and permits	710			710
Cemetery grave digging	100			100
Refunds and other income	45,433			45,433
Interstate telecom	53			53
Natural Gas			109,872	109,872
Sewer			27,732	27,732
Solid Waste			28,314	28,314
Water			50,360	50,360
Other income			2,156	2,156
Law enforcement grant		21,590		21,590
State Grant				
State fire allotment grant		93,124		93,124
Senior center contract		15,268		15,268
City assistance	79,925			79,925
Total Revenue	<u>241,852</u>	<u>131,362</u>	<u>218,434</u>	<u>591,648</u>
EXPENDITURES				
Office Supplies and administrative	18,824		4,618	23,442
Fire protection		78,277		78,277
Water			13,279	13,279
Street Maintenance and Environment	7,304	533		7,837
Payroll expense	258,483			258,483
Solid waste			6,034	6,034
Sewer			5,751	5,751
Natural gas			67,860	67,860
Law enforcement		20,803		20,803
Environment				
Emergency medical services		5,663		5,663
Homeland security				
Senior Center		20,951		20,951
Professional services	37,481			37,481
Election and elected officials	6,048			6,048
Fuel and oil	4,792		6,640	11,432
Repairs and maintenance	35,682		27,419	63,101
Miscellaneous	6,980			6,980
Dues and Subscriptions	3,023			3,023
Utilities	23,070			23,070
Total Expenditure	<u>401,687</u>	<u>126,227</u>	<u>131,601</u>	<u>659,515</u>
Net Change in Fund Balance	(159,835)	5,135	86,833	(67,867)
Fund balances, beginning of year	<u>277,384</u>	<u>(132,417)</u>	<u>340,993</u>	<u>485,960</u>
Fund balances, end of year	<u>\$ 117,549</u>	<u>\$ (127,282)</u>	<u>\$ 427,826</u>	<u>\$ 418,093</u>

See accountant's compilation report and accompanying notes

**SELECTED INFORMATION
- SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES
GENERALLY ACCEPTED IN THE UNITED STATES OF
AMERICA ARE NOT INCLUDED**

VILLAGE OF WAGON MOUND

SELECTED INFORMATION - SUBSTANTIALLY ALL DISCLOSURES REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED

YEAR ENDED JUNE 30, 2013

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

SELECTED INFORMATION - SUBSTANTIALLY ALL DISCLOSURES REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED

YEAR ENDED JUNE 30, 2013

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.

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

**SELECTED INFORMATION - SUBSTANTIALLY ALL DISCLOSURES REQUIRED BY
ACCEPTED ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED
STATES OF AMERICA ARE NOT INCLUDED**

YEAR ENDED JUNE 30, 2013

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, 2013, cash and cash equivalents consisted of the following:

	Carrying Amount	Bank Balance
Carrying amount of deposits	<u>\$ 671,547</u>	<u>\$ 681,057</u>
Total	<u><u>\$ 671,547</u></u>	<u><u>\$ 681,057</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, 2013, the carrying amount of the Village's deposits was \$671,547 and the bank balance was \$681,057. At June 30, 2013, 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.