

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND

**ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITORS'
REPORT THEREON**

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

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**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

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**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
OFFICIAL ROSTER
AS OF JUNE 30, 2014**

VILLAGE COUNCIL

Laudente T. Quintana Mayor
F. Luis Lopez Councilor
Eldie Cruz Councilor
Adrian Clouthier Councilor
Zeke Trujillo Councilor

VILLAGE OFFICIALS

Vacant Clerk / Treasurer
Ramona Cruz Deputy Clerk
Sandy Romero Office Aide
Gary Sanchez Utilities Superintendent
Rio Armijo Utilities Assistant



Independent Auditors' Report

To the Honorable Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico
and

To the Honorable Mayor and the Village Council
Village of Wagon Mound
Wagon Mound, New Mexico

Report on Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund, the major special revenue funds and the major capital projects funds of the State of New Mexico, Village of Wagon Mound (Village) as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Village's basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements of each of the Village's non-major governmental funds, and the budgetary comparisons for all non-major governmental funds and non-major capital project funds, presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Because of the matters described in the Basis for Disclaimer of Opinions paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Village could not provide adequate supporting documentation for all transactions during the fiscal year ended June 30, 2014 which was a result of inadequate internal controls over financial reporting for all governmental activities and business-type activities. The Village's records do not permit the application of auditing procedures to all transaction classes. Since the Village could not provide adequate supporting documentation for all transactions for the year ended June 30, 2014, we were unable to apply other auditing procedures to satisfy ourselves as the accuracy of the financial statements listed in the table of contents, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the financial statements listed in the table of contents.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Required Supplementary Information:

The Village has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

We were engaged to conduct and audit for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements and the budgetary comparisons. The additional schedules listed as other supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

For the reasons described above, we were unable to obtain sufficient evidential matter to form an opinion regarding the fair presentation of this information in relation to the basic financial statements taken as a whole and accordingly, we express no opinion on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 13, 2015 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Village's internal control over financial reporting and compliance.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Albuquerque, New Mexico
May 13, 2015

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
STATEMENT OF NET POSITION
JUNE 30, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 280,040	\$ 183,598	\$ 463,638
Accounts Receivable	34,003	-	34,003
Total Current Assets	<u>314,043</u>	<u>183,598</u>	<u>497,641</u>
Restricted Assets (Cash):			
Customer Meter Department			-
Repair and Replacement	-	8,078	8,078
Total Restricted Assets	-	8,078	8,078
Capital Assets:			
Capital Assets Not Being Depreciated	15,865	-	15,865
Capital Assets Being Depreciated	2,666,025	2,325,657	4,991,682
Less: Accumulated Depreciation	<u>(1,374,753)</u>	<u>(406,437)</u>	<u>(1,781,190)</u>
Capital Assets, Net	<u>1,307,137</u>	<u>1,919,220</u>	<u>3,226,357</u>
TOTAL ASSETS	<u>\$ 1,621,180</u>	<u>\$ 2,110,896</u>	<u>\$ 3,732,076</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Salaries and Benefits	-	-	-
Customer Meter Deposits (Restricted)	-	-	-
Due to Other Funds	-	-	-
Unearned Revenue	-	-	-
Tenant Security Deposits	-	-	-
Current Portion of Loan and Bonds Payable	-	-	-
Total Current Liabilities	-	-	-
Noncurrent Liabilities			
Compensated Absences Payable	5,638	-	5,638
NMFA Fire Loan	226,701	-	226,701
NMED Loan	-	87,130	87,130
Total Noncurrent Liabilities	<u>232,339</u>	<u>87,130</u>	<u>319,469</u>
TOTAL LIABILITIES	232,339	87,130	319,469
NET POSITION			
Net Investment in Capital Assets	1,307,137	1,919,220	3,226,357
Restricted for Special Revenue Funds	-	-	-
Restricted for Capital Projects Funds	52,000	104,546	156,546
Unrestricted	<u>29,704</u>	<u>-</u>	<u>29,704</u>
Total Net Position	<u>1,388,841</u>	<u>2,023,766</u>	<u>3,412,607</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,621,180</u>	<u>\$ 2,110,896</u>	<u>\$ 3,732,076</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business- Type Activities	TOTAL
PRIMARY GOVERNMENT							
Governmental Activities							
General Government	\$ 423,355	\$ 9,388	\$ 285,333	\$ -	\$ (128,634)		\$ (128,634)
Public Safety	61,623	-	110,751	-	49,128	-	49,128
Public Works	19,258	-	-	-	(19,258)	-	(19,258)
Culture and Recreation	7,492	-	-	-	(7,492)	-	(7,492)
Health and Welfare	2,578	-	-	-	(2,578)	-	(2,578)
Compensated Absences Expense	5,638	-	-	-	(5,638)	-	(5,638)
Interest on Long-Term Debt	-	-	-	-	-	-	-
Total Governmental Activities	519,945	9,388	396,084	-	(114,473)	-	(114,473)
Business-Type Activities							
Enterprise Funds	<u>211,306</u>	<u>233,393</u>	<u>-</u>	<u>15,120</u>	<u>-</u>	<u>37,207</u>	<u>37,207</u>
Total Business-Type Activities	211,306	233,393	-	15,120	-	37,207	37,207
General Revenues:							
Taxes:							
Property Taxes levied for general purposes					22,059	-	22,059
Franchise Taxes					755	-	755
Gross Receipts Taxes					26,235	-	26,235
Public Service Taxes					-	-	-
Interest Income					1,628	-	1,628
Miscellaneous Income					<u>-</u>	<u>-</u>	<u>-</u>
Subtotal, General Revenues					50,677	-	50,677
Change in Net Position					(63,796)	37,207	(26,589)
Beginning Net Position					<u>1,452,637</u>	<u>1,986,559</u>	<u>3,439,196</u>
Ending Net Position					<u>\$ 1,388,841</u>	<u>\$ 2,023,766</u>	<u>\$ 3,412,607</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Law Enforcement Fund</u>	<u>Municipal Street Fund</u>	<u>Senior Citizen Fund</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS							
Cash and Cash Equivalents	\$ 228,040	\$ 50,000	\$ 2,000	\$ -	\$ -	\$ -	\$ 280,040
Accounts and Taxes Receivable	34,003	-	-	-	-	-	34,003
Due From Grantor	-	-	-	-	-	-	-
Due From Other Funds	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 262,043</u>	<u>\$ 50,000</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314,043</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accrued Salaries and Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-	-	-
FUND BALANCES							
Restricted:							
Special Revenue Funds	-	-	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-	-	-
Unassigned:							
General Fund	262,043	-	-	-	-	-	262,043
Special Revenue Funds	-	50,000	2,000	-	-	-	52,000
Capital Projects Funds	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>262,043</u>	<u>50,000</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>314,043</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 262,043</u>	<u>\$ 50,000</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314,043</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balance - Governmental Funds	\$	314,043
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds

Capital Assets	2,681,890	
Accumulated Depreciation	<u>(1,374,753)</u>	
Capital Assets, Net		1,307,137

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of:

Accrued Compensated Absences	(5,638)	
Long-Term Debt	<u>(226,701)</u>	
		<u>(232,339)</u>

Net Position of Governmental Activities	\$	<u>1,388,841</u>
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**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Fire Protection Fund	Law Enforcement Fund	Municipal Street Fund	Senior Citizen Fund	Capital Projects	Total
REVENUES							
Property Taxes	\$ 22,059	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,059
Gross Receipt Taxes	26,235	-	-	-	-	-	26,235
Charges for Services	9,388	-	-	-	-	-	9,388
Licenses and Fees	755	-	-	-	-	-	755
Local Sources	-	-	-	-	-	-	-
State Sources	-	-	-	-	-	-	-
Federal Sources	-	-	-	-	-	-	-
State-Shared Taxes	154,954	90,751	20,000	6,979	28,706	94,694	396,084
Investment Income	1,628	-	-	-	-	-	1,628
TOTAL REVENUES	215,019	90,751	20,000	6,979	28,706	94,694	456,149
EXPENDITURES							
Current							
General Government	386,132	-	-	-	37,223	-	423,355
Highways and Streets	19,258	-	-	-	-	-	19,258
Public Safety	13,583	31,745	15,067	1,229	-	-	61,623
Culture and Recreation	7,492	-	-	-	-	-	7,492
Health and Welfare	2,578	-	-	-	-	-	2,578
Capital Outlay	14,233	-	4,744	-	-	100,898	119,875
TOTAL EXPENDITURES	443,276	31,745	19,811	1,229	37,223	100,898	634,182
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES							
	(228,257)	59,006	189	5,750	(8,517)	(6,204)	(178,033)
OTHER FINANCING SOURCES (USES):							
Transfer in	41,173	-	-	-	-	-	41,173
Transfer out	-	-	(10,000)	(24,000)	(7,173)	-	(41,173)
TOTAL OTHER FINANCING SOURCES (USES)	41,173	-	(10,000)	(24,000)	(7,173)	-	-
FUND BALANCE, BEGINNING	449,127	(9,006)	11,811	18,250	15,690	6,204	492,076
FUND BALANCE, ENDING	\$ 262,043	\$ 50,000	\$ 2,000	\$ -	\$ -	\$ -	\$ 314,043

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Net Changes in Fund Balance - Governmental Funds \$ (178,033)

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

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

Capital Outlay	119,875
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Interest on Long-term Debt	-
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In the Statement of Activities, certain operating expenses - compensated absences payable and are measured by the amounts incurred during the year. In the fund financial statements, however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid):

Compensated Absences Expense	<u>(5,638)</u>
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Change in Net Position of Governmental Activities \$ (63,796)

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
STATEMENT OF REVENUES, BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
(NON-GAAP BUDGETARY BASIS) – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Non-GAAP Basis)</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Property Taxes	\$ 20,944	\$ 20,944	\$ 22,059	\$ (1,115)
Gross Receipt Taxes	29,672	29,672	26,235	(3,437)
Charges for Services	2,000	2,000	9,388	7,388
Licenses and Fees	710	710	755	45
Fines and Forfeits	93	93		(93)
State Sources	79,925	79,925	-	(79,925)
Federal Sources	-	-	-	-
State-Shared Taxes	110,620	110,620	120,951	10,331
Investment Income	2,157	2,157	1,628	(529)
TOTAL REVENUES	<u>246,121</u>	<u>246,121</u>	<u>181,016</u>	<u>(67,335)</u>
EXPENDITURES				
Current				
General Government	246,602	246,602	386,132	(139,530)
Highways and Streets	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Other	-	189,063	57,144	131,919
TOTAL EXPENDITURES	<u>246,602</u>	<u>435,665</u>	<u>443,276</u>	<u>(7,611)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(481)	(189,544)	(262,260)	(59,724)
OTHER FINANCING SOURCES (USES)				
Transfers In	22,591	74,355	41,173	(33,182)
Transfers Out	(8,000)	(8,400)	-	8,400
TOTAL OTHER FINANCING SOURCES (USES)	<u>14,591</u>	<u>65,955</u>	<u>41,173</u>	<u>(24,782)</u>
Net Increase (Decrease)	14,110	(123,589)	<u>\$ (221,087)</u>	<u>\$ (84,506)</u>
Prior Year Cash Balance Budgeted	<u>\$ -</u>	<u>\$ 123,589</u>		
Revenues per Modified Accrual Basis	\$ 215,019			
Less Current Year Receivables	(34,003)			
Revenues per Budgetary Basis	<u>\$ 181,016</u>			

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
STATEMENT OF REVENUES, BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
(NON-GAAP BUDGETARY BASIS) – FIRE PROTECTION FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipt Taxes	-	-	-	-
Charges for Services	-	-	-	-
Licenses and Fees	-	-	-	-
Local Sources	-	-	-	-
State Sources	-	-	-	-
Federal Sources	-	-	-	-
State-Shared Taxes	90,751	90,751	90,751	-
Misc. Income	150,000	150,000	-	(150,000)
TOTAL REVENUES	<u>240,751</u>	<u>240,751</u>	<u>90,751</u>	<u>(150,000)</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Highways and Streets	-	-	-	-
Public Safety	250,000	250,000	31,745	218,255
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>250,000</u>	<u>250,000</u>	<u>31,745</u>	<u>218,255</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,249)	(9,249)	59,006	(368,255)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease)	(9,249)	(9,249)	<u>\$ 59,006</u>	<u>\$ (368,255)</u>
Prior Year Cash Balance Budgeted	<u>\$ 9,249</u>	<u>\$ 9,249</u>		

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
STATEMENT OF REVENUES, BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
(NON-GAAP BUDGETARY BASIS) – LAW ENFORCEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Non-GAAP Basis)</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipt Taxes	-	-	-	-
Charges for Services	-	-	-	-
Licenses and Fees	-	-	-	-
Local Sources	-	-	-	-
State Sources	-	-	-	-
Federal Sources	-	-	-	-
State-Shared Taxes	20,000	20,000	20,000	-
Investment Income	-	-	-	-
TOTAL REVENUES	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Facilities	-	-	-	-
Public Safety	20,303	21,653	19,811.09	1,842
Infrastructure	-	-	-	-
Health and Welfare	-	-	-	-
TOTAL EXPENDITURES	<u>20,303</u>	<u>21,653</u>	<u>19,811</u>	<u>1,842</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(303)	(1,653)	189	(1,842)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	<u>(12,000)</u>	<u>(22,000)</u>	<u>(10,000)</u>	<u>12,000</u>
TOTAL OTHER FINANCING SOURCES	<u>(12,000)</u>	<u>(22,000)</u>	<u>(10,000)</u>	<u>12,000</u>
Net Increase (Decrease)	(12,303)	(23,653)	<u>\$ (9,811)</u>	<u>\$ 10,158</u>
Prior Year Cash Balance Budgeted	<u>\$ 12,303</u>	<u>\$ -</u>		

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
STATEMENT OF REVENUES, BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
(NON-GAAP BUDGETARY BASIS) – MUNICIPAL STREET FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Non-GAAP Basis)</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipt Taxes	-	-	-	-
Charges for Services	-	-	-	-
Licenses and Fees	-	-	-	-
Local Sources	-	-	-	-
State Sources	-	-	-	-
Federal Sources	-	-	-	-
State-Shared Taxes	-	6,979	6,979	-
Investment Income	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>6,979</u>	<u>6,979</u>	<u>-</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Highways and Streets	41,874	41,874	1,229	40,645
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>41,874</u>	<u>41,874</u>	<u>1,229</u>	<u>40,645</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(41,874)	(34,895)	5,750	(40,645)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	(24,000)	(24,000)	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(24,000)</u>	<u>(24,000)</u>	<u>-</u>
Net Increase (Decrease)	(41,874)	(58,895)	<u>\$ (18,250)</u>	<u>\$ (40,645)</u>
Prior Year Cash Balance Budgeted	<u>\$ 41,874</u>	<u>\$ 58,895</u>		

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
STATEMENT OF REVENUES, BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
(NON-GAAP BUDGETARY BASIS) – SENIOR CITIZEN FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Non-GAAP Basis)</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipt Taxes	-	-	-	-
Charges for Services	-	-	-	-
Licenses and Fees	-	-	-	-
Local Sources	-	-	-	-
State Sources	-	-	-	-
Federal Sources	-	-	-	-
State-Shared Taxes	20,950	20,950	28,706	7,756
Investment Income	-	7,756	-	(7,756)
TOTAL REVENUES	<u>20,950</u>	<u>28,706</u>	<u>28,706</u>	<u>-</u>
EXPENDITURES				
Current				
General Government	20,950	21,738	37,223	(15,485)
Highways and Streets	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>20,950</u>	<u>21,738</u>	<u>37,223</u>	<u>(15,485)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	6,968	(8,517)	15,485
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	(7,173)	(7,173)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(7,173)</u>	<u>(7,173)</u>	<u>-</u>
Net Increase (Decrease)	-	(205)	<u>\$ (15,690)</u>	<u>\$ 15,485</u>
Prior Year Cash Balance Budgeted	<u>\$ -</u>	<u>\$ -</u>		

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
STATEMENT OF REVENUES, BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
(NON-GAAP BUDGETARY BASIS) – CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Non-GAAP Basis)</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipt Taxes	-	-	-	-
Charges for Services	-	-	-	-
Licenses and Fees	-	-	-	-
Local Sources	-	-	-	-
State Sources	-	-	-	-
Federal Sources	-	-	-	-
State-Shared Taxes	500,000	500,000	94,694	(405,306)
Investment Income	-	-	-	-
TOTAL REVENUES	<u>500,000</u>	<u>500,000</u>	<u>94,694</u>	<u>(405,306)</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Facilities	500,000	500,000	-	500,000
Public Safety	-	-	-	-
Infrastructure	-	-	100,898	(100,898)
Health and Welfare	-	-	-	-
TOTAL EXPENDITURES	<u>500,000</u>	<u>500,000</u>	<u>100,898</u>	<u>399,102</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(6,204)	(804,408)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease)	-	-	<u>\$ (6,204)</u>	<u>\$ (804,408)</u>
Prior Year Cash Balance Budgeted	<u>\$ -</u>	<u>\$ -</u>		

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Joint Utility Fund
ASSETS	
Cash and Cash Equivalents	\$ 183,598
Accounts Receivable, Net	-
Due From Other Governments	-
Unrestricted Deposits	-
TOTAL CURRENT ASSETS	183,598
RESTRICTED ASSETS	
Meter Deposits	8,078
TOTAL RESTRICTED ASSETS	8,078
NONCURRENT ASSETS	
Land	70,000
Plant	2,255,657
Less: Accumulated Depreciation	(406,437)
Capital Assets, Net	1,919,220
TOTAL ASSETS	\$ 2,110,896
LIABILITIES AND FUND BALANCE	
CURRENT LIABILITIES	
Accounts Payable	\$ -
Accrued Salaries and Benefits	-
Deposits Payable	-
Accrued Compensated Absences	-
Current Maturity of Bonds and Notes Payable	-
TOTAL CURRENT LIABILITIES	-
NONCURRENT LIABILITIES	
Long-Term Debt, Net	87,130
TOTAL NONCURRENT LIABILITIES	87,130
TOTAL LIABILITIES	87,130
NET POSITION	
Net Investment in Capital Assets	1,919,220
Unrestricted	104,546
TOTAL NET POSITION	2,023,766
TOTAL LIABILITIES AND NET POSITION	\$ 2,110,896

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	Joint Utility Fund
OPERATING REVENUES	
Charges for Services	\$ 233,393
Intergovernmental	15,120
TOTAL OPERATING REVENUES	248,513
OPERATING EXPENSES	
Maintenance and operations	211,306
Contractual Services	-
Supplies and Purchased Power	-
Maintenance and Materials	-
Heat, Light and Power	-
Compensated Absences Expense	-
TOTAL OPERATING EXPENSES	211,306
OPERATING INCOME (LOSS)	37,207
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	-
Miscellaneous Income	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	-
CHANGE IN NET POSITION	37,207
NET POSITION, BEGINNING OF YEAR	1,986,559
NET POSITION, END OF YEAR	<u>\$ 2,023,766</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
PROPRIETARY FUNDS
STATEMENT CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

	Joint Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From User Charges	\$ 233,393
Cash Payments to Employees for Services	(60,622)
Cash Payments to Suppliers for Goods and Services	(150,684)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	22,087
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Change in Compensated Absences	-
Miscellaneous Income	15,120
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	15,120
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37,207
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	146,391
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 183,598
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (loss)	
Adjustments to reconcile operating income (loss) to net cash used by operating activities	\$ 37,207
Changes in assets and liabilities:	
Change in receivables	-
Change in accounts payable	-
Change in accrued salaries and benefits	-
NET CASH PROVIDED FROM (USED BY) OPERATING ACTIVITIES	\$ 37,207

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
JUNE 30, 2014**

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u> -</u>
TOTAL ASSETS	\$ <u> -</u>
LIABILITIES	
Due to Other Taxing Units	\$ <u> -</u>
TOTAL LIABILITIES	\$ <u> -</u>

No Agency Funds for year ending June 30, 2014. Statement maintained for future implementation.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. Summary of Significant Accounting Policies

The Village of Wagon Mound (Village) was incorporated in 1918. The Village operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire); highways and streets; water and sewer services; refuse collection; health and social services; culture-recreation; public improvements; planning and zoning; and general administrative services.

The Village of Wagon Mound is a body politic and corporate under the name and form of government selected by its qualified electors. The Village may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the Village's accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB statements No. 14. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. Summary of Significant Accounting Policies-Continued

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Village has no component units, and is not a component unit of another governmental agency.

B. Government-Wide and Fund Financial Statements

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

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement no. 33, Accounting and Financial Reporting for Non-exchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. Summary of Significant Accounting Policies-Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Governmental funds are used to account for the Village's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt.

Governmental funds include:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses, fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Village except for items included in other funds.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or non-expendable trust funds.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by the proprietary or nonexpendable trust funds.

Under the requirements of GASB No. 34, the Village is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. Summary of Significant Accounting Policies-Continued

financial statements consist of the General Fund, Fire Protection Fund, Law Enforcement Fund, Municipal Street Fund, Senior Citizens Fund and Capital Projects Fund. No other funds were required to be presented as major at the discretion of management.

The *General Fund* accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Village, except for items included in other funds.

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

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

The *Senior Citizens Program Fund* is to account for the operations of the senior citizens centers funded by Eastern New Mexico Area Agency on Aging from the Older Americans Act, Title III-B, IIIC-1, IIIC-2 and IIID, monies and monies appropriated in Chapter 12, 1996 Laws of New Mexico (HB2). Authority is the Older American Act, House Bill 2 and the U.S. Department of Agriculture.

Additionally, the government reports the following fund types:

The fiduciary funds are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The Village does not report any fiduciary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule agree payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. Summary of Significant Accounting Policies-Continued

The Village reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Village does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified function

and is included in the direct expense of each function. Interest on general and long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing service in connection with the fund's principal ongoing operations. The principal operating revenue of the Village's enterprise fund is charges for services in the Joint Utility Fund. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

C. Overview of the Financial Statements

The Village adopted the provisions of GASB Statement No. 34, Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments. This statement affects the manner in which the Village records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions, and include the following sections, which were not previously included in the basic financial statements. The governmental fund financial statements continue to be presented as a building block for the new GASB Statement No. 34 statements.

a. Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the Village's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations. The Village has omitted the Management's Discussion and Analysis for the year ended June 30, 2014.

b. Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the Village's activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. Summary of Significant Accounting Policies-Continued

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities). The Village now reports all capital assets in the government-wide statement of net position and reports depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net position of the Village is broken down into three categories 1) net investment in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the Village's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the Village has recorded capital and certain other long term assets and liabilities in the statement of net position, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

D. Assets, Liabilities, and Net Position or Fund Balance

Cash and Cash Equivalents: The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Village to invest in certificates of deposit, obligations of the U.S. Government, interest-bearing savings accounts, certificates of deposit, bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government and the State Treasurer's Investment Pool.

Receivables and Payables: Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

Property taxes are levied on November 1, based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the Village may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Mora County bills, collects, and remits the Village of Wagon Mound's share of property taxes.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. Summary of Significant Accounting Policies-Continued

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Permanent Buildings	45
Vehicles	20
Computer Equipment	5
Other Furniture and Equipment	5-20

Unearned Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as deferred revenue.

Deferred Outflows and Deferred Inflows of Resources: The Village implemented the provisions of GASB statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 establishes reporting guidance for certain elements of the financial statements which are distinct from assets and liabilities.

In addition to assets, the statement of financial position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position which applies to a future period and so will not be recognized as an outflow of resources that is expensed, until then. The Village does not have any of this type of item.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. Summary of Significant Accounting Policies-Continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until such time. The Village does not have any of this type of item.

Compensated Absences: Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule, depending on their length of service. Employees may accumulate 240 hours of annual leave and carry that leave forward from calendar year to calendar year. Upon termination, employees will be paid for a maximum of 240 hours of accrued annual leave.

Qualified employees are entitled to accumulate sick leave at a rate of 3.69 hours per period. Sick leave can be carried over from year to year. Upon termination employees receive no pay for sick time accumulated.

Vested or accumulated vacation leave that is expected to be liquidated within the next

twelve months with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated within the next twelve months are reported in the government-wide statement of net position.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Investment in Capital Assets - In the fund financial statements, investment in capital assets is reported net of depreciation.

Restricted Net Position – This category reflects the portion of net position that have third party limitations on their use.

Unrestricted Net Position – This category reflects net position of the Agency, not restricted for any project or other purpose.

Fund Balance: During 2009, GASB adopted Statement No. 54 to clarify the fund balance reporting guidelines of GASB 54. The fund balance reporting established by GASB 54 must be followed by all five of the governmental-type funds used by state and local governments. Based on the requirements of GASB 54, the total fund balance can be conceptually separated into two primary components: 1) Non-spendable fund balance and 2) Spendable fund balance. Fund balance is reported in these five classifications:

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. Summary of Significant Accounting Policies-Continued

Non-spendable – the non-spendable balance includes amounts that cannot be spent because they are not in spendable form or legally, contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash; it also includes the long-term amount of interfund loans.

Restricted fund balance – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

Committed – This fund balance amount has spending limitations that are constrained by the government’s highest level of decision-making authority.

Assigned – The assigned fund balance classification is intended to be used for specific purposes such as special revenue funds, capital project funds, debt service funds and permanent funds.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amount not contained in other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The Village applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 2. Stewardship, Compliance, and Accountability

Budgetary Information

The General, Special Revenue, and Proprietary Fund budgets are subject to approval by the New Mexico Department of Finance and Administration (DFA), Local Government Division. During the month of May, public hearings are conducted to obtain taxpayer comments. Prior to June 1, the Village submits to the DFA a proposed operating budget for the fiscal year commencing the following July 1. The budget is prepared by fund and function and includes proposed expenditures, which include carryover encumbrances and accounts payable, and the means of financing them. Prior to July 1, DFA grants interim approval for the Village to operate on the proposed budget subject to adjustments and/or revisions prior to final subsequent approval before the first Monday in September. Such approval is contingent upon the Village Council adopting the proposed budget in accordance with applicable state statutes, and sufficient funds being available for anticipated fiscal year expenditures. Prior to July 31, the Village Council adopts by resolution a formal budget and such budget is presented to DFA for final approval.

Section 6-6-6, NMSA, 1978 Compilation prohibits municipalities from making expenditures in excess of the approved budget. For these purposes the legal level of budgetary control is at the fund level.

The adopted budget of the Village is prepared on a basis consistent with accounting principles generally accepted in the United States of America. The accompanying Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

NOTE 3. Cash and Cash Equivalents

State statutes authorize the investment of Village funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States government obligations. All invested funds of the Village properly followed State investment requirements as of June 30, 2014.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Village. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 3. Cash and Cash Equivalents-Continued

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The Dodd Frank Act of 2010 required that all funds in a non-interest bearing bank account be fully insured by the FDIC through December 31, 2014. The Village of Wagon Mound has one account that is interest bearing account therefore; that account will not be subject to the Dodd-Frank Act of 2010.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least one half the amount in excess of FDIC coverage on deposit with the institution.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Village's deposits:

	Wells Fargo
Total Deposits in Bank	\$ 471,706
Less: FDIC Coverage	(250,000)
Total Uninsured Public Funds	221,706
50% Collateralization Requirement	110,853
Pledged Collateral	-
Excess of Pledged Collateral	\$ (110,853)

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$110,853 of the Village's bank balance of \$471,706 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 110,853
Uninsured and Collateral Held by Pledging Banks' Trust	
Department not in the Village's Name	-
Total	\$ 110,853

The Village held no pledged collateral at June 30, 2014. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by an agency, district or political subdivision of the State of New Mexico.

There were no Temporary Investments for the year ended June 30, 2014.

Carrying amounts by fund per financial statement at June 30, 2014 is:

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 3. Cash and Cash Equivalents-Continued

Cash and Cash Equivalents per:	
Statement of Net Position - Governmental Activities	\$ 280,040
Statement of Fiduciary Assets and Liabilities - Agency Funds	-
Statement of Net Position - Business-Type Activities	183,598
Statement of Net Position - Business-Type Activities restricted	<u>8,078</u>
Total	<u>\$ 463,638</u>

Custodial Credit Risk – Investments: For an investment, custodial credit risk is the risk that in the event of counter party, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village does not have an investment policy for custodial credit risk. The Village had no investments for 2014.

Concentration of Credit Risk: The Village does not have a policy for concentration of credit risk.

Interest Rate Risk and Credit Rating: The Village does not have a formal investment policy which limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Village does not have a formal policy limiting investment maturities to manage its exposure to fair value losses from increasing interest rates.

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in securities that are issued by the United States Government or by its departments or agencies and are either backed by the full faith and credit of the United States Government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts of the fund were invested. Any unrealized gain or loss on the portfolio is distributed through the investment yield on distributed dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2014. Participation in the Local Government Investment Pool is voluntary.

New Mexico State Statutes require collateral pledged for repurchase agreements in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least 102% of the amount on deposit with the institution. There are no repurchase agreements for the year ended June 30, 2014.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 4. Accounts Receivable

	<u>General Fund</u>	<u>Non-Major funds</u>	<u>Business Type Activities</u>	<u>Total Government Wide</u>
Taxes:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Other	34,003	-	-	34,003
Total Receivables	<u>\$ 34,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,003</u>

There was no allowance for uncollectible accounts at June 30, 2014.

NOTE 5. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2014 follows (Land and Construction in Progress is not subject to depreciation):

Governmental Activities:

This schedule relates to the last Capital Asset list the Village maintained, which was for the year ended June 30, 2006. The Village did not record depreciation expense for the year ended June 30, 2014.

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Capital Assets Not Being Depreciated:				
Land	\$ 15,865	\$ -	\$ -	\$ 15,865
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>15,865</u>	<u>-</u>	<u>-</u>	<u>15,865</u>
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	490,236	-	-	490,236
Vehicles	-	-	-	-
Buildings and Improvements	<u>2,175,789</u>	<u>-</u>	<u>-</u>	<u>2,175,789</u>
Total Capital Assets Being Depreciated	<u>2,666,025</u>	<u>-</u>	<u>-</u>	<u>2,666,025</u>
Total Capital Assets	<u>2,681,890</u>	<u>-</u>	<u>-</u>	<u>2,681,890</u>
Accumulated Depreciation:				
Furniture, Fixtures and Equipment	-	-	-	-
Vehicles	-	-	-	-
Buildings and Improvements	<u>1,374,753</u>	<u>-</u>	<u>-</u>	<u>1,374,753</u>
Total Accumulated Depreciation	<u>1,374,753</u>	<u>-</u>	<u>-</u>	<u>1,374,753</u>
Capital Assets, Net	<u>\$ 1,307,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,307,137</u>

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 5. Capital Assets-Continued

Business-Type Activities:

This schedule relates to the last Capital Asset list the Village maintained, which was for the year ended June 30, 2006. The Village did not record depreciation expense for the year ended June 30, 2014.

	Balance			Balance
	June 30, 2013	Additions	Deletions	June 30, 2014
Capital Assets Not Being Depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciat	-	-	-	-
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	70,000	-	-	70,000
Vehicles	-	-	-	-
Buildings and Improvements	<u>2,255,657</u>	-	-	<u>2,255,657</u>
Total Capital Assets Being Depreciated	<u>2,325,657</u>	-	-	<u>2,325,657</u>
Total Capital Assets	2,325,657	-	-	2,325,657
Accumulated Depreciation:				
Furniture, Fixtures and Equipment	-	-	-	-
Vehicles	-	-	-	-
Buildings and Improvements	<u>406,437</u>	-	-	<u>406,437</u>
Total Accumulated Depreciation	<u>406,437</u>	-	-	<u>406,437</u>
Capital Assets, Net	<u>\$ 1,919,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,919,220</u>

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 6. Long-Term Debt

During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Activities:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
2.0899% Blended, New Mexico Finance Authority Maturity 5/1/2024					
NMFA Fire Truck	\$ -	\$ 226,701	\$ -	\$ 226,701	\$ 18,912
Subtotal	-	226,701	-	226,701	18,912
Compensated Absences Payable	3,682	1,956	-	5,638	1,128
Total Long-Term Debt	<u>\$ 3,682</u>	<u>\$ 228,657</u>	<u>\$ -</u>	<u>\$ 232,339</u>	<u>\$ 20,040</u>

The annual requirements to amortize the bonds and loans above at June 30, 2014, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 18,912	\$ 6,789	\$ 25,701
2016	21,815	3,886	25,701
2017	21,977	3,724	25,701
2018	22,196	3,504	25,700
2019	22,496	3,204	25,700
2020-2024	119,305	9,198	128,503
Total	<u>\$ 226,701</u>	<u>\$ 30,305</u>	<u>\$ 257,006</u>

The General and Municipal Street Funds generally pay for all compensated absences.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 6. Long-Term Debt-Continued

Business-Type Activities:

The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2014:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
0%, New Mexico Environment Department Maturity 4/25/2031 Clean Water State Revolving Fund	\$ 92,255	\$ -	\$ 5,125	\$ 87,130	\$ 5,125
Compensated Absences Payable	-	-	-	-	-
Total Long-Term Debt	<u>\$ 92,255</u>	<u>\$ -</u>	<u>\$ 5,125</u>	<u>\$ 87,130</u>	<u>\$ 5,125</u>

The annual requirements to amortize the loans above at June 30, 2014, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,125	\$ -	\$ 5,125
2016	5,125	-	5,125
2017	5,125	-	5,125
2018	5,125	-	5,125
2019	5,125	-	5,125
2020-2024	25,625	-	25,625
2025-2029	26,075	-	26,075
2030-2031	9,805	-	9,805
Total	<u>\$ 87,130</u>	<u>\$ -</u>	<u>\$ 87,130</u>

NOTE 7. Restricted Net Position

The government-wide statement of net position reports \$52,000 of restricted net position, of which all of it is restricted by enabling legislation.

NOTE 8. Risk Management

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The Village of Wagon Mound participates in the New Mexico Self-Insurer's Fund risk pool.

The Village has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Village which exceeds the insurance coverage, the Village would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 8. Risk Management-Continued

At June 30, 2014, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No lawsuits have been filed against the Village of Wagon Mound.

New Mexico Self-Insurers' Fund has not provided information or an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

The officials and certain employees of the Village are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

NOTE 9. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Financial Statements - Overview of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds: Due to the lack of an audit since 2006 and our disclaimer of opinion, as of June 30, 2014 there were no deficit fund balances to report.

Deficit balances are generally covered by collection of grants or transfers from the General Fund.

- B. Excess of expenditures over approved budgets by fund:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 7,611
Senior Citizens Fund	15,485
Total	<u>\$ 23,096</u>

NOTE 10. PERA Pension Plans

Plan Description. Substantially all of the Village of Wagon Mound's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 7% to 8%% (ranges from 3.83% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 10. PERA Pension Plans-Continued

detention officer) of their gross salary. The Village of Wagon Mound is required to contribute 7% to 11%% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the (name of employer) are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Village of Wagon Mound's contributions to PERA for the fiscal year ending June 30, 2014, was \$4,388 (reported by Village) , which equal the amount of the required contributions for the fiscal year. The Village did not record Pera activity separately for the years 2013 and 2012 respectively.

NOTE 11. Post-Employment Benefits

The Village has elected not to participate in the Retiree Health Care act of New Mexico program.

NOTE 12. Contingent Liabilities

The Village of Wagon Mound participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Village of Wagon Mound may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Village of Wagon Mound.

NOTE 13. Federal and State Grants

In the normal course of operations, the Village receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Liability for reimbursement, determined by Federal Auditors, which may arise as a result of these audits, may be material to the financial statements taken as a whole.

NOTE 14. Related Parties

The Village has entered into various related party transactions in the normal course of business. We are required to review those transactions to ensure that they are considered "arm's length" and are required to disclose those related party transactions that might have a material effect on the financial statements as a whole. There were no related party transactions for 2014 that are deemed to have a material effect on the financial statements.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 15. Joint Power Agreements

The Village has Joint Power Agreement with New Mexico Department of Public Safety (NMDPS), which was entered into mutually on July 1, 2010. The purpose of the agreement is to provide law enforcement services with for the Village. The agreement is governed by and adopted in accordance with the laws of the State of New Mexico and is mutually acknowledged by both parties in accordance with Joint Powers Agreement Act of the State of New Mexico, Sections 11-1-1 through 11-1-7. The current term of the agreement runs through June 30, 2015.

<u>Joint Powers Agreement</u>	<u>Participants</u>	<u>Responsible Party For Operation</u>	<u>Decription</u>	<u>Beginning and Ending Dates</u>	<u>Total Estimated Amounts Applicable</u>	<u>Responsible Administration Party</u>
Law Enforcement Services	Village of Wagon Mound NMDPS	NMDPS	Provide Law Enforcement	7/1/2010- 6/30/2015	N/A	Village of Wagon Mound

NOTE 16. Date of Management's Review

The Village of Wagon Mound has evaluated subsequent events through May 13, 2015, which is the date the financial statements were available to be issued.

NOTE 17. Reconciliation of Budget Basis to GAAP Basis Financial Statements

	<u>General Fund</u>
Revenues per Modified Accrual Basis	\$ 215,019
Prior Year Receivables	-
Less Current Year Receivables	<u>(34,003)</u>
Revenues per Budgetary Basis	<u>\$ 249,022</u>
Expenditures per Modified Accrual Basis	\$ 443,276
Prior Year Payables	-
Current Year Payables	<u>-</u>
Expenditures per Budgetary Basis	<u>\$ 443,276</u>

For the year ended June 30, 2014, the General fund required an adjustment which would need a Reconciliation from Budget basis to GAAP basis. There were no payables adjusted for the year 2014.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 18. Leases

The Village maintains one lease for a copier. The Villages minimum lease payments are as follows:

<u>Year</u>	<u>Lease Payments</u>
2015	\$ 879
2016	879
2017	879
2018	879
2019	-
TOTAL	<u>\$ 3,516</u>

Lease Expense for the year ended June 30,2014 was \$879.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET (NON-GAAP
BUDGETARY BASIS) AND ACTUAL (NON-GAAP BUDGETARY BASIS) –
MAJOR ENTERPRISE FUND – JOINT UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Non-GAAP Basis)</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross Receipt Taxes	-	-	-	-
Charges for Services	216,530	226,200	233,393	7,193
Licenses and Fees	-	-	-	-
Local Sources	-	-	-	-
State Sources	-	-	-	-
Federal Sources	-	-	-	-
State-Shared Taxes	-	-	15,120	15,120
Investment Income	-	-	-	-
TOTAL REVENUES	<u>216,530</u>	<u>226,200</u>	<u>248,513</u>	<u>22,313</u>
EXPENDITURES				
Current				
Maintenance and Operations	131,550	230,371	211,306	19,065
Highways and Streets	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>131,550</u>	<u>230,371</u>	<u>211,306</u>	<u>19,065</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	84,980	(4,171)	37,207	3,248
OTHER FINANCING SOURCES (USES)				
Transfers In	4,092	4,092	-	(4,092)
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,092</u>	<u>4,092</u>	<u>-</u>	<u>(4,092)</u>
Net Increase (Decrease)	89,072	(79)	<u>\$ 37,207</u>	<u>\$ (844)</u>
Prior Year Cash Balance Budgeted	<u>\$ -</u>	<u>\$ -</u>		

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
JUNE 30, 2014**

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
<u>ASSETS</u>				
Cash	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
<u>LIABILITIES</u>				
Due to Other Agencies	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>

The Village held No Agency Funds for the Year Ended June 30, 2014. The schedule was maintained for future use.

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2014**

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Par Value, June 30, 2014</u>	<u>Name and Location of Safe keeper</u>
		\$ -	

The Village held no pledged collateral for the year ended June 30, 2014. The schedule was maintained for future use.

COMPLIANCE SECTION



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

Independent Auditors' Report

To the Honorable Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico
and

To the Honorable Mayor and the Village Council
Village of Wagon Mound
Wagon Mound, New Mexico

We have been engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund, the major special revenue funds and the major capital projects funds of the State of New Mexico, Village of Wagon Mound (Village), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Village, presented as supplemental information and have issued our report dated May 13, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed in the accompanying *schedule of findings and responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *schedule of findings and responses* to be material weaknesses. [FS 2014-005, FS 2014-006, FS 2014-007]

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany *schedule of findings and responses* to be significant deficiencies. [FS 2012-001, FS 2013-001, FS 2014-002, FS 2014-003, FS 2014-004, FS 2014-009, FS 2014-011, FS 2014-012]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items: [FS 2011-001, FS 2011-003, FS 2013-003, FS 2014-001 , FS 2014-008, FS 2014-010]

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we do not express an opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Albuquerque, New Mexico
May 13, 2015

**STATE OF NEW MEXICO
Village of Wagon Mound
Schedule of Findings and Responses
June 30, 2014**

A. AUDIT FINDINGS

<u>AUDIT FINDING</u>		<u>AUDIT FINDING DESCRIPTION</u>	<u>FY13</u>	<u>FY14</u>	<u>Type of Finding</u>
<u>NUMBER</u>	<u>New Number</u>				
Prior Year Findings					
11-1	2011-001	Physical Inventory and Capital Listing	Repeated	Repeated	C
11-3	2011-003	Budget Overages	Repeated	Repeated	C
12-1	2012-001	Internal Controls over Disbursements	Repeated	Repeated	B
13-1	2013-001	Bank Reconciliatons did not agree with Trial Balance	Repeated	Repeated	B
13-2	2013-002	Unsupported Non-routine Journal Entries	Repeated	Resolved	
13-3	2013-003	Contracting for Audit Services	Repeated	Repeated	D
Current Year Findings					
	2014-001	Late Submission of Audit Report		NEW	D
	2014-002	Reconciliation of Payroll Liabilities		NEW	B
	2014-003	Reconciliation of Payroll Expenditures		NEW	B
	2014-004	Segregation of Duties		NEW	B
	2014-005	Customer Deposit Errors		NEW	A
	2014-006	Allowance for Doubtful Accounts		NEW	A
	2014-007	Internal Controls over Receipts		NEW	A
	2014-008	Per Diem and Mileage Act		NEW	D
	2014-009	Investment Account Errors		NEW	B
	2014-010	Inadequate Pledged Collateral		NEW	C
	2014-011	Control Environment		NEW	B
	2014-012	Unable to Determine which accounts go to which funds		NEW	B

Findings by Type

- A. Material Weakness in Internal Control of Financial Reporting
- B. Significant Deficiency in Internal Control of Financial Reporting
- C. Material Noncompliance of State Audit Rule
- D. Noncompliance of State Audit Rule

2011-001 - Physical Inventory and Capital Asset Listing – Material Noncompliance - Repeated

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.

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Criteria: 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.

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

Management's Response: The Village conducted an inventory on April 29, 2014, but was unable to figure depreciation on many fixed assets, primarily water and sewer infrastructure as well as buildings. For that reason the Village will be conducting an inventory on all assets through a contracted qualified third party in 2015. Inventory/Fixed Asset Policies and Procedures were adopted on October 15, 2014.

2011-003 - Budget Overages – Material Noncompliance - Repeated

Condition: During our analysis of budget to actual reports for the year ended June 30, 2014, we noted the total expenditures exceeded the ROA total budgeted amounts resulting in two funds with over expended budgets totaling \$99,604 as follows:

General Fund \$7,611
Senior Citizens Fund \$15,485
Total \$23,096

Criteria: State Statute 6-6-6 NMSA 1978 requires that local government spending does not exceed budgeted amounts at the fund level, unless the Council 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.

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

Management's Response: The Master Municipal Clerk 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 qualified Municipal Clerk to assist clerk and clean all the financial books.

The Village continues to not hstem in place to track the budget effectively to ensure budget compliance. The Village is currently using QuickBooks which keeps track of the fund but does not keep track of the line item. The Village purchased Asyst which is a new financial software which could help in this process, but since the purchase of the software, the hired Master

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Municipal Clerk and representative from the DFA have recommended staying with QuickBooks but linking the budget to it so that there is a close connection between accounting software and budget. This would alarm the Clerk of any overages, and highlight the necessity for a BAR.

2012-001 - Internal Control over Disbursements– Material Weakness - Repeated

Condition: Per Review of the Village's control over disbursements, we noted that for 25 of 25 disbursements reviewed, totaling \$71,973, Village did not have formal approval process in place to authorize and approve invoices for payment.

Criteria: 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.

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

Management's Response: The Village began paying all bills with a requisition and purchase order in September of 2014. The Village implemented a new purchase requisition form and payment voucher in September, 2014. These forms require the Deputy Clerk to obtain the Clerk-Treasurer's approval prior making any payment or purchase. The Clerk-Treasurer completed the State-mandated procurement course provided by Chemeketa College in April of 2015. The Clerk Treasurer passed the Chief Procurement Officer exam, and is now more familiar with State procurement procedures.

2013-001 - Bank Reconciliations did not agree with Trial Balance – Material Weakness- Repeated

Condition: The bank reconciliation completed by the Village did not agree with the trial balance.

Criteria: 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.

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Auditors' 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.

Management's Response: The Village hired Shawn Jeffrey, the Village Clerk of Springer who is a Master Certified Municipal Clerk to come in and reconcile the trail balance to the bank statements, submit quarterly reports, and draft Budget Amendment Requests to the DFA.

2013-003 - Contracting for Audit Services – Noncompliance-Repeated

Condition: The recommendation for audit services and the contract was submitted late to the New Mexico State Auditor for his approval on July 31, 2014.

Criteria: Local Public Bodies must submit the required recommendation form for audit services and the completed signed audit contract to the State Auditor by May 15, 2014.

Effect: Lack of contract could delay the audit 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.

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

Management's Response: The new Clerk-Treasure will comply with 2.2.2 NMAC submission deadlines when submitting future contracts.

2014-001 - Late Submission of Audit Report – Noncompliance

Condition: The fiscal year 2014 annual financial report for the Village was not submitted to the New Mexico Office of the State Auditor by the December 1, 2014 submission deadline.

Criteria: The audit report has not been issued in compliance with 2.2.2.9 NMAC. The users of the financial statements such as taxpayers, legislators, state and federal grantors do not have timely audit reports and financial statements for their review.

Effect: The audit report has not been issued in compliance with 2.2.2.9 NMAC. The users of the financial statements such as taxpayers, legislators, state and federal grantors do not have timely audit reports and financial statements for their review.

Cause: The Village's accounting records were not ready for audit. Additional time was needed by the auditor due to the condition of the accounting records of the Village.

Auditors' Recommendations: It is our recommendation that proper accounting control must be established and implemented where the Village is able to produce financial information for the auditor that has been properly reconciled. We also recommend the Village accounting staff receive additional training regarding accounting requirements for governmental agencies.

Management's Response: The Clerk/Treasurer has made a calendar with all due dates for all reports and will follow through to have everything done on a timely manner. However, KMA was

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awarded the contract in August and the Village was fully staffed from October 2014 through February 2015 providing them with maximum response in order to complete the audit by the mandated December 01. As of February 2015, the Village is not fully staffed, lacking a deputy clerk and cannot assure a full and timely response, but is hopeful that the selected auditor has a baseline for FY 2015's audit and that a good working relationship is forming.

FS 2014-002 - Reconciliation of Payroll Liabilities - Material Weakness

Condition: The Payroll liability account had accumulated without adjustment for multiple years. This caused the accumulated payroll liability the total \$539,594, which was a material misstatement.

Criteria: Proper accounting of expenditures for each accounting period with proper accrual should be maintained.

Effect: Material restatement therefore causing a material adjustment to bring their payroll liabilities to a materially correct balance.

Auditors' Recommendation: Payroll accruals should not be carried forward and should be adjusted to the proper balances in the fiscal year they occur.

Management's Response: The current Clerk has worked with DFA staff, Shawn Jeffrey (Master Municipal Clerk), staff from the State Auditor and others to figure out what the source of the payroll liability was. It appears to be an error beginning back to the early 90s with the transition from a manual ledger system to QuickBooks. Confirmation of zero liabilities at FY14 end are pending from the IRS, but other zero liabilities (PERA, NM Income tax, Unemployment, Health Insurance) have been confirmed. A ledger adjustment should bring the balance to zero, and payroll liabilities since March 2015 are now properly accounted for and do not accrue.

FS 2014-003 - Reconciliation of Payroll Expenditures - Material Weakness

Condition: The majority of payroll transactions were recorded in one account (PERA-Employer Expense) in the general fund and were not recorded in the appropriate payroll expenditure accounts.

Criteria: Proper accounting of expenditures for each accounting period, and in each account should be maintained by properly recording transactions. Accounts should be reconciled accordingly to ensure accuracy.

Effect: Material restatements were required to properly state prior period expenditures which were paid by decreasing cash and increasing an asset in the payroll fund and increasing a liability and an expense in the account which incurred the expense.

Auditors' Recommendation: When recording payroll expense, the Village should properly record the expenditure in the proper account.

Management's Response: The Village Staff will continue to work to accurately identify, name, classify and record liabilities, expenses and accounts.

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FS 2014-004 - Segregation of Duties – Material Weakness

Condition: During our testwork of the payroll expenditures, per diem expenditures and cash disbursements process, we noted the following instances of a lack of appropriate segregation of duties:

- The FY2014 Clerk can perform all essential functions in the cash receipt cycle.
- Approved own payroll and did not properly track her hours causing overstatement of compensated absence accruals.
- Approved own per diem vouchers.

Criteria: The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Effect: Without adequate segregation of duties in key control processes, there is an increased risk of fraudulent activity, and also an increased risk of errors that may not be detected timely.

Cause: Due to limited resources, the Village relies on the expertise of one individual to perform many duties. Limited resources in the process noted above appear to result in a lack of segregation of duties.

Auditors' Recommendations: The Village should develop a formal review process for the receipt, disbursement, and payroll transaction cycle. Also, implement and document policies and procedures to maintain proper internal controls that include segregation of duties. Monitor compliance with the process to make sure they are operating effectively.

Management's Response: Realizing the necessity to segregate duties, the Clerk can only be involved in reviewing deposits, and in reconciling against bank statements at month's end. The Clerk cannot make deposits. The Clerk's own payroll must be reviewed by the Mayor, and checked for accuracy by the Office Assistant. The Clerk's own per diem and mileage is calculated by the Office Assistant, and approved by the Mayor. All disbursement checks require the signature of the Mayor and one Council member.

2014-005 - Customer Deposit Errors– Significant Deficiency

Condition: The Village was not properly segregating funds held for customer deposits. In addition deposits had not been properly tracked as well as refunded in a timely manner.

Criteria: Money deposited for utility services should be properly tracked and the funds held for refunded deposits should be held separately.

Effect: Refunds have not been returned to customers in a timely manner. Funds held for refunds could risk being unavailable as they are not properly held.

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

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Auditors' Recommendation: We recommend that the Village maintain separate deposit bank accounts and refund deposits timely.

Management's Response: The Village has established a separate account for utility meter deposits, and a system of tracking deposits and disconnections for refund.

FS 2014-006 - Allowance for Doubtful Accounts - Significant Deficiency

Condition: The Village does not have an allowance for doubtful accounts in the business-type activities (Proprietary Funds).

Criteria: Proprietary Fund revenues should be reported net of allowances with the allowance amount disclosed in the financial statements.

Effect: Uncollectible receivable amounts from customers that are not being charged off. There are balances which have been due from customers for months.

Cause: The Village personnel did not realize the actual uncollectible balance should be written off and the Board of Trustees had not established a policy to write these accounts off.

Auditors' Recommendation: The Village should establish a policy for determining an allowance for uncollectible receivables.

Management's Response: The Village has established a checking account from which to hold and refund utility meter deposits. A policy for timely refunding or writing-off of nonrefundable/uncollectible balances will be drafted and presented before the Village governing body in 2015.

FS 2014-007 – Internal Controls over Receipts – Significant Deficiency

Condition: The Village does not have a comprehensive documented internal control policy that has been implemented in relation to cash receipts and deposits. There is no formal process being followed for cash receipts and deposits.

- Five out of five deposits tested were not sent to the bank in a timely manner within 24 hours of receipt.

Criteria: Appropriate internal controls in cash receipts and cash disbursements is required to properly report all revenues and expenditures as required by Section 6-6-3, NMSA 1978 law related to the 24 hour deposit rule.

Effect: Because the internal control structure is not completely documented the effect is that management and staff are unaware about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect misstatements of accounting information.

Cause: For the fiscal year 2014 management did not have a documented policy that was being followed to ensure internal controls were in place and operating effectively.

Auditors' Recommendation: We recommend that management implement proper internal controls over receipts, so money can be properly accounted for. These policies should be written, implemented, and periodically updated to ensure proper internal controls are present and operating effectively.

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Management's Response: The Village realizes the necessity to segregate duties with regard to cash receipts and disbursements and has implemented a system where the Clerk verifies the amounts of deposits and disbursements, but does not make deposits in the bank. Community First was the only bank in Wagon Mound until February of 2014. When they withdrew from the Village, accounts were set up with Wells Fargo in Springer. This is a hardship because of limited staff and the 23-mile distance to the Bank. Also, both Clerk and Office Assistant must spell each other when counting cash register in- or out- each day and placing cash drawer and undeposited checks in the safe overnight.

FS 2014-008 – Per Diem and Mileage Act - Noncompliance

Condition: During our test work of the Village's compliance with the per diem and mileage act, we noted that three out of five instances Village employees were advanced 100% of per diem.

Criteria: According to NMAC 2.42.2.10, an employee may be advanced up to 80 percent of per diem rates and mileage cost. According to NMAC 2.42.2.11, Mileage accrued in the use of a private conveyance shall be paid only in accordance with the provisions of this section. Rate: Public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the discharge of official duties as follows: unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA 1978, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Cause: The Village does not have adequate internal controls over travel and per diem expenditures.

Effect: The Village is in not in compliance with New Mexico law.

Auditors' Recommendation: We recommend that the Village improve internal controls over their travel and per diem reimbursement and advance to match the requirements provided by NMAC 2.42.2.

Management's Response: Once aware, the Village now complies with NMAC 2.42.2, and discourages advance disbursements of per diem and mileage, advancing 80% of rates when necessary. All per diem and mileage must be calculated by the Office Assistant, checked by Clerk and approved by Mayor and at least one Council member.

FS 2014-009 - Investment Account Errors - Material Weakness

Condition: The Village had six investment accounts on their general ledger that were not verified as existing by the auditor.

Criteria: Accounts should be properly maintained in the general ledger and added and removed when needed.

Effect: Investment accounts on the general ledger were overstated by a material amount.

Cause: The Village does not have controls in place to ensure that all the investment accounts are reconciled and removed from the general ledger when needed.

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Auditors' Recommendation: We recommend that the Village maintain and perform investment reconciliations when possible and maintain account statements going forward.

Management's Response: The Village Clerk(s) did not understand the difference between types of collateralization of accounts which could include bonds and certificate of deposits and mistakenly construed them as Investment Accounts. To our knowledge, there are no existing investment accounts. We seek to remove accounts used by Wells Fargo to collateralize from the general ledger.

FS 2014-010 - Inadequate Pledged Collateral - Material Noncompliance

Condition: The Village was not adequately collateralized with their banking institution.

Criteria: Public Money (Sections 6-10-1 to 6-10-63 NMSA 1978) including the requirements of Sections 6-10-10(A) and (B) NMSA 1978 that municipal treasurers deposit money in their respective counties, and the requirement of Section 6-10-17 NMSA 1978 that the agency receive a joint safe keeping receipt for pledged collateral. The pledged collateral should be no less than 50% of the uninsured cash balance held with financial institutions.

Effect: In the event that the Village's bank closed, the Village would only receive the deposits that are insured by the FDIC. Deposits that exceeded the FDIC limit, would lost.

Cause: The Village was not aware of this law.

Auditors' Recommendation: We recommend that the Village has their bank pledge collateral equal to 50% of the uninsured bank balance.

Management's Response: The Village will seek to confirm collateralization of accounts beyond the FDIC limit (though no single account reached that limit within the fiscal year). Also, in the transition from bank-to-bank which occurred throughout March to August of 2014, empty accounts awaiting money transfers may not have needed collateralization.

FS 2014-011 - Control Environment - Material Weakness

Condition: During our audit process, we noted a lack of adequate control environment, as identified in the following issues:

- The Village does not reconcile the accounts on an on-going basis which often leaves the balances incorrect at year-end.
- The Village does not have a process in place to remedy findings from prior year audits. Several findings have been repeated.

Criteria: Per SAO Rule 2.2.2.8 J (2), the agency shall maintain adequate accounting records. This includes performing reconciliations on a timely basis to ensure accuracy of account balances during the year, implementing an adequate review process of those records and implementing a sound environment in which significant errors are mitigated.

Effect: Numerous and significant errors were identified during the audit of the financial statements of the Village.

Cause: The Village lacked adequate staffing in the accounting and finance departments.

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Auditors' Recommendation: We recommend the Village implements policies and procedures that would require; reconciliations be performed and reviewed throughout the year, findings be addressed and corrected, and an adequate control environment be established.

Management's Response: The Village hired Shawn Jeffrey, the Village Clerk of Springer who is a Certified Municipal Clerk to come in and reconcile the trial balance to the bank statements. She started in November 2013 and showed then Deputy Clerk Ramona Cruz the process, handed it off to Philip Ortiz (Clerk-Treasurer for approximately 4 months), and is now instructing Frank Tierney, the current Clerk-Treasurer. The bank statements and trial balance have balanced from November 2013 to present.

FS 2014-012 - Unable to Determine which Accounts go to which Funds - Material Weakness

Condition: During our audit process, we were unable to determine which general ledger accounts were associated with the various funds.

Criteria: Per SAO Rule 2.2.2.8 J (2), the agency shall maintain adequate accounting records. This includes setting up a chart of accounts that are easily determinable by fund so that transactions may be recorded in the proper account and proper fund.

Effect: Governmental activities may be co-mingled with business-type activities and other transactions may be recorded in the wrong fund and account.

Cause: The Village's accounting software was not set up correctly initially to record transactions in the proper funds.

Auditors' Recommendation: We recommend the Village sets their accounting records up by funds with the correct accounts and they train staff to record transactions accurately and consistently.

Management's Response: In March of 2015, a representative of the DFA Local Governments Division, re-ordered, re-classified and re-named accounting records to A) mirror State Budget line items and numbering, and B) more accurately reflect what the accounts are for. This should allow staff to more consistently and precisely record transactions.

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B. STATUS OF PRIOR YEAR AUDIT FINDINGS

2011-001 [11-1] – Physical Inventory and Capital Listing – Noncompliance – Repeated

2011-002 [11-2] – Budget Overages – Noncompliance – Repeated

2012-001 [12-1] – Internal Controls over Disbursements – Material Weakness – Repeated

2013-001 [13-1] – Bank Reconciliation did not agree with trial balance – Material Weakness – Repeated

2013-002 [13-2] – Unsupported non-routine journal entries – Internal Control Deficiency – Resolved

2013-003 [13-3] – Contracting audit services – Noncompliance – Repeated

**STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2014**

An exit conference was held on May 13, 2015, to discuss the results of the audit. Notice of this meeting was disclosed pursuant to the Open Meeting Act (10-15-1, NMSA 1978). Attending were the following:

Representing the Village:

Frank Tierney, Clerk/Treasurer, Adrian Clouthier, Council, Laudente T. Quintana, Mayor, Sandy Romero, Office Aide

Representing the Independent Auditors:

Daniel O. Trujillo, CPA, CFE, CGFM, CGMA

Note: The financial statements were prepared by the independent certified public accounting firm performing the audit with the assistance of the Office's Administrator. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles. Management has reviewed and approved the financial statements.