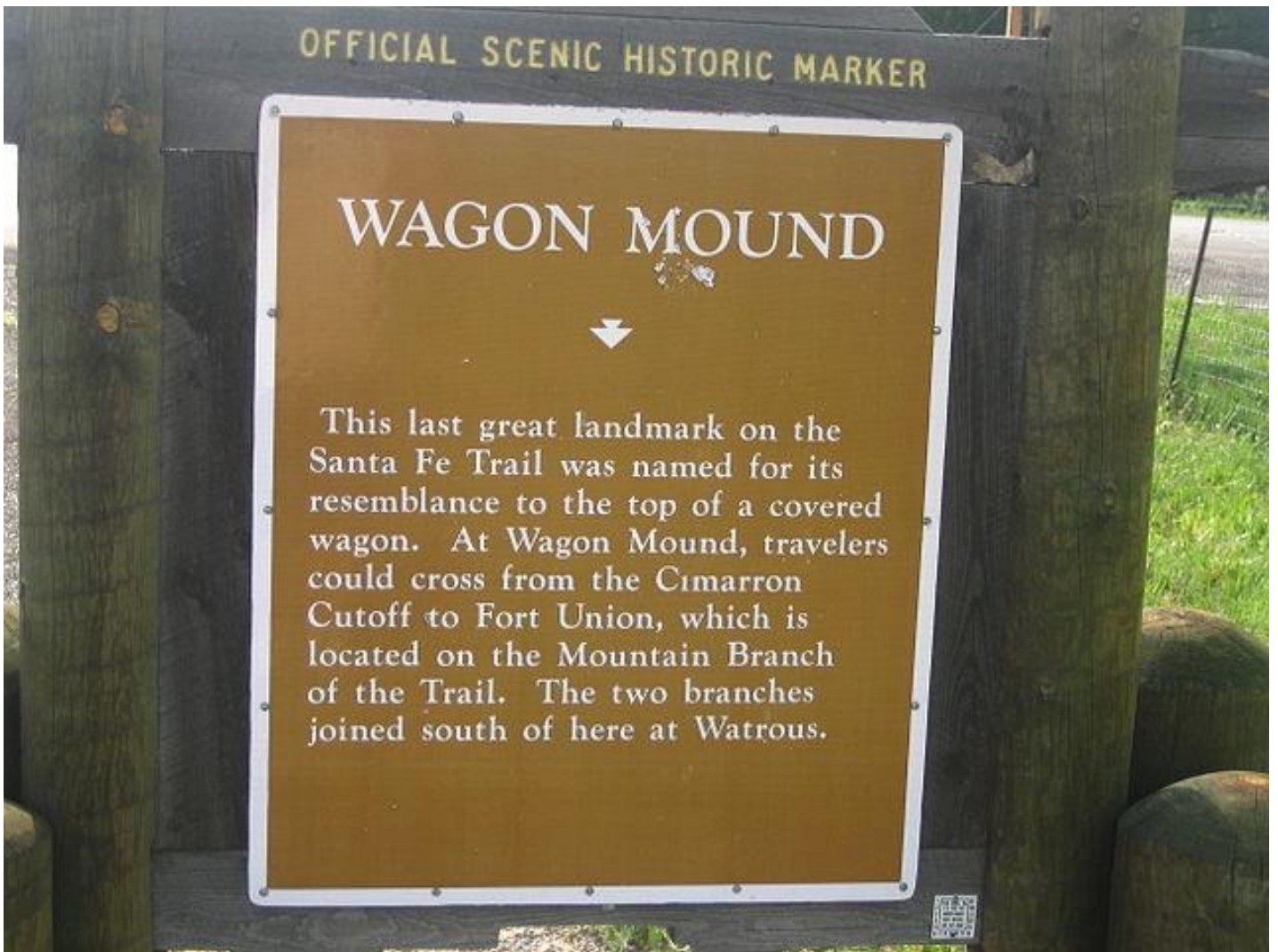


**STATE OF NEW MEXICO VILLAGE OF
WAGON MOUND**

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016



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STATE OF NEW MEXICO
Village of Wagom Mound
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 Village of Wagon Mound
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**STATE OF NEW MEXICO
Village of Wagon Mound
Official Roster
June 30, 2016**

VILLAGE COUNCIL

Tom F. Herrera.....Mayor
F. Luis LopezMayor Pro Tem
Andy B. MartinezCouncilor
Adrian ClouthierCouncilor
Zeke TrujilloCouncilor

VILLAGE OFFICIALS

Nora Sanchez.....Clerk/Treasurer
Sandy Romero.....Deputy Clerk

FINANCIAL SECTION



Southwest Accounting Solutions, LLC

Auditors ~ Business Consultants ~ CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Tim Keller
New Mexico State Auditor
Santa Fe, New Mexico
and

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of the Village of Wagon Mound New Mexico (the Village), as of and for the year ended June 30, 2016, 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 have also audited the budgetary comparisons for the proprietary funds presented as supplementary information as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2016 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Village of Wagon Mound Housing Authority (the Authority), which represent 2.21 percent, 2.18 percent, and 11.61 percent, respectively, of the assets, net position, and revenues of the Village and the Authority. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinions on the Governmental Activities and Business-type Activities and Expenses related to Governmental and Enterprise Funds

The Village does not have reliable information for the beginning balances for governmental activities and business-type activities for the year ending June 30, 2016. The amount by which this departure would affect the assets, fund balances, net position, revenues, and expenditures/expenses of the governmental activities and business-type activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on the Governmental Activities and Business-type Activities and Expenses related to Governmental and Enterprise Funds” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities and Business-type of the Village as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities that are not mentioned above, the business-type activities that are not mentioned above, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such 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 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.

Accounting principles generally accepted in the United States of America require Schedules I and II and the Notes to the Required Supplementary Information on pages 52-54 be presented to supplement the basic financial statements. Such 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Village’s basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The introductory section and supporting Schedules III through VII required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supporting Schedules III through V required by Section 2.2.2 NMAC are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements

or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supporting Schedules III through V required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supporting Schedule VII required by section 2.2.2 NMAC is the responsibility of management and was furnished to us by other auditors and our opinion, insofar as it relates to schedule VII, is based solely on the report of the other auditors. Based on the report supplied to us from other auditors Schedule VII was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied by the other auditors in their audit of the Authority's basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In the opinion supplied to us from the other auditors, Schedule VII required by 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and supporting schedule VI have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2016 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Village's internal control over financial reporting and compliance.

Southwest Accounting Solutions, LLC

Southwest Accounting Solutions, LLC
Albuquerque, New Mexico
December 12, 2016

BASIC FINANCIAL STATEMENTS

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STATE OF NEW MEXICO
Village of Wagon Mound
Statement of Net Position
June 30, 2016

Exhibit A-1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit Activities</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 422,921	\$ 188,728	\$ 611,649	\$ 4,201
Property taxes receivable	4,309	-	4,309	-
Gross receipts taxes receivable	7,706	-	7,706	-
Prepaid Insurance	-	-	-	895
Inventory	-	-	-	8,726
Accounts receivable	-	15,371	15,371	19,027
Total current assets	<u>434,936</u>	<u>204,099</u>	<u>639,035</u>	<u>32,849</u>
Noncurrent assets				
Customer deposits	-	7,459	7,459	5,336
Capital assets	4,883,562	3,424,984	8,308,546	884,251
Less: Accumulated Depreciation	<u>(2,334,166)</u>	<u>(1,790,727)</u>	<u>(4,124,893)</u>	<u>(812,816)</u>
Total noncurrent assets	<u>2,549,396</u>	<u>1,641,716</u>	<u>4,191,112</u>	<u>76,771</u>
Deferred outflows of resources				
Deferred outflows of resources related to pension	19,159	11,890	31,049	-
Total deferred outflows of resources	<u>19,159</u>	<u>11,890</u>	<u>31,049</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 3,003,491</u>	<u>\$ 1,857,705</u>	<u>\$ 4,861,196</u>	<u>\$ 109,620</u>
Liabilities				
Current Liabilities				
Accounts payable	\$ 11,464	\$ 5,489	\$ 16,953	\$ 2,091
Accrued salaries and benefits	1,608	1,165	2,773	3,785
Notes payable	21,977	5,125	27,102	-
Customer prepaids	-	-	-	747
Total current liabilities	<u>35,049</u>	<u>11,779</u>	<u>46,828</u>	<u>6,623</u>
Noncurrent liabilities				
Customer deposits	-	7,459	7,459	3,511
Notes payable	163,997	71,754	235,751	-
Compensated absences	2,889	5,288	8,177	-
Net pension liability	<u>59,952</u>	<u>39,967</u>	<u>99,919</u>	<u>-</u>
Total noncurrent liabilities	<u>226,838</u>	<u>124,468</u>	<u>351,306</u>	<u>3,511</u>
Total Liabilities	<u>261,887</u>	<u>136,247</u>	<u>398,134</u>	<u>10,134</u>
Deferred inflows of resources				
Deferred inflows of resources related to pension	2,436	132	2,568	-
Total deferred inflows of resources	<u>2,436</u>	<u>132</u>	<u>2,568</u>	<u>-</u>
Net Position				
Net investment in capital assets	2,549,396	1,634,257	4,183,653	71,435
Restricted for:				
Special revenue	139,759	-	139,759	-
Unrestricted	<u>50,013</u>	<u>87,069</u>	<u>137,082</u>	<u>28,051</u>
Total net position	<u>2,739,168</u>	<u>1,721,326</u>	<u>4,460,494</u>	<u>99,486</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,003,491</u>	<u>\$ 1,857,705</u>	<u>\$ 4,861,196</u>	<u>\$ 109,620</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, 2016

<u>Functions and Programs</u>	<u>Program Revenues</u>			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 370,893	\$ 1,049	\$ 269,794	\$ -
Public Safety	38,569	-	126,399	-
Interest on Long-Term Debt	3,886	-	-	-
Total Governmental Activities	413,348	1,049	396,193	-
Business-Type Activities				
Joint Utility	257,257	238,847	-	49,999
Total Business-Type Activities	257,257	238,847	-	49,999
Total primary government	\$ 670,605	\$ 239,896	\$ 396,193	\$ 49,999
Component Unit	\$ 129,195	\$ 98,801	\$ -	\$ 14,618

General Revenues:

Taxes:

Property taxes levied for general purposes

Gross receipt taxes

Interest income

Miscellaneous Income

Transfers

Subtotal, General Revenues

Change in Net Position

Net Position - beginning

Net position - restatement (Note 16)

Net Position - as restated

Net position - ending

See Independent Auditors' Report and Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Government Activities	Business- Type Activities	Total	Housing Authority
\$ (100,050)	\$ -	\$ (100,050)	\$ -
87,830	-	87,830	-
(3,886)	-	(3,886)	-
(16,106)	-	(16,106)	-
-	31,589	31,589	-
-	31,589	31,589	-
(16,106)	31,589	15,483	-
-	-	-	(15,776)
26,581	-	26,581	-
71,747	-	71,747	-
13	-	13	16
79,388	-	79,388	-
(51,235)	51,235	-	-
126,494	51,235	177,729	16
110,388	82,824	193,212	(15,760)
79,706	2,435	82,141	115,246
2,549,074	1,636,067	4,185,141	-
2,628,780	1,638,502	4,267,282	115,246
<u>\$ 2,739,168</u>	<u>\$ 1,721,326</u>	<u>\$ 4,460,494</u>	<u>\$ 99,486</u>

**STATE OF NEW MEXICO
Village of Wagon Mound
Balance Sheet –**

Exhibit B-1
Page 1 of 2

**Governmental Funds to the Statement of Net Position
June 30, 2016**

	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Law Enforcement</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 283,162	135,205	4,554	\$ 422,921
Gross receipts Tax Receivable	7,706	-	-	7,706
Property Tax Receivable	4,309	-	-	4,309
Total assets	<u>\$ 295,177</u>	<u>\$ 135,205</u>	<u>\$ 4,554</u>	<u>\$ 434,936</u>
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 11,464	\$ -	\$ -	\$ 11,464
Accrued salaries and benefits	1,608	-	-	1,608
Total liabilities	<u>13,072</u>	<u>-</u>	<u>-</u>	<u>13,072</u>
Fund balance				
Restricted for:				
Special Revenue	-	135,205	4,554	139,759
Unassigned	282,105	-	-	282,105
Total fund balance	<u>282,105</u>	<u>135,205</u>	<u>4,554</u>	<u>421,864</u>
Total liabilities and fund balance	<u>\$ 295,177</u>	<u>\$ 135,205</u>	<u>\$ 4,554</u>	<u>\$ 434,936</u>

**STATE OF NEW MEXICO
Village of Wagon Mound
Governmental Funds**

Exhibit B-1
Page 2 of 2

**Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2016**

Total Fund Balance - Governmental Funds **\$ 421,864**

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	4,883,562
Less: Accumulated Depreciation	(2,334,166)

Deferred outflows and inflows relating to pension liabilities are not payable /
collectable in the current period and therefore are not reported in the fund
financial statements.

Deferred Outflows	19,159
Deferred Inflows	(2,436)

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	(2,889)
Notes payable	(185,974)
Net pension liability	(59,952)

Total net position of governmental activities	<u>\$ 2,739,168</u>
--	----------------------------

STATE OF NEW MEXICO
Village of Wagon Mound
Statement of Revenues, Expenses, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

Exhibit B-2
Page 1 of 2

	<u>General Fund</u>	<u>Fire protection Fund</u>	<u>Law Enforcement</u>	<u>Total</u>
Revenues				
Property taxes	\$ 26,581	\$ -	\$ -	\$ 26,581
Gross receipt taxes	71,747	-	-	71,747
Charges for services	1,049	-	-	1,049
State operating grants	269,794	106,399	20,000	396,193
Miscellaneous income	79,388	-	-	79,388
Interest income	13	-	-	13
Total Revenues	<u>448,572</u>	<u>106,399</u>	<u>20,000</u>	<u>574,971</u>
Expenditures				
Current:				
General government	292,742	-	-	292,742
Public safety	-	14,972	15,470	30,442
Capital outlay	91,875	-	-	91,875
Debt service:				
Principal	-	21,815	-	21,815
Interest	-	3,886	-	3,886
Total expenditures	<u>384,617</u>	<u>40,673</u>	<u>15,470</u>	<u>440,760</u>
Excess (deficiency) of revenues over expenditures	<u>63,955</u>	<u>65,726</u>	<u>4,530</u>	<u>134,211</u>
Other financing sources (uses)				
Transfers out	(51,235)	-	-	(51,235)
Total other financing sources (uses)	<u>(51,235)</u>	<u>-</u>	<u>-</u>	<u>(51,235)</u>
Net change in fund balance	12,720	65,726	4,530	82,976
Fund balance - beginning of year	254,929	69,306	24	324,259
Restatement (Note 16)	14,456	173	-	14,629
Fund balance - beginning of year (Restated)	269,385	69,479	24	338,888
Fund balance - end of year	<u>\$ 282,105</u>	<u>\$ 135,205</u>	<u>\$ 4,554</u>	<u>\$ 421,864</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Village of Wagon Mound
Reconciliation of the Statement or Revenues, Expenses and Changes in Fund
Balances - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Net Change in Fund Balance - Governmental Funds **\$ 82,976**

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures recorded in capital outlay	91,875
Depreciation expense	(76,294)

Expenses reported in the statement of activities that do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Change in pension liability	(7,095)
-----------------------------	---------

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Increase in accrued compensated absences	(2,889)
Principal payments on bonds and loans payable	<u>21,815</u>

Change in Net Position of Governmental Activities **\$ 110,388**

**STATE OF NEW MEXICO
Village of Wagon Mound
General Fund**

Exhibit C-1

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to actual</u>
Revenues				
Taxes:				
Property Taxes	\$ 26,000	\$ 26,000	\$ 22,272	\$ (3,728)
Gross receipts	31,000	31,000	64,041	33,041
Other	71,000	71,000	79,388	8,388
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	90,000	90,000	269,794	179,794
State capital grants	-	-	-	-
Charges for services	5,000	5,000	1,049	(3,951)
Licenses and fees	800	800	-	(800)
Interest income (loss)	150	150	13	(137)
Miscellaneous	5,000	5,000	-	(5,000)
Total revenue	<u>228,950</u>	<u>228,950</u>	<u>436,557</u>	<u>207,607</u>
Expenditures				
Current				
General government	215,300	215,300	281,278	(65,978)
Public safety	-	-	-	-
Public works	5,125	5,125	-	5,125
Culture and recreation	-	-	-	-
Capital outlay	92,000	92,000	91,875	125
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>312,425</u>	<u>312,425</u>	<u>373,153</u>	<u>(60,728)</u>
Excess (deficiency) of revenues over expenditures	<u>(83,475)</u>	<u>(83,475)</u>	<u>63,404</u>	<u>146,879</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	83,475	83,475		
Transfers in	-	-	-	-
Transfers out	-	-	(51,235)	(51,235)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(51,235)</u>	<u>(51,235)</u>
Net Change in fund balance	(83,475)	(83,475)	12,169	95,644
Fund balance - beginning of year	269,385	269,385	269,385	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 281,554</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			<u>12,169</u>	
Adjustments to revenue for taxes receivable			12,015	
Adjustment to expenditures for accounts payable			<u>(11,464)</u>	
Net Change in fund balance (GAAP basis)			<u>\$ 12,720</u>	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
Village of Wagon Mound
Fire Protection**

Exhibit C-2

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
				Final to actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	106,399	106,399	106,399	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	106,399	106,399	106,399	-
Expenditures				
Current				
General government	-	-	-	-
Public safety	80,698	80,698	14,972	65,726
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	21,815	(21,815)
Interest	-	-	3,886	(3,886)
Total expenditures	80,698	80,698	40,673	40,025
Excess (deficiency) of revenues over expenditures	25,701	25,701	65,726	40,025
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	(25,701)	(25,701)		
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in fund balance	25,701	25,701	65,726	40,025
Fund balance - beginning of year	69,479	69,479	69,479	-
Fund balance - end of year	\$ -	\$ -	\$ 135,205	\$ -
Net change in fund balance (non-GAAP budgetary basis)			65,726	
Adjustments to revenue			-	
Adjustment to expenditures			-	
Net Change in fund balance (GAAP basis)			\$ 65,726	

See Independent Auditors' Report and Notes to Financial Statements

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**STATE OF NEW MEXICO
Village of Wagon Mound
Law Enforcement**

Exhibit C-3

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
				<u>Final to actual</u>
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	20,000	20,000	20,000	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	20,000	20,000	15,470	4,530
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>15,470</u>	<u>4,530</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>4,530</u>	<u>4,530</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in fund balance	-	-	4,530	4,530
Fund balance - beginning of year	24	24	24	-
Fund balance - end of year	<u>\$ 4,554</u>	<u>\$ 4,554</u>	<u>\$ 4,554</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			<u>4,530</u>	
Adjustments to revenue			-	
Adjustment to expenditures			-	
Net Change in fund balance (GAAP basis)			<u>\$ 4,530</u>	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Village of Wagon Mound
Statement of Net Position Proprietary Funds
June 30, 2016

	<u>Joint Utility</u>
Assets	
Cash and Cash Equivalents	\$ 188,728
Accounts Receivable	15,371
Total current assets	<u>204,099</u>
Noncurrent assets	
Customer Deposits	7,459
Capital Assets	3,424,984
Less: accumulated depreciation	<u>(1,790,727)</u>
Total noncurrent assets	<u>1,641,716</u>
Deferred outflows of resources	
Deferred outflows of resources related to pension	<u>11,890</u>
Total deferred outflows	<u>11,890</u>
Total assets, and deferred outflows of resources	<u>\$ 1,857,705</u>
Liabilities	
Accounts payable	\$ 5,489
Accrued salaries and benefits	1,165
Notes payable	<u>5,125</u>
Total current liabilities	<u>11,779</u>
Noncurrent liabilities	
Customer Deposits	7,459
Notes payable	71,754
Compensated absences	5,288
Pension Liability	<u>39,967</u>
Total noncurrent liabilities	<u>124,468</u>
Deferred inflows of resources	
Deferred inflows of resources related to pension	<u>132</u>
Total deferred inflows of resources	<u>132</u>
Net position	
Net investment in capital asset	1,634,257
Unrestricted	<u>87,069</u>
Total net position	<u>1,721,326</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,857,705</u>

**STATE OF NEW MEXICO
Village of Wagon Mound**

Exhibit D-2

**Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016**

	Joint Utility
Operating revenues:	
Charges for services	\$ 238,847
Total operating revenues	238,847
Operating expenses:	
Depreciation and amortization	101,338
Personnel services	62,038
Utilities	34,054
Miscellaneous	59,827
Total operating expense	257,257
Operating income (loss)	(18,410)
Income (loss) before contributions and transfers	(18,410)
Transfers in	51,235
Capital Grants	49,999
Total contributions and transfers	101,234
Change in Net Position	82,824
Net Position, beginning of year	2,435
Restatement (note 17)	1,636,067
Net Position - beginning of the year, restated	1,638,502
Net Position - end of the year	\$ 1,721,326

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**STATE OF NEW MEXICO
Village of Wagon Mound
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016**

Exhibit D-3

	Joint Utility
Cash flow from operating activities	
Cash received from customers	\$ 223,874
Cash payments to employees for services	(54,354)
Cash payments to suppliers for goods and services	(88,392)
Net cash provided buy operating activities	81,128
Cash flow from noncapital financing activities	
Transfers	51,235
Net cash flows provided by noncapital financing activities	51,235
Cash Flows from capital and related financing activities:	
Interest paid	
Principal payments	(21,815)
Acquisition of capital assets	(55,125)
Proceeds from capital governmental contributions	49,999
Net cash provided (used) by capital and related financing activities	(26,941)
Cash flows from investing activities	
Net increase (decrease) in cash and cash equivalents	105,422
Cash & cash equivalents - beginning of year	116,543
Cash & cash equivalents - beginning of year (restatement)	(25,778)
Cash & cash equivalents - beginning of year (restated)	90,765
Cash & cash equivalents - end of year	\$ 286,952
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (18,410)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Pension Expense	4,729
Depreciation	101,338
Changes in assets & liabilities:	
Receivables	(15,371)
Accounts payable	5,489
Accrued salaries and benefits	1,165
Compensated absences	1,790
Customer deposits	398
Net cash provided (used) by operating activities	\$ 81,128

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

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 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 Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, though legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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. 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. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Village has one discretely presented component unit.

Village of Wagon Mound Housing Authority (Authority) has been determined to be a component unit of the Village that should be discretely presented in the Village's financial statements pursuant to the criteria described above. The Authority has issued their own separately stated financial statements. Additional information regarding the Authority may be obtained from their administrative office as follows: Wagon Mount Housing Authority, 710 Catron Ave, Wagon Mound, NM 87752.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund 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 non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The Village's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements

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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. 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 of time, reimbursement and contingencies imposed by the provider are met.

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 and 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. 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. 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Village's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of Village facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Under the requirements of GASB Statement 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 financial statements include the following, which includes funds that were not required to be presented as major but were at the discretion of management:

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 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 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.

Law Enforcement protection Fund. – to account for funds allotted by the Law Enforcement Protection Fund, Section 29-13-5, NMSA 1978, to enhance the efficiency and effectiveness of law enforcement service (see governmental balance sheet, included there as there is a fund balance).

The Village reports the following major enterprise funds:

The Joint Utility accounts for the provision of sewer and water services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund including administration, operations, billing and maintenance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (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 by function and is included in the direct expense of each function.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. 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.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

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

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

Investments for the Village are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

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, property taxes are recorded when levied net of estimated refunds and uncollectible amounts.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Property taxes are levied on November 1st based on the assessed value of property as listed on the previous January 1st 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.

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.

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. State law sets a capitalization threshold of \$5,000 for acquisitions of property and equipment (12-10-10 NMSA 1978). 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 1980) are 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. Information technology equipment, including software, is being capitalized in accordance with NMAC 2.20.1.9 C (5).

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. 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:

Asset	Years
Buildings and Infrastructure	40
Equipment	5-20

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Accrued Expenses: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2016, along with the applicable PERA and Retiree Health Care.

Deferred Outflows of Resources Related to Pension: In addition to assets, the statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Village has two types of items that qualify for reporting in this category which is Changes in proportion and differences between Village's contributions and proportionate share of contributions in the amount of \$23,232 and contribution subsequent to the measurement date in the amount of \$7,817. This amount is deferred and recognized as an outflow of resources in the period that the amounts become due.

Deferred Inflows of Resources Related to Pension: In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measureable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The Village has three types of deferred inflows of resources presented on the Statement of Net Position which arise due to the implementation of GASB Statement No. 68 and the related net pension liability. Accordingly, the items, difference between expected and actual experience in the amount of \$2,213, net difference between projected and actual investment earnings on pension plan assets in the amount of \$316, and change in assumptions in the amount of \$39. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions: The Government wide financial statements and proprietary type funds report deferred outflows and deferred inflows for purposes of measuring the net pension liability. Deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences: Qualified employees are entitled to accumulate annual leave based on their employment classification and length of employment. The Village allows employees to accumulate unused sick leave up to a maximum of 240 hours. The Village does not allow for any sick leave to be converted to cash payouts. No employee receives a cash payout of their unused sick leave upon termination.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

Long-term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. For bonds issued after GASB Statement No. 34 was implemented, bond premiums and discounts, 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.

Fund Balance Classification Policies and Procedures: For committed fund balance, the Village's highest level of decision-making authority is the Village Council. The formal action that is required to be taken to establish a fund balance commitment is the Village Council.

For assigned fund balance, the Village Council or an official or body to which the Village Council delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

For the classification of fund balances, the Village considers restricted or unrestricted amounts to have been spent when expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the Village considers committed, assigned, or unassigned amounts to have been spent when expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable Fund Balance: At June 30, 2016, the Village has presented \$0- in nonspendable fund balance.

Restricted and Committed Fund Balance: At June 30, 2016, the Village has presented restricted and committed fund balance on the governmental funds balance sheet in the amount of \$139,759. If there were any restricted fund balances with negative balances, they have been reported as unassigned. The details of these fund balance items are located on the governmental funds balance sheet as detailed on page 16.

Net Position: Equity is classified as net position and displayed in three components:

Net investment in capital assets: This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Restricted net position: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position: Net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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.

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. Significant estimates in the Village’s financial statements consist of depreciation estimated useful lives of capital assets and the allowance for doubtful accounts of the Joint Utility.

NOTE 2. Stewardship, Compliance and Accountability

Annual budgets of the Village are prepared prior to June 1 and must be approved by resolution of the Village Councilors, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Village Councilors and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP budgetary basis, excluding encumbrances, and secure appropriation of funds for only one year. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds, and Proprietary Funds.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 2. Stewardship, Compliance and Accountability (continued)

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual and Statement of Revenues, Expenses and Changes in Net Position (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2016 is presented.

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, 2016.

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 collateralization as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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.

During the fiscal years ending June 30, 2016 all of the Village's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, were insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount of \$250,000.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2016, \$370,913 of the Village's bank balance of \$620,913 was exposed to custodial credit risk. \$211,357 of the Villages cash deposits were uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Village's name, and \$159,556 was uninsured and uncollateralized at June 30, 2016.

	Wells Fargo
Deposits	\$ 620,913
Less: FDIC Coverage	(250,000)
Total uninsured public funds	370,913
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Village's name	211,357
Uninsured and uncollateralized	159,556
Collateral requirements (50% of uninsured funds)	185,457
Pledged Collateral	211,357
Over (under) collateralized	\$ 25,901

The Carrying Amount of deposits and investments shown above are included in the Village's Statement of Net position as follows:

Cash and cash equivalents - Governmental Activities Exhibit A-1	\$ 422,921
Cash and cash equivalents - Business-type Activities Exhibit E-A	188,728
Customer Deposits - Business-type Activities Exhibit A-1	7,459
Total cash and cash equivalents	\$ 619,108
Add: outstanding checks	1,805
Less: outstanding deposits	-
Bank balance of deposits	\$ 620,913

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 4. Receivables

Receivables as of June 30, 2016, are as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Property taxes	\$ 4,309	\$ -	\$ 4,309
Gross receipts taxes	7,706	-	7,706
Other receivables:		-	-
Customer Receivables-Net	-	15,371	15,371
Total Receivables, Net	<u>\$ 16,324</u>	<u>\$ 15,371</u>	<u>\$ 27,386</u>

The above governmental receivables are deemed 100% collectible. In accordance with GASB 33, property tax revenues receivables not collected within the period of availability was determined to be immaterial to the financial statements and was not reclassified as deferred inflow of resources in the governmental fund financial statements. The Village accrued an allowance for doubtful account in the Joint Utility in the amount of \$684.

NOTE 5. Transfers

Net operating transfers were made during the year for supplementing other funding in the normal course of operations, and also for the purposes to retire debt related to the advanced refunding of bonds. These transfers were as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General	Joint Utility	\$ 51,235

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2016 follows. Land is not subject to depreciation.

Governmental Activities:	Balance June 30, 2015	June 30, 2015 Restatement	June 30, 2015 Restated	Additions	Balance June 30, 2016
Capital assets not being depreciated:					
Art	\$ -	\$ 16,000	\$ 16,000	\$ -	\$ 16,000
Construction in progress	-	961,269	961,270	23,542	984,812
Land	-	575,084	575,084	-	575,084
Total capital assets, not depreciated	-	1,552,353	1,552,354	23,542	1,575,896
Capital assets depreciated:					
Buildings and Infrastructure	-	2,382,738	2,382,738	68,333	2,451,071
Equipment	-	856,595	856,595	-	856,595
Total capital assets, depreciated	-	3,239,333	3,239,333	68,333	3,307,666
Less accumulated depreciation:					
Buildings	-	1,854,382	1,854,382	40,658	1,895,040
Equipment	-	403,490	403,490	35,636	439,126
Total accumulated depreciation	-	2,257,872	2,257,872	76,294	2,334,166
Capital Assets, Net	\$ -				\$ 2,549,396

There were no deletions of capital assets in the fiscal year 2016. Depreciation expense for the year ended June 30, 2016 was charged to governmental activities as follows:

General Government	69,108
Public Safety	7,186
Total depreciation expense, governmental activities	76,294

Business-type Activities:	Balance June 30, 2015	June 30, 2015 Restatement	June 30, 2015 Restated	Additions	Balance June 30, 2016
Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Total capital assets, not depreciated	-	-	-	-	-
Capital assets depreciated:					
Buildings and Infrastructure	-	3,006,869	3,006,869	50,000	3,056,869
Equipment	-	368,115	368,115	-	368,115
Total capital assets, depreciated	-	3,374,984	3,374,984	50,000	3,424,984
Less accumulated depreciation:					
Buildings	-	1,432,535	1,432,535	68,422	1,500,957
Equipment	-	256,854	256,854	32,916	289,770
Total accumulated depreciation	-	1,689,389	1,689,389	101,338	1,790,727
Capital Assets, Net	\$ -				\$ 1,634,257

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 7. Long-term Debt

Governmental Activities

During the year ended June 30, 2016 the following changes occurred in the long term debt reported in the Government-Wide Statement of Net Position:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Compensated Absences	\$ -	\$ 3,401	\$ 512	\$ 2,889	\$ -
NMFA Loans	207,789	-	21,815	185,974	21,977
Total Long Term Debt	<u>\$ 169,589</u>	<u>\$ 15,424</u>	<u>\$ 24,920</u>	<u>\$ 107,597</u>	<u>\$ 21,977</u>

On November 1, 2014 the Village entered into a loan agreement with the New Mexico Finance Authority for the purchase of a fire pumper truck. The original amount of the loan was \$226,701, with a term of ten years. Interest on the loan varies from .37% - 2.79%. The Village pledged revenues from the Fire Protection Fund distributions made annually to the Village by the State Fire Marshall to pay the annual principal payments and the semi-annual interest payments on this loan, until paid off at maturity in May 2024. The amount of the pledged revenues was for the total amount of the loans principal and interest in the amount of \$257,005. This revenue is subject to an intercept agreement. For Fire Protection Fund revenues in fiscal year ending June 30, 2016 \$25,700 was used for the current year loan payment.

The annual requirement to amortize the outstanding loan as of June 30, 2016 including interest payments for Governmental Activities are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 21,977	\$ 3,722	\$ 25,699
2018	22,196	3,612	25,808
2019	22,496	3,502	25,998
2020	22,863	3,353	26,216
2021	23,300	3,204	26,504
2022-2026	73,142	8,478	81,620
Total	<u>\$ 185,974</u>	<u>\$ 25,871</u>	<u>\$ 211,845</u>

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 7. Long-term Debt (continued)

Business-Type Activities

Bonds and notes payables for the Business-Type Activities as of June 30, 2016 are comprised of the following:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Compensated Absences	\$ 3,498	\$ 3,098	\$ 1,308	\$ 5,288	\$ -
NMED Clean Water Loan	82,005	-	5,125	76,880	5,125
Total Long Term Debt	<u>\$ 85,503</u>	<u>\$ 3,098</u>	<u>\$ 6,433</u>	<u>\$ 82,168</u>	<u>\$ 5,125</u>

On April 25, 2012 the Village entered into a loan agreement with the New Mexico Environment Department for the purchase of making improvements to the Villages Joint Utility. The original amount of the loan was \$102,506, with a term of twenty years. The loan is a 0% interest loan and the Village did not impute interest due to the amount being immaterial to the financial statements. The Village pledged revenues from the Joint Utility to pay the annual principal payments on this loan, until paid off at maturity in April 2031. The amount of the pledged revenues was for the total amount of the loans principal in the amount of \$102,506.

NOTE 8. Risk Management

The Village is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The Village participates in the New Mexico Self-Insurers' 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 not 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.

As of June 30, 2016, 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. New Mexico Self-Insurers' Fund has not provided information on 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.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 9. Pension Plan- Public Employees Retirement Association

General Information about the Pension Plan

Plan description:

The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund. PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/>.

Benefits provided

For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions

The contribution requirements of defined benefit plan members and the Village are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY15 annual audit report at: http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf.

The PERA coverage options that apply to the Village are: Municipal General. Municipal Police and The Municipal Fire Division does not apply to the Village. Statutorily required contributions to the pension plan from the Village were \$7,817 for the year ended June 30, 2016. The Village did not pick up any portion of the employees contributions.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Village's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For PERA Fund Division Municipal General, at June 30, 2016, the Village reported a liability of \$99,919 for its proportionate share of the net pension liability. At June 30, 2015, the Village's proportion was .00098 percent, which was changed slightly from its proportion measured as of June 30, 2014.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

For the year ended June 30, 2016, the Village recognized PERA Fund Division Municipal General Pension expense of \$7,817. At June 30, 2015, the Village reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,213
Changes of assumptions	-	39
Net difference between projected and actual earnings on pension plan investments	-	316
Changes in proportion and differences between Village's contributions and proportionate share of contributions	23,232	-
Village's contributions subsequent to the measurement date	<u>7,817</u>	<u>-</u>
Total	<u>\$ 31,049</u>	<u>\$ 2,568</u>

\$7,817 reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2017	\$ 2,646
2018	2,646
2019	2,646
2020	(5,370)
Thereafter	<u>-</u>
Total	<u>\$ 2,568</u>

**STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016**

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Asset valuation method	Solved for based on statutory rates
Actuarial assumptions:	Fair value
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.1%	5.00%
International Equity	24.8%	5.20%
Private Equity	7.0%	8.20%
Core and Global Fixed Income	26.1%	1.85%
Fixed Income Plus Sectors	5.0%	4.80%
Real Estate	5.0%	5.30%
Real Assets	7.0%	5.70%
Absolute Return	<u>4.0%</u>	4.15%
Total	100%	

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Village's net pension liability in each PERA Fund Division that the Village participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

<u>PERA Fund Division Municipal Government</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Village's proportionate share of the net pension liability	\$ 170,123	\$ 99,919	\$ 41,550

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan

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

NOTE 11. 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, 2016, 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.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 12. Concentrations

The Village depends on financial resources flowing from, or associated with, property taxes and gross receipts taxes. Because of this dependency, the Village is subject to changes in specific flows of intergovernmental revenues based on modifications to State laws and Federal and State Appropriations; changes in gross receipts tax rates, collections, tourism, and property values.

NOTE 13. Other Required Fund Disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Excess of expenditures over appropriations. Budgetary authority is at the fund level. The following funds exceeded approved authority for the year ended June 30, 2016:

Fund	Amount
General Fund	\$ 60,728
Joint Utility	\$ 1,271

NOTE 14. Restricted Net Position

The Government Wide Statement of Net Position reports \$139,759 of restricted amounts, all of which is restricted by enabling legislation.

NOTE 15. 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.

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 16. Restatements

The Village recorded various restatements to prior period Fund Balances and Net Position in Governmental and Proprietary Funds. Below is a summary of these restatements:

Fund Name	Net position / Fund Balance June 30, 2015	Cash	Capital Assets	Debt	Prior Period Expenses, Revenues and	Restated Net Position/Fund Balance June 30, 2015
Government Wide Restatements:						
Governmental Activities	\$ 79,706	\$ -	\$ 2,533,815	\$ 630	\$ 14,629	\$ 2,628,780
Business-type Activities	2,435	(25,778)	1,685,595	-	(23,750)	1,638,502
Total	\$ 82,141	\$ (25,778)	\$ 4,219,410	\$ 630	\$ (9,121)	\$ 4,267,282
Major Governmental Funds Restatements:						
General Fund	\$ 254,929	\$ -	\$ -	\$ -	\$ 14,456	\$ 269,385
Fire Protection	69,306	-	-	-	173	69,479
Total Major Governmental Funds	\$ 324,235	\$ -	\$ -	\$ -	\$ 14,629	\$ 338,864
Proprietary Fund Restatements:						
Waste Water	\$ 2,435	\$ (25,778)	\$ 1,685,595	\$ -	\$ (23,750)	\$ 1,638,502
Total Proprietary Fund Restatements	\$ 2,435	\$ (25,778)	\$ 1,685,595	\$ -	\$ (23,750)	\$ 1,638,502

NOTE 17. Subsequent Events

The date to which events occurring after June 30, 2016, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 12, 2016, which is the date on which the financial statements were available to be issued.

NOTE 18. Leases

The Village has entered into a number of operating leases, which contain cancellation provisions and are subject to annual appropriations. The rent expenditures for these leases were primarily from the General Fund. Future minimum lease payments are:

Fiscal Year Ending	Amount
2017	\$ 879
2018	879
2019	293
2020	-
2021	-
	<u>\$ 2,051</u>

STATE OF NEW MEXICO
Village of Wagon Mound
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 19. Subsequent Pronouncements

GASB No. 72 – Fair Value Measurement and Application. The objective of this Statement is to provide guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments and disclosures related to all fair value measurements. The statement will not have a material impact on the Village’s financial statements.

GASB No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement will not have a material impact on the Village’s financial statements.

GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No.73. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Wagon Mound

Schedules of Required Supplementary Information

Schedule of the Village of Wagon Mound Proportionate Share of the Net Pension Liability of PERA Fund Division – Municipal General Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years*

MUNICIPAL GENERAL FUND

	<u>2016</u>		<u>2015</u>
Village's proportion of the net pension liability (asset)	0.0990%		0.1978%
Village's proportionate share of the net pension liability (asset)	\$ 99,919	\$	46,026
Village's covered-employee payroll	\$ 105,640	\$	46,850
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	94.58%		98.24%
Plan fiduciary net position as a percentage of the total pension liability	76.99%		81.29%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

STATE OF NEW MEXICO
Village of Wagon Mound
Schedules of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division - Municipal General
Last 10 Years*

Schedule II

MUNICIPAL GENERAL FUND

	<u>2016</u>		<u>2015</u>
Contractually required contribution	\$ 7,817	\$	4,474
Contributions in relation to the contractually required contribution	7,817		4,450
Contribution deficiency (excess)	\$ -	\$	24
Village's covered-employee payroll	\$ 105,640	\$	46,850
Contributions as a percentage of covered-employee payroll	7.40%		9.50%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

STATE OF NEW MEXICO
Village Wagon Mound
Notes to the Schedule of Required Supplementary Information
For the year Ended June 30, 2016

Changes of benefit terms.

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes of assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2014, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

SUPPLEMENTARY INFORMATION

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**STATE OF NEW MEXICO
Village of Wagon Mound
Proprietary Funds**

Statement A-1

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (unfavorable)</u>
Operating revenues:				
Charges for services	\$ 195,500	\$ 195,500	223,476	\$ 27,976
Total operating revenues	<u>195,500</u>	<u>195,500</u>	<u>223,476</u>	<u>27,976</u>
Operating expenses:				
Personnel services	50,492	50,492	51,235	(743)
Contractual services	-	-	-	-
Supplies	-	-	-	-
Maintenance and Materials	-	-	-	-
Utilities	32,636	32,636	33,117	(481)
Miscellaneous	57,547	57,547	58,394	(847)
Total operating expense	<u>140,675</u>	<u>140,675</u>	<u>142,746</u>	<u>(2,071)</u>
Operating income (loss)	<u>54,825</u>	<u>54,825</u>	<u>80,730</u>	<u>30,047</u>
Non-operating revenues (expense):				
Principal payments	-	-	-	-
Bond Proceeds	-	-	-	-
Bond issuance cost	-	-	-	-
Capital outlay	(54,325)	(54,325)	(55,125)	800
Gross receipts taxes	-	-	-	-
Interest income	-	-	-	-
Interest expense	-	-	-	-
Governmental contributions	-	-	-	-
Miscellaneous income (expense)	-	-	-	-
Total non-operating revenues (expense)	<u>(54,325)</u>	<u>(54,325)</u>	<u>(55,125)</u>	<u>800</u>
Income (loss) before contributions and transfers				
Transfers in	-	-	51,235	51,235
Transfers out	-	-	-	-
State and federal capital grants	-	-	49,999	49,999
State and federal operating grants	-	-	-	-
Total contributions and transfers			<u>101,234</u>	<u>101,234</u>
Change in Net Position	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 126,839</u>	<u>\$ 126,339</u>
Reconciliation to GAAP basis:				
No adjustments to revenues for accounts receivable			15,371	
Adjustments to expenditures for depreciation, accounts payable, accrued payroll and capital outlay			(59,386)	
Change in net position (GAAP basis)			82,824	
Net Position, beginning of year			<u>1,638,502</u>	
Net Position - end of the year			<u>\$ 1,721,326</u>	

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Village of Wagon Mound
Schedule of Deposits
June 30, 2016

Schedule III

	<u>Wells Fargo</u>
General Fund - Operating	\$ 233,922
Fire protection	135,205
Law Enforcement	4,634
Joint Utility - Operating	190,249
Meter Deposit	7,459
Emergency Reserve	<u>49,444</u>
 Total Deposits	 <u><u>\$ 620,913</u></u>
 Outstanding checks	 <u>(1,805)</u>
 Total cash & cash equivalents	 <u><u>619,108</u></u>
 Cash and cash equivalents - Exhibit A-1	 611,649
Customer Deposits Exhibit A-1	<u>7,459</u>
 Total cash & cash equivalents	 <u><u>\$ 619,108</u></u>

STATE OF NEW MEXICO
Village of Wagon Mound
Schedule of Collateral Pledged by Depository
June 30, 2016

Schedule IV

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Par/FMV Value at June 30, 2016</u>
Wells Fargo	FNMA	10/1/2026	3138AM6M2	\$ 161,781
Wells Fargo	FNMA	10/1/2026	31418AAMO	49,576
				<u>\$ 211,357</u>

**STATE OF NEW MEXICO
Village of Wagon Mound
Joint Powers Agreements
June 30, 2016**

Schedule V

Law Enforcement Services

Participants	Village of Wagon Mound and NMDPS
Responsible Party	NMDPS
Description	Law Enforcement series..
Period	July 7, 2010 to June 30, 2016, and extended on an annual basis.
Project Costs	N/A
County Contributions	None
Audit Responsibility	Village of Wagon Mound

STATE OF NEW MEXICO
Village of Wagon Mound
Schedule of Vendor Information for Purchases Exceeding \$60,000
June 30, 2016

Schedule VI

Prepared by Nora Sanchez, Clerk. Date: 11/18/2016

Village had no purchases above \$60,000 for the year ended June 30, 2016

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<i>RFB#/RFP# (If applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>
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6184 Village of Wagon Mound

STATE OF NEW MEXICO

Schedule VI

Village of Wagon Mound

Schedule of Vendor Information for Purchases Exceeding \$60,000

June 30, 2016

<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
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STATE OF NEW MEXICO
Village of Wagon Mound Housing Authority
Financial Data Schedule
June 30, 2016

Schedule VII

Description	Public Housing Low Rent	Public Housing Capital Fund	Total
Cash - Unrestricted	\$ 4,201	\$ -	\$ 4,201
Cash - Tenant Security Deposits	5,336	-	5,336
Total Cash	<u>9,537</u>	<u>\$ -</u>	<u>9,537</u>
Accounts Receivable -HUD Other projects	17,787	-	17,787
Accounts Receivable -other	-	-	-
Accounts Receivable - Tenants	3,101	-	3,101
Allowance for Doubtful Accounts - Dwelling Rents	<u>(1,861)</u>	<u>-</u>	<u>(1,861)</u>
Total Receivables	19,027	-	19,027
Prepaid Expenses and Other Assets	895	-	895
Inventories	9,695	-	9,695
Allowance for Obsolete Inventories	<u>(969)</u>	<u>-</u>	<u>(969)</u>
Total Current Assets	<u>38,185</u>	<u>-</u>	<u>38,185</u>
Land	7,227	-	7,227
Buildings	859,110	-	859,110
Furniture Equipment and Machinery - Administration	15,774	-	15,774
Accumulated Depreciation	<u>(812,816)</u>	<u>-</u>	<u>(812,816)</u>
Construction in Progress	2,140	-	2,140
Total Capital Assets Net of Accumulated Depreciation	<u>71,435</u>	<u>-</u>	<u>71,435</u>
Total Assets and Deferred Outflows	<u>\$ 109,620</u>	<u>\$ -</u>	<u>\$ 109,620</u>
Accounts Payable <=90 Days	\$ 2,091	\$ -	\$ 2,091
Accrued Payroll	3,785	-	3,785
Tenant Security Deposits	3,511	-	3,511
Defrred Revenue	<u>747</u>	<u>-</u>	<u>747</u>
Total Liabilities	<u>10,134</u>	<u>-</u>	<u>10,134</u>
Net Investment in Capital Assets	71,435	-	71,435
Unrestricted Net Position	<u>28,051</u>	<u>-</u>	<u>28,051</u>
Total Equity/Net Position	<u>99,486</u>	<u>-</u>	<u>99,486</u>
Total Liabilities and Equity/Net Position	<u>\$ 109,620</u>	<u>\$ -</u>	<u>\$ 109,620</u>

STATE OF NEW MEXICO
Village of Wagon Mound Housing Authority
Financial Data Schedule
June 30, 2016

Schedule VII

Description	Public Housing Low rent	Public Housing Capital Fund	Total
Net Tenant Rental Revenue	\$ 38,450	\$ -	\$ 38,450
Tenant Revenue - Other	548	-	548
Total Tenant Revenue	<u>38,998</u>	<u>-</u>	<u>38,998</u>
HUD PHA Operating Grants	59,803	-	59,803
Capital Grants	-	14,618	14,618
Total Fee Revenue	<u>59,803</u>	<u>14,618</u>	<u>74,421</u>
Investment Income - Unrestricted	16	-	16
Total Revenue	<u>\$ 98,817</u>	<u>\$ 14,618</u>	<u>\$ 113,435</u>
Administrative Salaries	\$ 22,743	\$ -	\$ 22,743
Auditing Fees	6,439	-	6,439
Employee Benefits	3,070	-	3,070
Office Exepense	4,196	-	4,196
Travel	540	-	540
Other Operating - Administrative	3,413	-	3,413
Total Operating - Administrative	<u>40,401</u>	<u>-</u>	<u>40,401</u>
Water	3,240	-	3,240
Electric	2,339	-	2,339
Gas	12,011	-	12,011
Sewer	4,722	-	4,722
Total Utilities	<u>22,312</u>	<u>-</u>	<u>22,312</u>
Ordinary Maintenance and Operation - Labor	16,067	-	16,067
Ordinary Maintenance and Operation - Materials	4,507	10,349	14,856
Ordinary Maintenance and Operation - Contracts	7,538	269	7,807
Employee Benefits - Maintenance	2,317	-	2,317
Total Maintenance	<u>30,429</u>	<u>10,618</u>	<u>41,047</u>
Property Insurance	4,580	-	4,580
Liability Insurance	663	-	663
Workman's Compensation	1,587	-	1,587
All Other Insurance	921	-	921
Total Insurance Premiums	<u>7,751</u>	<u>-</u>	<u>7,751</u>
Bad Debt Tenant Rents	1,582	2,140	3,722
Total Other	<u>1,582</u>	<u>2,140</u>	<u>3,722</u>
Total Operating Expenses	<u>102,475</u>	<u>12,758</u>	<u>115,233</u>
Excess of Operating Revenues over Operating Expenses	<u>\$ (3,658)</u>	<u>\$ 1,860</u>	<u>\$ (1,798)</u>
Depreciation Expense	13,962	-	13,962
Total Expenses	<u>\$ 116,437</u>	<u>\$ 12,758</u>	<u>\$ 129,195</u>
Operating Transfers In	4,000	-	4,000
Operating Transfers Out	-	(4,000)	(4,000)
Total Other Financing Sources (Uses)	<u>4,000</u>	<u>(4,000)</u>	<u>-</u>
Excess of Revenue over Expenses	<u>\$ (13,620)</u>	<u>\$ (2,140)</u>	<u>\$ (15,760)</u>

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STATE OF NEW MEXICO
Village of Wagon Mound Housing Authority
Financial Data Schedule
June 30, 2016

Schedule VII

Beginning Equity	<u>\$ 113,106</u>	<u>\$ 2,140</u>	<u>\$ 115,246</u>
Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Ending Equity	<u><u>\$ 99,486</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 99,486</u></u>
Unit Months Available	<u>228</u>	<u>-</u>	<u>228</u>
Number of Unit Months Leased	<u>219</u>	<u>-</u>	<u>219</u>

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COMPLIANCE SECTION



Southwest Accounting Solutions, LLC

Auditors ~ Business Consultants ~ CPA

INDEPENDENT AUDITOR'S 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

Honorable Tim Keller
New Mexico State Auditor
Santa Fe, New Mexico
and

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

We have audited, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue funds of the Village of Wagon Mound (the Village), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and the budgetary comparisons of the proprietary fund presented as supplementary information and have issued our report thereon dated December 12, 2016. Our report includes a reference to other auditors who audited the financial statements of Wagon Mound housing Authority, as described in our report on the Village's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 on 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 described in the accompanying schedule of findings and questioned costs, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 questioned costs to be material weaknesses (FS 2014-012).

A *significant deficiency* is a deficiency, or a 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 questioned costs to be significant deficiencies (FS 2014-004).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from 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 questioned costs as items FS (FS 2011-003) and (HA 2016-001).

The Village's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Southwest Accounting Solutions, LLC

Southwest Accounting Solutions, LLC
Albuquerque, New Mexico
December 12, 2016

**STATE OF NEW MEXICO
Village of Wagon Mound
Schedule of Findings and Questioned Costs
June 30, 2016**

SECTION I - SUMMARY OF AUDIT RESULTS

Financials Statements:

1. Type of auditors' report issued-Governmental
Qualified
2. Type of auditors' report issued-Component Unit
Unmodified
3. Internal control over financial reporting:
 - a. Material weakness identified? Yes
 - b. Significant deficiencies identified? Yes
 - c. Noncompliance material to the financial statements? Yes

STATE OF NEW MEXICO
Village of Wagon Mound
Schedule of Findings and Questioned Costs
June 30, 2016

SECTION II – PRIOR YEAR AUDIT FINDINGS

Financial Statement – Primary Government

FS 2011-001 Physical Inventory and Capital Listing – Material Noncompliance - Resolved

FS 2011-003 Budget Overages – Material Noncompliance - Repeated

FS 2012-001 Internal Control over Disbursements– Significant Deficiency – Resolved

FS 2014-002 - Reconciliation of Payroll Liabilities - Significant Deficiency - Resolved

FS 2014-003 Reconciliation of Payroll Expenditures - Significant Deficiency – Resolved

FS 2014-004 — Segregation of Duties – Significant Deficiency - Repeated/Modified

FS 2014-006 Allowance for Doubtful Accounts - Material Weakness - Resolved

FS 2014-007 – Internal Controls over Receipts – Material Noncompliance – Resolved

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

FS 2014-012 Fund Accounting - Significant Deficiency - Repeated/Modified

FS 2015-001 Board Member Pay - Significant Deficiency – Resolved

Financial Statement - Component Unit:

2015-001 Security Deposits Not Matching the Restricted Cash Accounts – Non Compliance - Resolved

STATE OF NEW MEXICO
Village of Wagon Mound
Schedule of Findings and Questioned Costs
June 30, 2016

SECTION III – FINANCIAL STATEMENT FINDINGS

FS 2011-003 Budget Overages - Noncompliance-Repeated

Condition: During our analysis of budget to actual reports for the year ended June 30, 2016, we noted the total expenditures exceeded the total budgeted amounts resulting in one fund with over expended budgets totaling \$77,447, expensed in incorrect fund as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 60,728
Joint Utility	\$ 1,271

Criteria: All Village funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the State of New Mexico Department of Finance and Administration – Local Government Division for approval. Once adopted, any claims or warrants in excess of budget are a violation of New Mexico State Statute 6-6-6, 1978 Compilation.

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: There was inadequate monitoring of budgeting procedures during the fiscal year end June 30, 2016

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

Management's Progress: The Village clerk has received training on the budgetary process and monitoring budgets.

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 QuickBooks 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 have a system 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 Assist which is new financial software which could help in this process, but since the purchase of the software, the hired Master 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. The Mayor will attempt to correct this by 6/30/2017.

Timeline: The Village believes they can implement proper budgets by year end June 30, 2017.

STATE OF NEW MEXICO
Village of Wagon Mound
Schedule of Findings and Questioned Costs
June 30, 2016

FS 2014-004- Segregation of Duties -Significant Deficiency-Repeated/Modified

Condition: During our test work 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 FY2016 Clerk (Clerk/Treasurer at present) can perform all essential functions in the cash receipt cycle.

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 Progress: Progress has been negated by the turnover rate of the Village.

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. The Village is currently without a Clerk. The Mayor states that the Village will improve this matter by 6/30/2017.

Timeline: The Village believes this is difficult due to the nature of the Village. No current timeline.

STATE OF NEW MEXICO
Village of Wagon Mound
Schedule of Findings and Questioned Costs
June 30, 2016

FS 2014-012 Fund Accounting-Beginning Balances– Material Weakness - Repeated/Modified

Condition: During our audit process, we were unable to determine which general ledger accounts were associated with the various funds. It also appeared expenditures were paid from incorrect funds without proper documentation. Beginning balances were at issue as a result and a restatement to Proprietary cash was made in the amount of \$25,778.

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 Progress: The Village has made improvements, but still needs proper fund training.

Management's Response: 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. This is an ongoing improvement. The statements for the entity as a whole have been corrected and the Village will now move onto fund accounting solutions. Noted improvements for the year ended June 30, 2016, and entity balances as a whole appear in-line.

Timeline: The Village believes they can implement fund accounting by year end June 30, 2017.

STATE OF NEW MEXICO
Village of Wagon Mound
Schedule of Findings and Questioned Costs
Wagon Mound Housing Authority
June 30, 2016

Housing Authority (current year)

HA 2016-001 Missing Forms 1-9 -Non Compliance

Statement of Condition: The employee files did not include completed Employment Eligibility Verification Form 1-9.

Criteria: Form 1-9 is used for verifying the identity and employment authorization of individuals hired for employment in the United States. All U.S. employers must ensure proper completion of Form 1-9 for each individual they hire for employment,

Effect: Form 1-9 were not completed for either of the two employees of the Housing Authority.

Cause: The Board of Commissioners was unaware that the forms were not completed and the current Executive Director was unaware of the requirement.

Recommendation: We recommend that the Housing Authority's Executive Director complete and certify the 1-9s for both current employees and follow U.S. Department of Homeland Security for all future new employees.

Management's Response: The Wagon Mound Housing Authority's Executive Director and the Wagon Mound Housing Authority's Board of Commissioners assures that the Forms 1-9 for current employees will be completed and certified and that the 1-9s will be completed by March 31, 2017 as instructed by the Department of Homeland Security for all new employees.

**STATE OF NEW MEXICO
Village of Wagon Mound
Exit Conference
June 30, 2016**

Exit Conference

An exit conference was held on December 12, 2016. In attendance were the following:

Nora Sanchez
Thomas F. Herrera

Municipal Clerk
Mayor

Representing Southwest Accounting Solutions, LLC

Geoff Mamerow, CFE

Auditor Prepared Financial Statements

SAS assisted the Village in the preparation of the GAAP-based financial statements and notes to the financial statements. The financial statements were prepared using the original books and records provided by the management of the Village. The responsibility for the financial statements remains with the Village.