

STATE OF NEW MEXICO

VILLAGE OF WILLARD

AUDIT REPORT

For the Year Ended June 30, 2008

(with Auditor's Report Thereon)

RICE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO

VILLAGE OF WILLARD

AUDIT REPORT

For The Year Ended June 30, 2008

(with Auditor's Report Thereon)

STATE OF NEW MEXICO
VILLAGE OF WILLARD
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STATE OF NEW MEXICO
VILLAGE OF WILLARD
Official Roster
Year Ended June 30, 2008

Village Council

<u>Name</u>	<u>Title</u>
Mr. Robert Chavez	Mayor
Ms. Gloria Valdez	Mayor Pro-Tem
Ms. Faye Chavez	Council Member
Ms. Arlene Mendez	Council Member
Ms. Ida Torrez	Council Member

Village Administration

Ms. Leah Riley	Clerk-Treasurer
Ms. Joyce Garcia	Assistant Clerk- Treasurer

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas
New Mexico State Auditor
and
Honorable Mayor and Village Council
Village of Willard
Willard, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Willard, as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's non-major governmental funds and enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the Village of Willard's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village of Willard's internal control over financial reporting. According, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the

Village of Willard, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the General, Road and Fire Protection Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund and enterprise funds of the Village of Willard, as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparisons for the non-major governmental funds and enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2009 on our consideration of the Village of Willard's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

The Village has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements and the combining and individual fund financial statements and the budgetary comparisons of Village of Willard. The accompanying financial information listed as Schedule of Changes in Assets and Liabilities - All Agency Funds is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds taken as a whole.



March 20, 2009

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF WILLARD
Statement of Net Assets
June 30, 2008

Statement 1
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 184,074	\$ 32,545	\$ 216,619
Accounts receivable (net of uncollectible accounts)	13,904	10,453	24,357
Due from other funds	2,702	-	2,702
Total current assets	200,680	42,998	243,678
Restricted Assets			
Debt service reserve (cash)	-	3,150	3,150
Meter deposits (cash)	-	4,321	4,321
Bond reserve (cash)	-	11,956	11,956
Maintenance reserve (cash)	-	2,750	2,750
Total restricted assets	-	22,177	22,177
Capital Assets			
Land	75,818	9,100	84,918
Buildings	620,378	-	620,378
Vehicles and equipment	208,514	-	208,514
Land improvements	49,978	-	49,978
Infrastructure	121,560	-	121,560
Water system	-	1,919,191	1,919,191
Total capital assets	1,076,248	1,928,291	3,004,539
Less accumulated depreciation	(563,615)	(440,886)	(1,004,501)
Total capital assets (net of accumulated depreciation)	512,633	1,487,405	2,000,038
Total assets	\$ 713,313	\$ 1,552,580	\$ 2,265,893

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF WILLARD
Statement of Net Assets
June 30, 2008

Statement 1
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 9,218	\$ 4,510	\$ 13,728
Revenue bonds payable - current portion	-	4,977	4,977
Due to other funds	-	2,702	2,702
	9,218	12,189	21,407
Total current liabilities			
Non-Current Liabilities			
Revenue bonds payable (less current portion)	-	92,300	92,300
Compensated absences	3,190	-	3,190
Meter deposits	-	4,110	4,110
Loans payable	-	48,405	48,405
	3,190	144,815	148,005
Total non-current liabilities			
Total liabilities			
	12,408	157,004	169,412
Net Assets			
Invested in net assets net of related debt	512,633	1,341,723	1,854,356
Restricted for debt service	-	15,106	15,106
Restricted for maintenance	-	2,750	2,750
Unrestricted	188,272	35,997	224,269
	700,905	1,395,576	2,096,481
Total net assets			
Total liabilities and net assets			
	\$ 713,313	\$ 1,552,580	\$ 2,265,893

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF WILLARD
Statement of Activities
Year Ended June 30, 2008

Statement 2

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 54,416	\$ 10,652	\$ 5,288	\$ 34,052	\$ (4,424)	\$ -	\$ (4,424)
Highways and streets	7,541	-	-	63,412	55,871	-	55,871
Public safety	53,489	-	46,652	-	(6,837)	-	(6,837)
Health and welfare	612	-	-	-	(612)	-	(612)
Depreciation - unallocated	29,827	-	-	-	(29,827)	-	(29,827)
Total governmental activities	<u>145,885</u>	<u>10,652</u>	<u>51,940</u>	<u>97,464</u>	<u>14,171</u>	<u>-</u>	<u>14,171</u>
Business-type activities:							
Water/sewer	29,277	60,671	-	43,352	-	74,746	74,746
Solid waste	23,019	21,808	-	-	-	(1,211)	(1,211)
Interest on long-term debt	5,416	-	-	-	-	(5,416)	(5,416)
Depreciation - unallocated	46,810	-	-	-	-	(46,810)	(46,810)
Total business-type activities	<u>104,522</u>	<u>82,479</u>	<u>-</u>	<u>43,352</u>	<u>-</u>	<u>21,309</u>	<u>21,309</u>
Total all activities	<u>\$ 250,407</u>	<u>\$ 93,131</u>	<u>\$ 51,940</u>	<u>\$ 140,816</u>	<u>14,171</u>	<u>21,309</u>	<u>35,480</u>
General Revenues:							
Property taxes					6,071	-	6,071
Franchise taxes					1,559	-	1,559
Gross receipts taxes					28,755	-	28,755
Gasoline taxes					1,251	-	1,251
Motor vehicle taxes					4,821	-	4,821
Environmental gross receipts taxes					612	-	612
State aid not restricted to special purpose							
General					80,394	-	80,394
Unrestricted investment earnings					895	731	1,626
Total general revenues					<u>124,358</u>	<u>731</u>	<u>125,089</u>
Change in net assets					138,529	22,040	160,569
Net assets - beginning					562,376	1,063,598	1,625,974
Prior period adjustment					-	309,938	309,938
Net assets - beginning restated					562,376	1,373,536	1,935,912
Net assets - ending					<u>\$ 700,905</u>	<u>\$ 1,395,576</u>	<u>\$ 2,096,481</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF WILLARD
Balance Sheet
Governmental Funds
June 30, 2008

Statement 3

	General	Road Fund	Fire Protection Fund	Special Appropriation Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash on deposit	\$ 145,040	\$ 2,035	\$ 36,237	\$ -	\$ 762	\$ 184,074
Accounts receivable	13,904	-	-	-	-	13,904
Due from other funds	2,702	-	-	-	-	2,702
Total assets	<u>\$ 161,646</u>	<u>\$ 2,035</u>	<u>\$ 36,237</u>	<u>\$ -</u>	<u>\$ 762</u>	<u>\$ 200,680</u>
LIABILITIES						
Accounts payable	\$ 9,218	\$ -	\$ -	\$ -	\$ -	\$ 9,218
Total assets	<u>9,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,218</u>
FUND BALANCE						
Unreserved:						
Undesignated reported in:						
General fund	152,428	-	-	-	-	152,428
Special revenue funds	-	2,035	36,237	-	762	39,034
Capital project funds	-	-	-	-	-	-
Total fund balance	<u>152,428</u>	<u>2,035</u>	<u>36,237</u>	<u>-</u>	<u>762</u>	<u>191,462</u>
Total liabilities and fund balance	<u>\$ 161,646</u>	<u>\$ 2,035</u>	<u>\$ 36,237</u>	<u>\$ -</u>	<u>\$ 762</u>	<u>\$ 200,680</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF WILLARD

Statement 4

Reconciliation of the Balance Sheet - Government Funds
to the Statement of Net Assets
June 30, 2008

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

Total fund balances - governmental funds	\$	191,462
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Capital assets used in governmental activities are
not financial resources and therefore are not
reported as assets in governmental funds

The cost of capital assets	1,076,248	
Accumulated depreciation	<u>(563,615)</u>	
Net capital assets		512,633

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

Compensated absences	<u>(3,190)</u>
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Total net assets - governmental funds	<u>\$</u>	<u>700,905</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF WILLARD
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008

	General Fund	Road Fund	Fire Protection Fund	Special Appropriation Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 6,071	\$ -	\$ -	\$ -	\$ -	\$ 6,071
Franchise taxes	1,559	-	-	-	-	1,559
Environmental gross receipts taxes	-	-	-	-	612	612
Motor vehicle taxes	1,068	3,753	-	-	-	4,821
Gas taxes	1,251	-	-	-	-	1,251
Gross receipts taxes	28,755	-	-	-	-	28,755
Charges for services	-	-	-	-	10,582	10,582
Licenses and permits	70	-	-	-	-	70
Local sources	5,288	-	-	-	-	5,288
State sources	130,301	13,505	46,652	34,052	-	224,510
Earnings from investments	554	-	341	-	-	895
Total revenues	<u>174,917</u>	<u>17,258</u>	<u>46,993</u>	<u>34,052</u>	<u>11,194</u>	<u>284,414</u>
EXPENDITURES						
Current:						
General government	38,099	-	-	-	13,127	51,226
Highways and streets	-	7,541	-	-	-	7,541
Public safety	-	-	53,489	-	-	53,489
Health & welfare	-	-	-	-	612	612
Culture and recreation	-	-	-	-	-	-
Capital outlay	66,744	45,957	9,990	34,052	-	156,743
Total expenditures	<u>104,843</u>	<u>53,498</u>	<u>63,479</u>	<u>34,052</u>	<u>13,739</u>	<u>269,611</u>
Excess (deficiency) revenues over expenditures	70,074	(36,240)	(16,486)	-	(2,545)	14,803
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	2,786	2,786
Operating transfers (out)	(2,786)	-	-	-	-	(2,786)
Total other financing sources (uses)	<u>(2,786)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,786</u>	<u>-</u>
Net change in fund balances	67,288	(36,240)	(16,486)	-	241	14,803
Fund balance beginning of year	85,140	5,823	52,723	32,452	521	176,659
Prior period adjustment	-	32,452	-	(32,452)	-	-
Fund balance beginning of year restated	85,140	38,275	52,723	-	521	176,659
Fund balance end of year	<u>\$ 152,428</u>	<u>\$ 2,035</u>	<u>\$ 36,237</u>	<u>\$ -</u>	<u>\$ 762</u>	<u>\$ 191,462</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF WILLARD

Statement 6

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 14,803

In the Statement of Activities, certain operating expenses - (compensated absences) are measured by the amount incurred during the year. In the fund financial statements, however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). The (increases) decreases in the liabilities for the year were:

Compensated absences (3,190)

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

Capital outlays	156,743	
Depreciation expense	<u>(29,827)</u>	
Excess of capital outlay over depreciation expense		<u>126,916</u>

Change in net assets of governmental activities \$ 138,529

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF WILLARD
 General Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 4,900	\$ 4,900	\$ 5,421	\$ 521
Franchise tax	2,000	2,000	1,559	(441)
Motor vehicle taxes	900	900	992	92
Gas taxes	1,400	1,400	1,251	(149)
Gross receipts taxes	17,400	17,400	24,795	7,395
Charges for services	1,250	1,250	-	(1,250)
Licenses and permits	305	305	70	(235)
Local sources	1,000	1,000	5,288	4,288
State sources	72,612	72,612	121,083	48,471
Earnings from investments	425	425	554	129
	<u>\$ 102,192</u>	<u>\$ 102,192</u>	<u>\$ 161,013</u>	<u>\$ 58,821</u>
EXPENDITURES				
General government	\$ 105,323	\$ 105,323	\$ 130,725	\$ (25,402)
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
	<u>\$ 105,323</u>	<u>\$ 105,323</u>	<u>\$ 130,725</u>	<u>\$ (25,402)</u>
OTHER FINANCING USES				
Transfer out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,786)</u>	<u>\$ (2,786)</u>
BUDGETED CASH BALANCE	<u>\$ 3,131</u>	<u>\$ 3,131</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF WILLARD
 Special Revenue - Road Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State shared taxes	\$ 3,780	\$ 3,780	\$ 3,753	\$ (27)
State sources	<u>13,000</u>	<u>13,000</u>	<u>13,505</u>	<u>505</u>
Total revenues	<u>\$ 16,780</u>	<u>\$ 16,780</u>	<u>\$ 17,258</u>	<u>\$ 478</u>
EXPENDITURES				
Highways and streets	\$ 16,780	\$ 16,780	\$ 53,498	\$ (36,718)
Total expenditures	<u>\$ 16,780</u>	<u>\$ 16,780</u>	<u>\$ 53,498</u>	<u>\$ (36,718)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF WILLARD
 Special Revenue - Fire Protection Fund
 Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ 100	\$ 100	\$ -	\$ (100)
State sources	40,773	40,773	46,652	5,879
Earnings from investments	<u>318</u>	<u>318</u>	<u>341</u>	<u>23</u>
 Total revenues	 <u>\$ 41,191</u>	 <u>\$ 41,191</u>	 <u>\$ 46,993</u>	 <u>\$ 5,802</u>
 EXPENDITURES				
Public safety	\$ 39,500	\$ 39,500	\$ 66,055	\$ (26,555)
 Total expenditures	 <u>\$ 39,500</u>	 <u>\$ 39,500</u>	 <u>\$ 66,055</u>	 <u>\$ (26,555)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF WILLARD
Combining Statement of Net Assets
Proprietary Funds
June 30, 2008

Statement 10

	Water & Sewer Fund	Solid Waste Fund	Total
ASSETS			
Current assets			
Cash	\$ 15,121	\$ 17,424	\$ 32,545
Accounts receivable (net of allowance)	7,778	2,675	10,453
Total current assets	22,899	20,099	42,998
Restricted assets			
Debt service reserve (cash)	3,150	-	3,150
Meter deposits (cash)	4,321	-	4,321
Bond reserve (cash)	11,956	-	11,956
Maintenance reserve (cash)	2,750	-	2,750
Total restricted assets	22,177	-	22,177
Capital assets			
Land	3,600	5,500	9,100
Property, plant and equipment	1,919,191	-	1,919,191
Less accumulated depreciation	(440,886)	-	(440,886)
Total capital assets net of accumulated depreciation	1,481,905	5,500	1,487,405
Total assets	1,526,981	25,599	1,552,580
LIABILITIES			
Current liabilities			
Accounts payable	1,730	2,780	4,510
Due to other funds	2,702	-	2,702
Current portion of long term debt	4,977	-	4,977
Total current liabilities	9,409	2,780	12,189
Noncurrent liabilities			
Meter deposits	4,110	-	4,110
Revenue bonds payable	92,300	-	92,300
Loans payable	48,405	-	48,405
Total noncurrent liabilities	144,815	-	144,815
Total liabilities	154,224	2,780	157,004
NET ASSETS			
Invested in capital assets, net of related debt	1,336,223	5,500	1,341,723
Restricted for debt service	15,106	-	15,106
Restricted for maintenance	2,750	-	2,750
Unrestricted	18,678	17,319	35,997
Total net assets	\$ 1,372,757	\$ 22,819	\$ 1,395,576

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF WILLARD
Proprietary Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2008

	Water/Sewer Fund	Solid Waste Fund	Totals
OPERATING REVENUES			
Charges for services	\$ 60,671	\$ 21,808	\$ 82,479
Total operating revenue	<u>60,671</u>	<u>21,808</u>	<u>82,479</u>
OPERATING EXPENSES			
Salaries	13,039	-	13,039
Depreciation	46,810	-	46,810
Contractual services	-	23,019	23,019
Other operating expense	<u>16,238</u>	<u>-</u>	<u>16,238</u>
Total operating expenses	<u>76,087</u>	<u>23,019</u>	<u>99,106</u>
Operating income (loss)	<u>(15,416)</u>	<u>(1,211)</u>	<u>(16,627)</u>
NON-OPERATING REVENUE (EXPENSES)			
Investment income	731	-	731
Investment expense	(5,416)	-	(5,416)
Capital grants	<u>43,352</u>	<u>-</u>	<u>43,352</u>
Total Non-Operating Revenue (Expenses)	<u>38,667</u>	<u>-</u>	<u>38,667</u>
Change in Net Assets	<u>23,251</u>	<u>(1,211)</u>	<u>22,040</u>
Net assets, beginning of year	1,039,568	24,030	1,063,598
Prior period adjustment	309,938	-	309,938
Net assets at beginning of year - restated	<u>1,349,506</u>	<u>24,030</u>	<u>1,373,536</u>
Net assets, end of year	<u>\$ 1,372,757</u>	<u>\$ 22,819</u>	<u>\$ 1,395,576</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF WILLARD
Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2008

Statement 12

	Water/Sewer Fund	Solid Waste Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Received from customers	\$ 52,893	\$ 19,133	\$ 72,026
Cash payment to employees	(13,039)	-	(13,039)
Cash payments to suppliers	(26,045)	(20,239)	(46,284)
Collection (return) of customer deposits	(260)	-	(260)
Net cash provided by operating activities	13,549	(1,106)	12,443
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES:			
Principal paid on debt	(9,472)	-	(9,472)
Interest paid on debt	(5,416)	-	(5,416)
Acquisition and construction of capital assets	(48,273)	-	(48,273)
Capital grants	43,352	-	43,352
Net cash provided by capital and related activities	(19,809)	-	(19,809)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest	731	-	731
Net cash provided by investing activities	731	-	731
Net increase (decrease) in cash	(5,529)	(1,106)	(6,635)
Cash, beginning of year	42,827	18,530	61,357
Cash, end of year	\$ 37,298	\$ 17,424	\$ 54,722
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (15,416)	\$ (1,211)	\$ (16,627)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	46,810	-	46,810
Changes in assets and liabilities:			
Receivables	(7,778)	(2,675)	(10,453)
Payables	(9,807)	2,780	(7,027)
Customer deposits	(260)	-	(260)
Net cash provided (used) by operating activities	\$ 13,549	\$ (1,106)	\$ 12,443

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF WILLARD
Statement of Fiduciary Assets and Liabilities -
Agency Fund
June 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash on deposit	\$ <u>135</u>
Total assets	<u>\$ 135</u>
LIABILITIES	
Due to others	\$ <u>135</u>
Total liabilities	<u>\$ 135</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF WILLARD
Notes to Financial Statements
Year Ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Willard was incorporated in 1910 under Section 3 New Mexico State Statutes Annotated 1978 Compilation operating under a Mayor-Council form of government and provides the following services as authorized: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation and general administrative services.

The financial statements of the Village of Willard have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. 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, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Village has no component units.

Notes to Financial Statements (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which is normally 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 activities demonstrates the degree to which the direct expenses of a given function or segment are 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 operation 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 fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been 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 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under

Notes to Financial Statements (continued)

accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

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

The government reports the following major governmental funds:

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.

The *Road Fund* (Special Revenue Fund) was established to account for the maintenance of roads within the Village. Financing is provided by special tax per gallon on gasoline sold within the Village boundaries. Funding is provided by 7-1-6-9 and/or 7-13-1 thru 7-13-18, NMSA 1978 Compilation.

The *Fire Protection Fund* (Special Revenue Fund) is to account for the operations and maintenance of the Fire Department. It is financed by a specific allotment from the State Fire Marshall's Office. The authority is NMSA 59A-53-1.

The *Special Appropriation Project Fund* (Special Revenue Fund) is to account for a legislative appropriation to plan and construct a fence around the Village park and to purchase and install playground equipment. The authority is Laws of 2005, Chapter 45/508.

The Village reports the following major proprietary funds:

The *Water and Sewer Fund* is used to account for the activities of the Village's water and wastewater operations.

The *Solid Waste Fund* accounts for the collection and disposal of solid waste.

The Village reports the following non-major funds:

The *Special Revenue Funds* are used to account for funds received by the Village that are required to be accounted for separately.

Notes to Financial Statements (continued)

Additionally the Village reports the following fiduciary funds:

The *Agency Funds* are donations held in the Village's name for the benefit of the Village's children at Christmas.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Village's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues. Program revenues include: 1) charges for services to taxpayers or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions and 3) program-specific capital grants and contributions including special assessments.

Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenue include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the wastewater, solid waste, and sewer funds are charges to customers for sales and services. The wastewater fund also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Notes to Financial Statements (continued)

D. Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Village Clerk-Treasurer submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Village Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Village Council and New Mexico State Department of Finance, Division of Local Governments. The original budget that was adopted in July, 1998 was amended during the fiscal year in a legally permissible manner.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Project Funds.
4. Encumbrances are not reported in the budgets or financial statements.
5. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year end.
6. Budgets for the General and Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principals. Throughout the year the accounting records are maintained on the Non-GAAP basis of cash receipts and disbursements. Accordingly, certain revenues and the related assets are recognized when paid rather than when the obligation is incurred. The financial statements are presented on the modified accrual basis of accounting. Budgetary comparisons presented for General and Special Revenue Funds in this report are on the Non-GAAP budgetary basis and actual (cash basis). The budget of the Enterprise Fund is adopted on a Non-GAAP cash basis.

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest bearing accounts with local financial institutions and the State Treasurer Pool.

Notes to Financial Statements (continued)

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Village. The pledged securities remain in the name of the financial institution.

F. Inventories

The cost of inventories are recorded as expenditures when purchased rather than when consumed.

G. 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. 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. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	30
Public domain infrastructure	30
System infrastructure	30
Heavy equipment	10
Vehicles	5
Office equipment/ Furniture & fixtures	5 to 7
Software	3

Notes to Financial Statements (continued)

The Village does not capitalize computer software or software developed for internal use (if applicable) unless it exceeds the \$5,000 threshold.

H. Compensated Absences

It is the policy of the Village of Willard to permit certain employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon separation from the Village's service. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Sick pay does not vest and is recorded as an expenditure when it is paid.

I. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

K. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village carries commercial insurance for these risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the current fiscal year.

L. 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.

Notes to Financial Statements (continued)

M. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in a separate bank account and their use is limited by the applicable bond covenant. The "debt service reserve" account is used to report resources set aside for the purpose of debt service repayments. Also, meter deposits are not assets but "deposits held in trust for others".

N. Net Assets

The governmental activities and business-type activities financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt - This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

Restricted net assets - This category reflects the portion of net assets that have third party limitations on their use.

Unrestricted net assets - This category reflects net assets of the Village not restricted for any project or other purposes.

O. Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semi-annual installments by November 10 and April 10 of the subsequent year. Taxes are collected on behalf of the Village by the County Treasurer, and are remitted to the Village in the month following collection. Because the Treasurer for the county in which the Village is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the Village.

The Village is permitted to levy taxes for general operating purposes based on taxable value for both residential and nonresidential property, taxable value being defined as one-third of the fully assessed value. In addition, the Village is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the Village.

The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues. The Village has no means of determining the amount of delinquent taxes, and no delinquent taxes are recorded on the Villages financial records.

Notes to Financial Statements (continued)

2. DEPOSITORY COLLATERAL

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the Village's Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

The following is the Cash on Deposit at each financial institution.

My Bank	Childrens Christmas Fund	Savings	\$ 135
My Bank	Fire Fund	Checking	36,310
My Bank	Reserve Fund	Certificate of Deposit	11,766
My Bank	Utilities Fund	Checking	38,379
My Bank	General Fund	Checking	144,317
My Bank	Payroll	Checking	3,459
My Bank	Water Meter Fund	Checking	<u>4,321</u>
			<u>\$ 238,687</u>
Total amount on deposit			\$ 238,687
Petty Cash			300
Outstanding checks			(360)
Deposits in transit			<u>304</u>
Total per financial statements			<u>\$ 238,931</u>

The following schedule details the public money held by Bank of Belen and the pledged collateral provided for the Village follows:

	<u>My Bank</u>
Cash on deposit at June 30	\$ 238,687
Less FDIC	<u>(111,901)</u>
Uninsured funds	126,786
Funds needing collateralization at 50% (required by State Law)	63,393
Pledged collateral at June 30	<u>150,000</u>
Excess of Pledged Collateral	<u>\$ 86,607</u>

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2008, none of the Village's bank balance of \$238,687 was exposed to custodial credit risk as follows:

A. Uninsured and Uncollateralized	\$ -
B. Uninsured and Collateralized	<u>126,786</u>
Total	<u>\$ 126,786</u>

Notes to Financial Statements (continued)

of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. The collateral pledged is shown as follows:

<u>Kansas Surety Insurance</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
Bond No. DG1913NM014	N/A	<u>\$ 150,000</u>

3. ACCOUNTS RECEIVABLES

Receivables as of June 30, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables from customers	\$ -	\$ 10,453
Less allowance for uncollectible accounts	-	-
Subtotal	-	10,453
Property taxes receivable	651	-
Gross receipts taxes receivable	4,035	-
State Grant	9,218	-
 Total	 <u>\$ 13,904</u>	 <u>\$ 10,453</u>

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loans payable	\$ 57,454	\$ -	\$ 6,072	\$ 51,382	\$ 2,977
Revenue bonds	97,700	-	3,400	94,300	2,000
 Total	 <u>\$ 155,154</u>	 <u>\$ -</u>	 <u>\$ 9,472</u>	 <u>\$ 145,682</u>	 <u>\$ 4,977</u>

The Village issued a variety of long-term debt instruments in order to construct and purchase major capital facilities for governmental and business-type activities. These instruments include revenue bonds and a loan. These debt obligations are secured by either water and sewer system revenue or annual fire distributions. Debt obligations that are intended to be repaid from water and sewer system revenue have been recorded as business-type activities. All other long-term obligations of the Village are considered to be governmental type activities.

Notes to Financial Statements (continued)

Bonds and Loans Payable

A summary of the terms of revenue bonds and loans outstanding and their corresponding allocations to the governmental and business-type activities at June 30, 2008 follows:

<u>Series and Original Issue Amount</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
Business Type Activities			
Loan Payable:			
Wastewater Construction Loan	\$ 63,000	2024	1% 51,382
Revenue Bonds:			
1994 Water and Sewer	\$106,300	2037	5% <u>94,300</u>
Total business-type activities			<u>\$ 145,682</u>

Annual debt service requirements for bonds and loans are as follows:

<u>Year Ending June 30</u>	<u>Revenue Bonds</u>		<u>Construction Loan Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 2,000	\$ 4,715	\$ 2,977	\$ 514
2010	2,000	4,615	3,007	484
2011	2,000	4,515	3,037	454
2012	2,000	4,415	3,068	423
2013	2,000	4,315	3,098	393
2014-2018	11,000	20,075	15,962	1,494
2019-2023	15,000	16,825	16,776	679
2024-2028	19,000	12,775	3,457	35
2029-2033	24,000	7,525	-	-
2034	15,300	765	-	-
	<u>\$ 94,300</u>	<u>\$ 80,540</u>	<u>\$ 51,382</u>	<u>\$ 4,476</u>

B. Changes in Long Term Liabilities - Governmental Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Compensated absences	\$ -	\$ 3,190	\$ -	\$ 3,190	\$ -

C. Short-term Liabilities

The Village had no short-term debt activity during the year.

D. Operating Leases

The Village was not entered into any operating leases during the fiscal year.

Notes to Financial Statements (continued)

5. CAPITAL ASSETS

The amount of property, plant and equipment in the **Business-Type Activities** consists of the following:

	Balances June 30, 2007	Additions	Adjustments	Deletions	Balances June 30, 2008
Land	\$ 9,100	\$ -	\$ -	\$ -	\$ 9,100
Buildings	15,000	-	-	-	15,000
Plant and equipment	1,845,170	50,975	6,520	-	1,902,665
Vehicle	1,526	-	-	-	1,526
Sub-total	<u>1,870,796</u>	<u>50,975</u>	<u>6,520</u>	<u>-</u>	<u>1,928,291</u>
Less accumulated depreciation:					
Buildings	(30,000)	-	15,000	-	(15,000)
Plant & equipment	(666,884)	(46,505)	288,418	-	(424,971)
Vehicle	(610)	(305)	-	-	(915)
Sub-total	<u>(697,494)</u>	<u>(46,810)</u>	<u>303,418</u>	<u>-</u>	<u>(440,886)</u>
Net capital assets	<u>\$ 1,173,302</u>	<u>\$ 4,165</u>	<u>\$ 309,938</u>	<u>\$ -</u>	<u>\$ 1,487,405</u>

The amount of property, plant and equipment in the **Governmental-Type Activities** consists of the following:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Land	\$ 75,818	\$ -	\$ -	\$ 75,818
Total capital assets not being depreciated	<u>75,818</u>	<u>-</u>	<u>-</u>	<u>75,818</u>
Building and improvements	540,958	79,420	-	620,378
Equipment & vehicles	208,514	-	-	208,514
Infrastructure	94,215	27,346	-	121,561
Land improvements	-	49,978	-	49,978
Total capital assets being depreciated	<u>843,687</u>	<u>156,744</u>	<u>-</u>	<u>1,000,431</u>
Less accumulated depreciation for:				
Building and improvements	(326,604)	(19,548)	-	(346,152)
Equipment & vehicles	(200,693)	(3,910)	-	(204,603)
Infrastructure	(6,491)	(5,234)	-	(11,725)
Land improvements	-	(1,135)	-	(1,135)
Total accumulated depreciation	<u>(533,788)</u>	<u>(29,827)</u>	<u>-</u>	<u>(563,615)</u>
Total capital assets being depreciated	<u>309,899</u>	<u>126,917</u>	<u>-</u>	<u>436,816</u>
Net capital assets	<u>\$ 385,717</u>	<u>\$ 126,917</u>	<u>\$ -</u>	<u>\$ 512,634</u>

Notes to Financial Statements (continued)

6. TRANSFERS

The composition of interfund transfers for Governmental Activities during the year are as follows:

\$2,786 From the General Fund to the Postal Fund for operating expenses.

7. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

<u>Revenues</u>	<u>General Fund</u>	<u>Road Fund</u>	<u>Fire Protection Fund</u>	<u>Special Appropriation Project Fund</u>	<u>Non-Major Funds</u>
Actual (Budget)	\$ 161,013	\$ 17,258	\$ 46,993	\$ 34,052	\$ 11,194
Accrual (GAAP)	<u>174,917</u>	<u>17,258</u>	<u>46,993</u>	<u>34,052</u>	<u>11,194</u>
(Increase) decrease in receivables	<u>\$ (13,904)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>Expenditures</u>					
Actual (Budget)	\$ 130,725	\$ 53,498	\$ 66,055	\$ 34,052	\$ 13,833
Accrual (GAAP)	<u>104,843</u>	<u>53,498</u>	<u>63,479</u>	<u>34,052</u>	<u>13,739</u>
(Increase) decrease in payables	<u>\$ 25,882</u>	<u>\$ -</u>	<u>\$ 2,576</u>	<u>\$ -</u>	<u>\$ 94</u>

8. RETIREMENT PLAN

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

Funding Policy. Plan members are required to contribute 7% of their gross salary. The Village of Willard is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the Village of Willard are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The Village of Willard contributions to PERA for the year ending June 30, 2008, 2007, and 2006 were \$4,309, \$2,178 and \$2,586 respectively equal to the amount of the required contributions for the year.

Notes to Financial Statements (continued)

9. RETIREE HEALTH CARE ACT CONTRIBUTIONS

The Village has elected not to participate in the Retiree Health Care Act of New Mexico's retiree health care program.

10. JOINT POWERS AGREEMENT

The Village of Willard along with the County of Torrance, the City of Moriarty, the Town of Mountainair and the Town of Estancia entered into a joint powers agreement to form the Torrance County Emergency Communication 911 District. The E-911 District is the responsible party for operations and the audit of its records. The agreement is valid for the fiscal year. The Village of Willard made monthly payments for this service, which totaled \$1,500.

11. BUDGET VIOLATIONS

The Village had budget overruns in several funds. These include the Water/Sewer Fund in the amount of \$26,862, Solid Waste Fund in the amount of \$5,639; the Special Revenue Postal Fund in the amount of \$2,639; the Special Revenue Road Fund in the amount of \$36,718; the Special Revenue Fire Protection Fund in the amount of \$26,555; the Special Revenue Environmental Gross Receipts Fund in the amount of \$132 and the General Fund in the amount of \$25,402.

12. PRIOR PERIOD ADJUSTMENT

The Village is reporting a prior period adjustment. This adjustment is for accumulated depreciation reported in the prior year in the amount of \$303,418 and for a capital asset that was not reported in the amount of \$6,520.

**OTHER MAJOR FUND
BUDGETS**

STATE OF NEW MEXICO
 VILLAGE OF WILLARD
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Special Appropriation Project Fund
 Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State sources	\$ 50,000	\$ 50,000	\$ 34,052	\$ (15,948)
Total revenues	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 34,052</u>	<u>\$ (15,948)</u>
EXPENDITURES				
Capital outlay	\$ 50,000	\$ 50,000	\$ 34,052	\$ 15,948
Total expenditures	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 34,052</u>	<u>\$ 15,948</u>

The accompanying notes are an integral part of these financial statements.

**NON-MAJOR
SPECIAL REVENUE FUNDS**

RECREATION FUND - To account for the operation and maintenance of recreation facilities in the Village. Financing is provided by a specific annual cigarette tax levy. Authority: NMSA 7-12-1 and 7-12-15.

ENVIRONMENTAL GROSS RECEIPTS FUND - To account for the collection of one-eighth of one percent gross receipts tax dedicated for the acquisition, construction, operation and maintenance of solid waste facilities, water facilities, waste water facilities or sewer systems. Authority: NMSA Chapter 7, Article 20E.

POSTAL FUND - To account for the income and expenses of the operation of a post office under contract with the United States Post Office. Authority is contract with the United States Post Office.

STATE OF NEW MEXICO
 VILLAGE OF WILLARD
 Non-Major Governmental Funds
 Combining Balance Sheet
 June 30, 2008

Statement A-1

	Recreation Fund	Environmental Gross Receipts Tax Fund	Postal Fund	Total Governmental Funds
ASSETS				
Cash on deposit	\$ 335	\$ 327	\$ 100	\$ 762
Total assets	<u>\$ 335</u>	<u>\$ 327</u>	<u>\$ 100</u>	<u>\$ 762</u>
FUND BALANCE				
Unreserved:				
Designated for subsequent year's expenditures	\$ 335	\$ 327	\$ 100	\$ 762
Total fund balance	<u>\$ 335</u>	<u>\$ 327</u>	<u>\$ 100</u>	<u>\$ 762</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF WILLARD
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008

Statement A-2

	Recreation Fund	Environmental Gross Receipts Tax Fund	Postal Fund	Total Governmental Funds
REVENUES				
Charges for services	\$ -	\$ -	\$ 10,582	\$ 10,582
State shared taxes	-	612	-	612
Earnings from investments	-	-	-	-
Total revenues	-	612	10,582	11,194
EXPENDITURES				
Current:				
General government	-	-	13,127	13,127
Health & welfare	-	612	-	612
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Total expenditures	-	612	13,127	13,739
Excess (deficiency) revenues over expenditures	-	-	(2,545)	(2,545)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	2,786	2,786
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	2,786	2,786
Net change in fund balances	-	-	241	241
Fund balance beginning of year	335	327	(141)	521
Fund balance end of year	\$ 335	\$ 327	\$ 100	\$ 762

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF WILLARD
 Non-Major Special Revenue Fund - Recreation Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Culture and recreation	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF WILLARD
 Non-Major Special Revenue Fund - Environmental Gross Receipts Tax Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State shared taxes	\$ 480	\$ 480	\$ 612	\$ 132
Total revenues	<u>\$ 480</u>	<u>\$ 480</u>	<u>\$ 612</u>	<u>\$ 132</u>
EXPENDITURES				
Health and welfare	\$ 480	\$ 480	\$ 612	\$ (132)
Total expenditures	<u>\$ 480</u>	<u>\$ 480</u>	<u>\$ 612</u>	<u>\$ (132)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF WILLARD
 Non-Major Special Revenue Fund - Postal Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 10,582	\$ 10,582	\$ 10,582	\$ -
Total revenues	<u>\$ 10,582</u>	<u>\$ 10,582</u>	<u>\$ 10,582</u>	<u>\$ -</u>
EXPENDITURES				
General government	\$ 10,582	\$ 10,582	\$ 13,221	\$ (2,639)
Total expenditures	<u>\$ 10,582</u>	<u>\$ 10,582</u>	<u>\$ 13,221</u>	<u>\$ (2,639)</u>
OTHER FINANCING SOURCES				
Transfer in	\$ -	\$ -	\$ 2,786	\$ 2,786
Total other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,786</u>	<u>\$ 2,786</u>

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUND BUDGETS

STATE OF NEW MEXICO
 VILLAGE OF WILLARD
 Proprietary Funds - Water and Sewer Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 55,098	\$ 55,098	\$ 52,893	\$ (2,205)
State grant	-	-	43,352	43,352
Interest income	250	250	731	481
Total revenues	<u>\$ 55,348</u>	<u>\$ 55,348</u>	<u>\$ 96,976</u>	<u>\$ 41,628</u>
EXPENDITURES				
Personal services	\$ 18,183	\$ 18,183	\$ 13,039	\$ 5,144
Operating expenses	46,646	46,646	74,578	(27,932)
Debt principal	5,348	5,348	9,472	(4,124)
Debt interest	5,466	5,466	5,416	50
Total expenditures	<u>\$ 75,643</u>	<u>\$ 75,643</u>	<u>\$ 102,505</u>	<u>\$ (26,862)</u>
BUDGETED CASH BALANCE	<u>\$ 20,344</u>	<u>\$ 20,344</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF WILLARD
 Proprietary Funds - Solid Waste Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 17,600	\$ 17,600	\$ 19,133	\$ 1,533
Total revenues	<u>\$ 17,600</u>	<u>\$ 17,600</u>	<u>\$ 19,133</u>	<u>\$ 1,533</u>
EXPENDITURES				
Contractual services	\$ 14,600	\$ 14,600	\$ 20,239	\$ (5,639)
Total expenditures	<u>\$ 14,600</u>	<u>\$ 14,600</u>	<u>\$ 20,239</u>	<u>\$ (5,639)</u>
BUDGETED CASH BALANCE	<u>\$ 3,000</u>	<u>\$ 3,000</u>		

The accompanying notes are an integral part of these financial statements.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
VILLAGE OF WILLARD
Schedule of Changes in Assets
and Liabilities - All Agency Funds
Year Ended June 30, 2008

	Balances June 30, 2007	Additions	Deletions	Balances June 30, 2008
ASSETS				
Cash of deposit	\$ 251	\$ 392	\$ 508	\$ 135
Total assets	<u>\$ 251</u>	<u>\$ 392</u>	<u>\$ 508</u>	<u>\$ 135</u>
LIABILITIES				
Deposits held for others	\$ 251	\$ 392	\$ 508	\$ 135
Total liabilities	<u>\$ 251</u>	<u>\$ 392</u>	<u>\$ 508</u>	<u>\$ 135</u>

The accompanying notes are an integral part of these financial statements.

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
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Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

**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**

Mr. Hector H. Balderas
New Mexico State Auditor
and
Honorable Mayor and Village Council
Village of Willard
Willard, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General Fund, Road Fund and Fire Protection Fund of the Village of Willard, as of and for the year ended June 30, 2008, and have issued our report thereon dated March 20, 2009. We also have audited the financial statements of each of the Village of Willard's non-major governmental funds and proprietary funds and budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying Status of Comments to be significant deficiencies in internal control over financial reporting. Those significant deficiencies are described as 06-01 PERA Withholdings, 06-02 Purchase Orders Not Used, 06-06 Replacement Reserve Amount, 06-07 Imprest Bank Account, 06-08 Capital Asset Listing, 06-09 Depreciation Schedule, 06-12 Budget Overruns, 07-05 Audit Review, 08-03 Water Meter Deposits, 08-04 Three Quotes Not Obtained, 08-05 Signatures of Receipt, 08-06 Questionable Repairs, 08-07 Capital Assets Sold Without Proper Bids, 08-08 Water Obtained Without Proper Procedures, 08-10 Monies Lost/Stolen, 08-11 Fire Department Credit Card, 08-12 Gasoline Lost/Stolen, 08-14 Rent of Village Assets and 08-15 Unbudgeted Transfer.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Status

of Comments as 05-01 New Hire Reporting, 06-01 PERA Withholdings, 06-06 Replacement Reserve Amount, 06-08 Capital Asset Listing, 06-09 Depreciation Schedule, 06-12 Budget Overruns, 07-01 Audit Report Submitted Late, 07-05 Audit Review, 08-01 Department of Labor Reports, 08-02 Department of Labor Reports Wage Base Rate, 08-09 Unadvertised Special Meeting, 08-11 Fire Department Credit Card, 08-13 Approval of Motion on Agenda and 08-15 Unbudgeted Transfer.

The Village of Willard's responses to the findings identified in our audit are described in the accompanying Status of Comments and Responses. We did not audit the Village of Willard's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of Management, the Mayor, the Village Council, the Office of the State Auditor, the New Mexico State Legislature and the New Mexico Department of Finance and Administration and is not intended to be used by anyone other than these specified parties.

Rice & Associates, C.P.A.

March 20, 2009

STATUS OF COMMENTS

Prior Year Audit Findings

1. New Hire Reporting (05-01) - Repeated.
2. PERA Withholdings (06-01) - Repeated.
3. Purchase Orders Not Used (06-02) - Repeated.
4. Replacement Reserve Amount (06-06) - Repeated.
5. Imprest Bank Account (06-07) - Repeated.
6. Capital Asset Listing (06-08) - Repeated.
7. Depreciation Schedule (06-09) - Repeated.
8. Budget Overruns (06-12) Repeated.
9. Audit Report Submitted Late - (07-01) - Repeated.
10. Negative Cash Balance (07-02) - Resolved.
11. Gross Receipts Tax Collection and Remittance Do Not Agree (07-03) - Resolved.
12. Accounting Records (07-04) - Resolved.
13. Audit Review (07-05) - Repeated.

Current Year Audit Findings

1. Department of Labor Reports (08-01)
2. Department of Labor Reports Wage Base Rate (08-02)
3. Water Meter Deposits (08-03)
4. Three Quotes Not Obtained (08-04)
5. Signatures of Receipt (08-05)
6. Questionable Repairs (08-06)
7. Capital Assets Sold Without Proper Bids (08-07)
8. Water Obtained Without Proper Procedures (08-08)
9. Unadvertised Special Meeting (08-09)
10. Monies Lost/Stolen (08-10)

11. Fire Department Credit Card (08-11)
12. Gasoline Lost/Stolen (08-12)
13. Approval of Motion Not on Agenda (08-13)
14. Rent of Village Assets (08-14)
15. Unbudgeted Transfer (08-15)

New Hire Reporting
(05-01)

CONDITION	The Village did not properly report newly hired employees to a State directory within 20 days of their hire date.
CRITERIA	New Mexico law (50-13-1 to 50-13-4 NMSA) and the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, 42. U.S.C. 653A, requires all employers to report newly hired employees to a State directory within 20 days of their hire.
CAUSE	The Village had a changeover in management during the year.
EFFECT	The Village did not comply with New Mexico State Statute 50-13-1 or the PRWORA of 1996.
RECOMMENDATION	Current management is aware of this requirement. The Village management however should insure that all newly hired employees be reported within the 20 day period.
RESPONSE	Current management has taken care of the problem and is currently reporting when necessary.

PERA Withholdings
(06-01)

CONDITION	The Village did not withhold Public Employees Retirement Association amounts from an employee. The Village also did not match these amounts as the employers portion. This employee no longer works for the Village. The amount due for this employee is \$2,563.
CRITERIA	All full-time employees of the Village are required to contribute to the Public Employees Retirement Association.
CAUSE	The Village had a changeover in staff and this procedure was not completed correctly for this employee.
EFFECT	The Village may still need to contribute to the PERA the \$2,563 for the employee that worked for the Village.
RECOMMENDATION	The Village should make arrangements to pay the \$2,563 owed for the employee.
RESPONSE	Current management is working closely with PERA to correct the problem.

Purchase Orders Not Used
(06-02)

CONDITION	The Village does not currently use purchase orders.
CRITERIA	According to the Department of Finance and Administration regulations purchase orders are to be used as part of the internal control process. They are used to ensure the purchase has been authorized, cash and budget are available and the correct fund and line item have been charged.
CAUSE	Purchase orders have not been used in the Village for some time.
EFFECT	Department of Finance and Administration regulations have not been followed.
RECOMMENDATION	The Village should start using purchase orders as soon as possible.
RESPONSE	The Village of Willard has implemented Purchase Order and Purchase Request forms for purchasing all items with the exception of regular payroll and utility payments.

Replacement Reserve Amount
(06-06)

CONDITION	The Village was required to deposit \$525 each month into a restricted bank account until \$3,150 is on deposit starting no later than February 27, 2005. This has not been done.
CRITERIA	According to the loan agreement with Clean Water State Revolving Fund an amount of \$3,150 is to be placed in a reserve account to cover one years amount of payments due.
CAUSE	There was a changeover in staff during the year and this procedure was not followed.
EFFECT	The Village has not complied with the terms of the loan agreement.
RECOMMENDATION	The Village should place \$3,150 into a reserve account as soon as possible.
RESPONSE	Current management has been complying with this and will be in compliance for the next audit.

Imprest Bank Account
(06-07)

CONDITION	The Payroll imprest bank account is not being reconciled correctly. The monthly reconciled balance is not the same each month.
CRITERIA	All imprest accounts should be reconciled correctly monthly, resulting in a zero balance.
CAUSE	Prior management was not reconciling this account at all. Current management understands that it should be reconciled and is trying diligently to do so.
EFFECT	The General Fund would have to cover any cash deficiencies that might occur.
RECOMMENDATION	Management has obtained guidance from outside sources on how to reconcile this account. However, management should continue to ensure this account is reconciled correctly.
RESPONSE	Current management is continuing to correct this issue.

Capital Asset Listing
(06-08)

CONDITION	A complete capital asset listing including current year additions and deletions was not available.
CRITERIA	To comply with 1 NMAC 1.2.1.8 and 12-6-10 NMSA 1978, a complete capital asset listing including current year additions and deletions should be maintained at all times.
CAUSE	The prior management did not compile a listing. The current management is compiling a listing.
EFFECT	The capital asset records could be overstated/understated.
RECOMMENDATION	The Village should continue to reconcile all capital assets to the prior years audit reports and bring it current.
RESPONSE	Current management is working on this for the next audit.

Depreciation Schedule
(06-09)

CONDITION	A complete current depreciation schedule was not available.
CRITERIA	GASBS Cod. Section 1400 and GASBS 34.116-117 require entities to maintain a depreciation schedule for all capital assets annually.
CAUSE	The prior management did not compile a schedule. Current management is compiling a schedule.
EFFECT	The capital asset records could be overstated/understated.
RECOMMENDATION	The Village should continue to prepare a depreciation schedule and bring it current.
RESPONSE	Current management is working on this for the next audit.

Budget Overruns
(06-12)

CONDITION	The Village had budget overruns in several funds. These include the Water/Sewer Fund in the amount of \$26,862, Solid Waste Fund in the amount of \$5,639, the Special Revenue Postal Fund in the amount of \$2,639, the Special Revenue Road Fund in the amount of \$36,718, the Special Revenue Fire Protection Fund in the amount of \$26,555, the Special Revenue Environmental Gross Receipts Fund in the amount of \$132 and the General Fund in the amount of \$25,402.
CRITERIA	According to Section 6-6-6 through 6-6-11 NMSA 1978 Compilation "prohibits local governments from making expenditures in excess of the approved budget".
CAUSE	Budgetary adjustments did not occur to correct budget deficits.
EFFECT	The Village did not comply with the Section 6-6-6 through 6-6-11 NMSA 1978 Compilation.
RECOMMENDATION	Financial statements should be reviewed periodically for possible overruns and request the appropriate budgetary increases before expenditures exceed budget.
RESPONSE	Current management is implementing new accounting software that will correct these. We will also make sure to change current budget lines.

Audit Report Submitted Late
(07-01)

CONDITION	The audit report was submitted to the State Auditor after the required deadline of December 1, 2008.
CRITERIA	Village audits are required to be submitted to the State Auditor by December 1 as required NMAC 2.2.2.9A(1)(d).
CAUSE	The Village had a theft of \$530 before the December 1 deadline. Because of this theft personnel were relieved of their duties. Subsequently one of those employees left the Village. A new employee was not hired immediately to replace the previous business manager.
EFFECT	NMAC 2.2.2.9A(1)(d) was not followed.
RECOMMENDATION	This audit will be issued in plenty of time so the 2009 audit can be submitted by the required deadline. Management should take steps to ensure this is done.
RESPONSE	A new business manager was hired, but only days before the deadline. This did not allow enough time to ensure that the audit could be completed and submitted by the due date. Also, the auditor recommended waiting until the theft could be investigated.

Audit Review
(07-05)

CONDITION	The Village did not have adequately trained staff to review the audit report released for the 2007 fiscal year.
CRITERIA	In accordance with <i>Government Auditing Standards</i> , management is required to review and approve the financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgement on the financial statements. Further, management is required to designate a qualified management-level individual to be responsible and accountable for overseeing the audit services.
CAUSE	Prior management had not been adequately trained on how to review the audit report. Thus, the 2007 audit report was released with a disclaimer. The Village staff and Board Members were not provided a copy of the report for review and if they had, still may not have been able to challenge this opinion.
EFFECT	A disclaimer of opinion was received for the 2007 fiscal year.
RECOMMENDATION	The Village now has an employee that appears to be adequately trained so all future reports should be reviewed before they are issued.
RESPONSE	The Village has new administrative staff that are capable of reviewing an audit.

Department of Labor
(08-01)

CONDITION	A full-time employee was not being reported on the Department of Labor reports.
CRITERIA	According to New Mexico Department of Labor regulations all employees are required to be included on the Department of Labor reports.
CAUSE	Previous management did not ensure all required employees were reported on the Department of Labor reports.
EFFECT	New Mexico Department of Labor regulations have not been followed. Also, the total amount paid for unemployment each quarter will be understated.
RECOMMENDATION	The new management should be trained on how to prepare these reports and ensure all employees are included.
RESPONSE	New management has corrected this problem.

Department of Labor Reports Wage Base Rate
(08-02)

CONDITION	Management did not use the current years wage base rate of \$18,600 when preparing the quarterly Department of Labor Reports.
CRITERIA	The New Mexico Department of Labor sets an annual taxable wage base rate each calendar year. For the 2007 calendar year the rate was \$18,600.
CAUSE	Previous management did not ensure that the current wage base rate was changed when preparing the quarterly Department of Labor Reports.
EFFECT	New Mexico Department of Labor regulations have not been followed. Also, the total amount paid for unemployment each quarter will be understated.
RECOMMENDATION	New management should be trained on how to prepare these reports and ensure the correct wage base rate is used.
RESPONSE	Current management is aware of the rules for the Department of Labor Reports.

Water Meter Deposits

(08-03)

CONDITION	The Village has \$212 more in the meter deposit bank account than the amount due according to the Water Deposit Register.
CRITERIA	The amount kept in the water meter deposit account should be reconciled to the amount required to be held based on the Water Deposit Register. Any investment earning or water deposit refunds owed for past water bills should be transferred each month to ensure the water fund can budget and spend those monies.
CAUSE	Management has not ensured that all excess monies have been transferred into the Water fund and used.
EFFECT	Monies are available, however have not been utilized.
RECOMMENDATION	Current management should ensure that any excess monies are transferred each month and utilized.
RESPONSE	Current management will be making transfers for excess monies at the end of the year.

Three Quotes Not Obtained
(08-04)

CONDITION	The Village purchased a new security system for the Fire Department in the amount of \$9,990. Services for the Water Fund in the amount of \$11,463 were purchased. The General Fund purchased playground equipment in the amount of \$33,859. In all three cases neither three quotes or qualified bids were received.
CRITERIA	To comply with DFA procurement regulations three quotations are required for amounts over \$5,000. Three sealed bids are to be obtained for purchases over \$30,000.
CAUSE	It is unclear as to why the Village did not obtain three sealed bids or quotes.
EFFECT	The Village did not comply with DFA procurement policies.
RECOMMENDATION	The Village should direct the new business manager to ensure that nothing is purchased without the proper quotations or sealed bids.
RESPONSE	Current management has been implementing and abiding by the current rules.

Signatures of Receipt
(08-05)

CONDITION	Eighteen out of twenty six paid vouchers chosen did not have a signature verifying the receipt of all goods/services.
CRITERIA	A signature verifying all goods/services have been received is required so the disbursements department is aware that the invoice can now be paid.
CAUSE	It is unclear why these signatures were not being obtained before payment was made.
EFFECT	Incorrect payments could be made.
RECOMMENDATION	The Village should implement procedures to ensure these signatures are obtained before payments are made.
RESPONSE	Current vouchers are being verified.

Questionable Repairs

(08-06)

CONDITION	The Council approved the repair and purchase of a new fence for a taxpayer. There was no evidence in the Council Minutes that a Village employee actually damaged the fence. Also there was no police report filed, or an insurance claim.
CRITERIA	The Village needs to ensure that any and all property damaged by Village personnel be properly documented.
CAUSE	It is unclear why there was no documentation to verify this damage was the fault of Village personnel.
EFFECT	The Village could pay for goods that are not required to be paid by the Village. The Village could have possibly submitted an insurance claim and not paid with cash reserves.
RECOMMENDATION	The new management needs to ensure that all damages be reported correctly and that all insurance claims are submitted and any other procedures required are followed.
RESPONSE	New management will ensure that all damages or accidents will be properly investigated.

Capital Assets Sold Without Proper Bids
(08-07)

CONDITION	The Council approved the selling of a 1999 Pickup for \$100 without going out for bid. In another meeting the Council approved the sale of a 1994 Chevy for \$450 without going out for bid.
CRITERIA	So as not to violate the anti-donation clause all capital assets must be sold in a process so as to receive the highest obtainable price.
CAUSE	The Council did not put these items out for bid.
EFFECT	The Village may have been able to receive a better price for these capital assets.
RECOMMENDATION	The Village should put all capital assets out to bid to ensure the best obtainable price is provided.
RESPONSE	New management will ensure that all property will be sold with the Village's best interests in mind.

Water Obtained Without Proper Procedures

(08-08)

CONDITION	A resident of the Village was allowed to obtain water from a local fire hydrant without an employee present, without proper approval, without a signed agreement and from a location that should not have been available to the public.
CRITERIA	All water sales must be approved, monitored, documented and billed adequately.
CAUSE	It is unclear why this resident was allowed to obtain this water as a special tool is needed to be used on the fire hydrant where the water was obtained.
EFFECT	The Village may not received all revenues due them through water sales.
RECOMMENDATION	The Village should put a stop to this type of sales immediately. No other water sales should occur without the proper procedures in place.
RESPONSE	New management has implemented new procedures for water sales.

Unadvertised Special Meeting
(08-09)

CONDITION	The Mayor called a Special Meeting on November 6, 2008 without properly advertising that a meeting was to be held.
CRITERIA	All meetings must be advertised seventy two hours before the meeting is held.
CAUSE	It is unclear why this meeting was not advertised.
EFFECT	Holding a meeting without proper advertisement violates the Open Meetings Act.
RECOMMENDATION	Village staff and Council should ensure that all meetings are advertised properly to ensure the Open Meetings Act is followed.
RESPONSE	New management is abiding by all of the "Open Meetings Act".

Monies Lost/Stolen

(08-10)

CONDITION	An amount totaling \$530 was lost/stolen from the Village bank deposit bag to be deposited in early November, 2008.
CRITERIA	All monies receipted need to be deposited within twenty four hours to ensure they are safely guarded.
CAUSE	The monies in the bank bag were not deposited within twenty four hours.
EFFECT	The General Fund now has to cover the \$530 that belonged to the Water Fund. Monies were not deposited within the twenty four hour requirement.
RECOMMENDATION	Management should ensure that polices are implemented so deposits are made within twenty four hours.
RESPONSE	Management has implemented new deposit rules.

Fire Department Credit Card
(08-11)

CONDITION	The Fire Department has a Discover Credit Card. This is not allowed under DFA regulations.
CRITERIA	Department of Finance and Administration regulations allow P-Cards, but not other credit cards.
CAUSE	Management and the Council allowed the Fire Department to obtain a credit card.
EFFECT	The Village Fire Department did not follow DFA regulations.
RECOMMENDATION	The Village should cancel the Discover Credit Card and obtain a P-Card through DFA as soon as possible.
RESPONSE	New Management has deleted the credit card.

Gasoline Lost/Stolen
(08-12)

CONDITION	The Village had their fence cut and fifty-six gallons of gasoline were taken.
CRITERIA	The Council is responsible for the safeguarding of all assets of the Village.
CAUSE	The fence was damaged.
EFFECT	The Village had fifty six gallons of gasoline taken.
RECOMMENDATION	The Council should reinforce the fence and obtain better locks for the gasoline containers.
RESPONSE	New management has implemented new security measures for the fuel tanks.

Approval of Motion Not On Agenda
(08-13)

CONDITION	The Mayor called for a motion to amend the agenda in the August 11, 2008 meeting to include Resolution #2008-10 during the 8-11 meeting.
CRITERIA	All items that require a motion must be on the agenda. The agenda must be advertised seventy two hours before the meeting is held. This is to comply with the Open Meetings Act.
CAUSE	The Mayor and Council allowed an action item to be added to the agenda.
EFFECT	The Open Meetings Act was not followed. The public was not provided with the proper notice before this resolution was approved.
RECOMMENDATION	The Mayor and Council should not allow any new items to be added to any agendas in the future.
RESPONSE	New management is implementing all open meetings rules.

Rent of Village Assets
(08-14)

CONDITION	The Village is allowing constituents to rent certain fixed assets of the Village. One instance was \$200 received for the use of the Village Loader.
CRITERIA	According to 3-12-3 NMSA 1978, the Board has the duty to "manage and control the finances...belonging to the municipality". This would include any capital assets purchased and used by the Village.
CAUSE	The Village Board allowed these assets to be rented without a rental agreement approved by the Board, ensuring all insurance requirements and liability issues were met.
EFFECT	The Village may lend itself to several liability issues. The Villages insurance probably does not cover non-employee usage. A formal agreement has not been signed by both parties. A fair market rate per hour may not be charged.
RECOMMENDATION	The Village should no longer allow any usage of Village capital assets by the public.
RESPONSE	New management is working on new policies and procedures for the rental of Village equipment.

Unbudgeted Transfer
(08-15)

CONDITION	The Village transferred out \$2,786 from the General Fund to the Postal Fund. This transfer was not budgeted.
CRITERIA	According to Department of Finance and Administration regulations all transfers may not exceed approved budgets.
CAUSE	Budget adjustments were not prepared.
EFFECT	Department of Finance and Administration regulations have not been adhered to.
RECOMMENDATION	Management should review the financial statements periodically for possible overruns and request the appropriate budgetary increases before transfers exceed budget.
RESPONSE	The new management will ensure that all transfers are budgeted for and included in the next fiscal years budget.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2008 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 112. Management is responsible for these financial statements.

EXIT CONFERENCE

An exit conference was held on March 20, 2009. In attendance were Mr. Robert Chavez, Mayor, Mrs. Gloria Valdez, Mayor Pro-Tem, Ms. Faye Chavez, Councilwoman, Ms. Arlene Mendez, Councilwoman, Ms. Ida Torrez, Councilwoman, Mrs. Emily Sanchez, Clerk-Treasurer, Ms. Karen Alarid, Consultant and Ms. Pamela A. Rice, CPA, Contract Auditor. A quorum was present at the exit conference. A properly advertised closed Special Session was held.