

***STATE OF NEW MEXICO***

***VILLAGE OF WILLARD***

***AUDIT REPORT***

***For the Year Ended June 30, 2009***

***(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, 2009

(with Auditor's Report Thereon)

STATE OF NEW MEXICO  
VILLAGE OF WILLARD  
TABLE OF CONTENTS  
Year Ended June 30, 2009

	<u>Page</u>
Introduction Section	
Official Roster	i
Financial Section	
Independent Auditor's Report	1
<u>Financial Statements</u>	
<u>Statements</u>	
1 Statement of Net Assets	3
2 Statement of Activities	5
3 Balance Sheet - Governmental Funds	6
4 Reconciliation of the Balance Sheet - Government Funds to the Statement of Net Assets	7
5 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	9
7 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	10
8 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - Special Revenue - Fire Protection Fund	11
9 Combining Statement of Net Assets - Proprietary Funds	12

Table of Contents (continued)

	<u>Page</u>
10 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	13
11 Combining Statement of Cash Flows - Proprietary Funds	14
12 Statement of Fiduciary Assets and Liabilities - Agency Fund	15
Notes to Financial Statements	16
Non-Major Special Revenue Funds	
A-1 Combining Balance Sheet	31
A-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	32
A-3 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Road Fund	33
A-4 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Recreation Fund	34
A-5 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Environmental Gross Receipts Tax Fund	35
A-6 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Postal Fund	36
A-7 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) EMS Fund	37
Proprietary Fund Budgets	
B-1 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Water and Sewer Fund	38
B-2 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Solid Waste Fund	39

Table of Contents (continued)

	<u>Page</u>
Supplementary Information	
Schedule of Changes in Assets and Liabilities - All Agency Funds	40
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	41
Status of Comments	44
Financial Statement Preparation and Exit Conference	58

STATE OF NEW MEXICO  
VILLAGE OF WILLARD  
Official Roster  
Year Ended June 30, 2009

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. Emily Sanchez	Clerk-Treasurer
Ms. Chelsea Riley	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, 2009, 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, 2009 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the General 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, 2009, 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 December 1, 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.



December 1, 2009



**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
VILLAGE OF WILLARD  
Statement of Net Assets  
June 30, 2009

Statement 1  
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash	\$ 233,886	\$ 34,227	\$ 268,113
Accounts receivable (net of uncollectible accounts)	9,517	7,815	17,332
Total current assets	243,403	42,042	285,445
Restricted Assets			
Debt service reserve (cash)	-	3,150	3,150
Meter deposits (cash)	-	4,788	4,788
Bond reserve (cash)	-	12,752	12,752
Maintenance reserve (cash)	-	2,750	2,750
Total restricted assets	-	23,440	23,440
Capital Assets			
Land	75,818	9,100	84,918
Buildings	620,378	-	620,378
Vehicles and equipment	433,514	-	433,514
Land improvements	49,978	-	49,978
Infrastructure	131,141	-	131,141
Water system	-	1,964,134	1,964,134
Total capital assets	1,310,829	1,973,234	3,284,063
Less accumulated depreciation	(593,921)	(489,391)	(1,083,312)
Total capital assets (net of accumulated depreciation)	716,908	1,483,843	2,200,751
Total assets	\$ 960,311	\$ 1,549,325	\$ 2,509,636

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

STATE OF NEW MEXICO  
VILLAGE OF WILLARD  
Statement of Net Assets  
June 30, 2009

Statement 1  
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts payable	\$ 1,550	\$ 4,950	\$ 6,500
Revenue bonds payable - current portion	-	2,000	2,000
Loan payable - current portion	20,865	3,007	23,872
Total current liabilities	22,415	9,957	32,372
Non-Current Liabilities			
Revenue bonds payable (less current portion)	-	90,300	90,300
Compensated absences	706	-	706
Meter deposits	-	4,510	4,510
Loans payable	205,068	45,398	250,466
Total non-current liabilities	205,774	140,208	345,982
Total liabilities	228,189	150,165	378,354
Net Assets			
Invested in net assets net of related debt	490,975	1,343,138	1,834,113
Restricted for debt service	-	15,902	15,902
Restricted for maintenance	-	2,750	2,750
Unrestricted	241,147	37,370	278,517
Total net assets	732,122	1,399,160	2,131,282
Total liabilities and net assets	\$ 960,311	\$ 1,549,325	\$ 2,509,636

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, 2009

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
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 166,998	\$ 13,741	\$ 6,578	\$ -	\$ (146,679)	\$ -	\$ (146,679)
Highways and streets	-	-	50	9,580	9,630	-	9,630
Public safety	44,078	-	46,065	-	1,987	-	1,987
Culture and recreation	335	-	-	-	(335)	-	(335)
Health and welfare	1,417	-	-	-	(1,417)	-	(1,417)
Depreciation - unallocated	30,306	-	-	-	(30,306)	-	(30,306)
<b>Total governmental activities</b>	<b>243,134</b>	<b>13,741</b>	<b>52,693</b>	<b>9,580</b>	<b>(167,120)</b>	<b>-</b>	<b>(167,120)</b>
<b>Business-type activities:</b>							
Water/sewer	48,555	56,969	-	47,645	-	56,059	56,059
Solid waste	19,257	19,923	-	-	-	666	666
Interest on long-term debt	5,229	-	-	-	-	(5,229)	(5,229)
Depreciation - unallocated	48,505	-	-	-	-	(48,505)	(48,505)
<b>Total business-type activities</b>	<b>121,546</b>	<b>76,892</b>	<b>-</b>	<b>47,645</b>	<b>-</b>	<b>2,991</b>	<b>2,991</b>
<b>Total all activities</b>	<b>\$ 364,680</b>	<b>\$ 90,633</b>	<b>\$ 52,693</b>	<b>\$ 57,225</b>	<b>(167,120)</b>	<b>2,991</b>	<b>(164,129)</b>
<b>General Revenues:</b>							
Property taxes					6,079	-	6,079
Franchise taxes					2,099	-	2,099
Gross receipts taxes					102,360	-	102,360
Gasoline taxes					5,004	-	5,004
Motor vehicle taxes					837	-	837
Environmental gross receipts taxes					1,417	-	1,417
State aid not restricted to special purpose							
General					78,426	-	78,426
Investment earnings					2,115	591	2,706
<b>Total general revenues</b>					<b>198,337</b>	<b>591</b>	<b>198,928</b>
Change in net assets					31,217	3,582	34,799
Net assets - beginning					700,905	1,395,578	2,096,483
Net assets - ending					<b>\$ 732,122</b>	<b>\$ 1,399,160</b>	<b>\$ 2,131,282</b>

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

STATE OF NEW MEXICO  
VILLAGE OF WILLARD  
Balance Sheet  
Governmental Funds  
June 30, 2009

Statement 3

	General	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash on deposit	\$ 188,045	\$ 38,076	\$ 7,765	\$ 233,886
Accounts receivable	<u>9,517</u>	<u>-</u>	<u>-</u>	<u>9,517</u>
Total assets	<u><b>\$ 197,562</b></u>	<u><b>\$ 38,076</b></u>	<u><b>\$ 7,765</b></u>	<u><b>\$ 243,403</b></u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 1,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,550</u>
Total assets	<u>1,550</u>	<u>-</u>	<u>-</u>	<u>1,550</u>
<b>FUND BALANCE</b>				
Reserved for retirement of long term debt	-	22,605	-	22,605
Unreserved:				
Undesignated reported in:				
General fund	196,012	-	-	196,012
Special revenue funds	<u>-</u>	<u>15,471</u>	<u>7,765</u>	<u>23,236</u>
Total fund balance	<u>196,012</u>	<u>38,076</u>	<u>7,765</u>	<u>241,853</u>
Total liabilities and fund balance	<u><b>\$ 197,562</b></u>	<u><b>\$ 38,076</b></u>	<u><b>\$ 7,765</b></u>	<u><b>\$ 243,403</b></u>

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

STATE OF NEW MEXICO  
VILLAGE OF WILLARD  
Reconciliation of the Balance Sheet - Government Funds  
to the Statement of Net Assets  
June 30, 2009

Statement 4

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

Total fund balances - governmental funds	\$	241,853
--	----	---------

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	1,310,829	
Accumulated depreciation	<u>(593,921)</u>	
Net capital assets		716,908

Long-term and certain other liabilities, including loans 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:

Loans	(225,933)	
Compensated absences	<u>(706)</u>	
		<u>(226,639)</u>

Total net assets - governmental funds	\$	<u><u>732,122</u></u>
---------------------------------------	----	-----------------------

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, 2009

	General Fund	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 6,079	\$ -	\$ -	\$ 6,079
Franchise taxes	2,099	-	-	2,099
Environmental gross receipts taxes	-	-	1,417	1,417
Motor vehicle taxes	837	-	-	837
Gas taxes	1,251	-	3,753	5,004
Gross receipts taxes	102,360	-	-	102,360
Charges for services	2,854	-	10,582	13,436
Licenses and permits	305	-	-	305
Local sources	5,992	425	50	6,467
State sources	79,012	44,140	11,080	134,232
Earnings from investments	1,695	420	-	2,115
<b>Total revenues</b>	<u>202,484</u>	<u>44,985</u>	<u>26,882</u>	<u>274,351</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	158,901	-	10,582	169,483
Highways and streets	-	-	-	-
Public safety	-	44,078	-	44,078
Health & welfare	-	-	1,417	1,417
Culture and recreation	-	-	335	335
Capital outlay	-	225,000	9,580	234,580
<b>Total expenditures</b>	<u>158,901</u>	<u>269,078</u>	<u>21,914</u>	<u>449,893</u>
<b>Excess (deficiency) revenues over expenditures</b>	<u>43,583</u>	<u>(224,093)</u>	<u>4,968</u>	<u>(175,542)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Loan proceeds	-	225,933	-	225,933
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>225,933</u>	<u>-</u>	<u>225,933</u>
<b>Net change in fund balances</b>	<u>43,583</u>	<u>1,840</u>	<u>4,968</u>	<u>50,391</u>
<b>Fund balance beginning of year</b>	<u>152,429</u>	<u>36,236</u>	<u>2,797</u>	<u>191,462</u>
<b>Fund balance end of year</b>	<u>\$ 196,012</u>	<u>\$ 38,076</u>	<u>\$ 7,765</u>	<u>\$ 241,853</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, 2009

Net change in fund balances - total governmental funds \$ 50,391

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 2,484

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	234,581	
Depreciation expense	(30,306)	
Excess of capital outlay over depreciation expense		204,275

The issuance of long-term debt (e.g. loans) 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.

Proceeds of loan	(225,933)	
Repayment of long-term debt	-	
		(225,933)

Change in net assets of governmental activities \$ 31,217

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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 4,900	\$ 4,900	\$ 6,621	\$ 1,721
Franchise tax	2,100	2,100	2,099	(1)
Motor vehicle taxes	900	900	914	14
Gas taxes	1,500	1,500	1,251	(249)
Gross receipts taxes	18,400	77,242	96,914	19,672
Charges for services	2,075	2,075	2,854	779
Licenses and permits	270	270	305	35
Local sources	1,200	1,200	8,693	7,493
State sources	80,000	80,000	88,230	8,230
Earnings from investments	450	450	1,695	1,245
<b>Total revenues</b>	<b><u>\$ 111,795</u></b>	<b><u>\$ 170,637</u></b>	<b><u>\$ 209,576</u></b>	<b><u>\$ 38,939</u></b>
<b>EXPENDITURES</b>				
General government	\$ 121,245	\$ 180,087	\$ 166,569	\$ 13,518
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 121,245</u></b>	<b><u>\$ 180,087</u></b>	<b><u>\$ 166,569</u></b>	<b><u>\$ 13,518</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 9,450</u></b>	<b><u>\$ 9,450</u></b>		

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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Local sources	\$ 100	\$ 100	\$ 425	\$ 325
State sources	44,500	44,500	44,140	(360)
Earnings from investments	325	325	420	95
 Total revenues	 <u>\$ 44,925</u>	 <u>\$ 44,925</u>	 <u>\$ 44,985</u>	 <u>\$ 60</u>
 <b>EXPENDITURES</b>				
Public safety	\$ 46,560	\$ 62,740	\$ 269,078	\$ (206,338)
 Total expenditures	 <u>\$ 46,560</u>	 <u>\$ 62,740</u>	 <u>\$ 269,078</u>	 <u>\$ (206,338)</u>
 <b>OTHER FINANCING SOURCES</b>				
Loan proceeds	\$ -	\$ -	\$ 225,933	\$ 225,933
 Total other financing sources	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 225,933</u>	 <u>\$ 225,933</u>
 <b>BUDGETED CASH BALANCE</b>	 <u>\$ 1,635</u>	 <u>\$ 17,815</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, 2009

Statement 9

	Water & Sewer Fund	Solid Waste Fund	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 16,641	\$ 17,586	\$ 34,227
Accounts receivable (net of allowance)	<u>5,671</u>	<u>2,144</u>	<u>7,815</u>
Total current assets	<u>22,312</u>	<u>19,730</u>	<u>42,042</u>
Restricted assets			
Debt service reserve (cash)	3,150	-	3,150
Meter deposits (cash)	4,788	-	4,788
Bond reserve (cash)	12,752	-	12,752
Maintenance reserve (cash)	<u>2,750</u>	<u>-</u>	<u>2,750</u>
Total restricted assets	<u>23,440</u>	<u>-</u>	<u>23,440</u>
Capital assets			
Land	3,600	5,500	9,100
Property, plant and equipment	1,964,134	-	1,964,134
Less accumulated depreciation	<u>(489,391)</u>	<u>-</u>	<u>(489,391)</u>
Total capital assets net of accumulated depreciation	<u>1,478,343</u>	<u>5,500</u>	<u>1,483,843</u>
Total assets	<u>1,524,095</u>	<u>25,230</u>	<u>1,549,325</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	3,205	1,745	4,950
Current portion of long term debt	<u>5,007</u>	<u>-</u>	<u>5,007</u>
Total current liabilities	<u>8,212</u>	<u>1,745</u>	<u>9,957</u>
Noncurrent liabilities			
Meter deposits	4,510	-	4,510
Revenue bonds payable	90,300	-	90,300
Loans payable	<u>45,398</u>	<u>-</u>	<u>45,398</u>
Total noncurrent liabilities	<u>140,208</u>	<u>-</u>	<u>140,208</u>
Total liabilities	<u>148,420</u>	<u>1,745</u>	<u>150,165</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,337,638	5,500	1,343,138
Restricted for debt service	15,902	-	15,902
Restricted for maintenance	2,750	-	2,750
Unrestricted	<u>19,385</u>	<u>17,985</u>	<u>37,370</u>
Total net assets	<u>\$ 1,375,675</u>	<u>\$ 23,485</u>	<u>\$ 1,399,160</u>

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, 2009

	Water/Sewer Fund	Solid Waste Fund	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$ 56,969	\$ 19,923	\$ 76,892
Total operating revenue	<u>56,969</u>	<u>19,923</u>	<u>76,892</u>
<b>OPERATING EXPENSES</b>			
Salaries	14,141	-	14,141
Depreciation	48,505	-	48,505
Contractual services	-	19,257	19,257
Other operating expense	<u>34,414</u>	<u>-</u>	<u>34,414</u>
Total operating expenses	<u>97,060</u>	<u>19,257</u>	<u>116,317</u>
Operating income (loss)	<u>(40,091)</u>	<u>666</u>	<u>(39,425)</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Investment income	591	-	591
Investment expense	(5,229)	-	(5,229)
Capital grants	<u>47,645</u>	<u>-</u>	<u>47,645</u>
Total Non-Operating Revenue (Expenses)	<u>43,007</u>	<u>-</u>	<u>43,007</u>
Change in Net Assets	2,916	666	3,582
Net assets, beginning of year	<u>1,372,759</u>	<u>22,819</u>	<u>1,395,578</u>
Net assets, end of year	<u>\$ 1,375,675</u>	<u>\$ 23,485</u>	<u>\$ 1,399,160</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, 2009

Statement 11

	Water/Sewer Fund	Solid Waste Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Received from customers	\$ 59,076	\$ 20,454	\$ 79,530
Cash payment to employees	(14,141)	-	(14,141)
Cash payments to suppliers	(32,939)	(20,292)	(53,231)
Collection (return) of customer deposits	400	-	400
Net cash provided by operating activities	12,396	162	12,558
<b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES:</b>			
Principal paid on debt	(4,977)	-	(4,977)
Interest paid on debt	(5,229)	-	(5,229)
Acquisition and construction of capital assets	(44,943)	-	(44,943)
Capital grants	47,645	-	47,645
Net cash provided by capital and related activities	(7,504)	-	(7,504)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating transfers to other funds	(2,702)	-	(2,702)
Net cash provided (used) by noncapital financing activities	(2,702)	-	(2,702)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest	591	-	591
Net cash provided by investing activities	591	-	591
Net increase (decrease) in cash	2,781	162	2,943
Cash, beginning of year	37,300	17,424	54,724
Cash, end of year	\$ 40,081	\$ 17,586	\$ 57,667
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (40,091)	\$ 666	\$ (39,425)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	48,505	-	48,505
Changes in assets and liabilities:			
Receivables	2,107	531	2,638
Payables	1,475	(1,035)	440
Customer deposits	400	-	400
Net cash provided (used) by operating activities	\$ 12,396	\$ 162	\$ 12,558

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, 2009

	<u>Agency Funds</u>
ASSETS	
Cash on deposit	\$ <u>161</u>
Total assets	<u>\$ 161</u>
LIABILITIES	
Due to others	\$ <u>161</u>
Total liabilities	<u>\$ 161</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, 2009

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.



Notes to Financial Statements (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 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 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 *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 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	\$ 161
My Bank	Fire Fund	Checking	16,747
My Bank	Reserve Fund	Certificate of Deposit	12,148
My Bank	Utilities Fund	Checking	40,976
My Bank	General Fund	Checking	195,504
My Bank	Payroll	Checking	5,372
My Bank	Water Meter Fund	Checking	4,788
New Mexico Finance Authority			<u>22,869</u>
			<b><u>\$ 298,565</u></b>
Total amount on deposit			\$ 298,565
Petty Cash			225
Outstanding checks			(7,607)
Deposits in transit			<u>531</u>
Total per financial statements			<b><u>\$ 291,714</u></b>

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	\$ 298,565
Less FDIC	<u>(262,148)</u>
Uninsured funds	36,417
Funds needing collateralization at 50% (required by State Law)	18,209
Pledged collateral at June 30	<u>230,617</u>
Excess of Pledged Collateral	<b><u>\$ 212,408</u></b>

Notes to Financial Statements (continued)

*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, 2009, none of the Village's bank balance of \$275,696 was exposed to custodial credit risk as follows:

A.	Uninsured and Uncollateralized	\$	-
B.	Uninsured and Collateralized		<u>36,417</u>
	Total		<u><b>\$ 36,417</b></u>

The types of collateral allowed are limited to direct obligations 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>
FNMA CUSIP #3136F55HO	08-13-09	\$ 100,586
FHLP CUSIP #3133XPWV2	03-12-09	25,617
FHLP CUSIP #3133XNUU1	01-07-15	<u>104,414</u>
		<u><b>\$ 230,617</b></u>

The amount held at the New Mexico Finance Authority totaling \$22,869 is collateralized within the NMFA guidelines. This information is not available by individual Agency but the financial statements for the NMFA are available by writing to New Mexico Finance Authority, 207 Shelby Street, Santa Fe, New Mexico 87501.

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	\$ -	\$ 7,815
Less allowance for uncollectible accounts	-	-
Subtotal	-	7,815
Property taxes receivable	109	-
Gross receipts taxes receivable	<u>9,408</u>	<u>-</u>
Total	<u><b>\$ 9,517</b></u>	<u><b>\$ 7,815</b></u>



Notes to Financial Statements (continued)

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	\$ 51,382	\$ -	\$ 2,977	\$ 48,405	\$ 3,077
Revenue bonds	94,300	-	2,000	92,300	2,000
<b>Total</b>	<b>\$ 145,682</b>	<b>\$ -</b>	<b>\$ 4,977</b>	<b>\$ 140,705</b>	<b>\$ 5,077</b>

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.

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, 2009 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%	48,405
Revenue Bonds:				
1994 Water and Sewer	\$106,300	2037	5%	92,300
Total business-type activities				<b>\$ 140,705</b>

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>
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	2,000	4,215	3,129	362
2015-2019	12,000	19,525	16,122	1,334
2020-2024	15,000	16,075	16,908	512
2025-2034	19,000	12,025	-	-
2035-2037	36,300	6,125	-	-
	<b>\$ 92,300</b>	<b>\$ 75,825</b>	<b>\$ 48,405</b>	<b>\$ 3,962</b>

Notes to Financial Statements (continued)

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	\$ -	\$ 2,484	\$ 706	\$ -
Loan payable	-	225,933	-	225,933	20,685
	<u>\$ 3,190</u>	<u>\$ 225,933</u>	<u>\$ 2,484</u>	<u>\$ 226,639</u>	<u>\$ 20,685</u>

The Village entered into a loan agreement with the New Mexico Finance Authority evidencing a special limited obligation of the Village to pay a principal amount of \$225,933 and interest for the purpose of defraying the cost of acquiring a fire tanker for the Village's fire department. The yearly payments are to be redirected from the Village's share of the State Fire Fund revenues to the NMFA. The interest rate is 1.54% plus 2.82% administrative fee. The maturity date is May 1, 2019.

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 20,685	\$ 8,894	\$ 29,579
2011	21,004	4,661	25,665
2012	21,370	4,295	25,665
2013	21,775	3,890	25,665
2014	22,206	3,459	25,665
2015	22,678	2,987	25,665
2016	23,188	2,477	25,665
2017	23,737	1,927	25,664
2018	24,329	1,336	25,665
2019	<u>24,961</u>	<u>704</u>	<u>25,665</u>
Total	<u>\$ 225,933</u>	<u>\$ 34,630</u>	<u>\$ 260,563</u>

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, 2008	Additions	Deletions	Balances June 30, 2009
Land	\$ 9,100	\$ -	\$ -	\$ 9,100
Buildings	15,000	-	-	15,000
Plant and equipment	1,902,665	44,943	-	1,947,608
Vehicle	<u>1,526</u>	<u>-</u>	<u>-</u>	<u>1,526</u>
Sub-total	<u>1,928,291</u>	<u>44,943</u>	<u>-</u>	<u>1,973,234</u>
Less accumulated depreciation:				
Buildings	(15,000)	-	-	(15,000)
Plant & equipment	(424,971)	(48,200)	-	(473,171)
Vehicle	<u>(915)</u>	<u>(305)</u>	<u>-</u>	<u>(1,220)</u>
Sub-total	<u>(440,886)</u>	<u>(48,505)</u>	<u>-</u>	<u>(489,391)</u>
Net capital assets	<u>\$ 1,487,405</u>	<u>\$ (3,562)</u>	<u>\$ -</u>	<u>\$ 1,483,843</u>

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

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
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	620,378	-	-	620,378
Equipment & vehicles	208,514	225,000	-	433,514
Infrastructure	121,561	9,580	-	131,141
Land improvements	<u>49,978</u>	<u>-</u>	<u>-</u>	<u>49,978</u>
Total capital assets being depreciated	<u>1,000,431</u>	<u>234,580</u>	<u>-</u>	<u>1,235,011</u>
Less accumulated depreciation for:				
Building and improvements	(346,152)	(19,548)	-	(365,700)
Equipment & vehicles	(204,603)	(3,910)	-	(208,513)
Infrastructure	(11,725)	(5,713)	-	(17,438)
Land improvements	<u>(1,135)</u>	<u>(1,135)</u>	<u>-</u>	<u>(2,270)</u>
Total accumulated depreciation	<u>(563,615)</u>	<u>(30,306)</u>	<u>-</u>	<u>(593,921)</u>
Total capital assets being depreciated	<u>436,816</u>	<u>204,274</u>	<u>-</u>	<u>641,090</u>
Net capital assets	<u>\$ 512,634</u>	<u>\$ 204,274</u>	<u>\$ -</u>	<u>\$ 716,908</u>

Notes to Financial Statements (continued)

6. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

<u>Revenues</u>	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Non-Major Funds</u>
Actual (Budget)	\$ 209,576	\$ 44,985	\$ 26,882
Accrual (GAAP)	<u>202,484</u>	<u>44,985</u>	<u>26,882</u>
(Increase) decrease in receivables	<u>\$ 7,092</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>Expenditures</u>			
Actual (Budget)	\$ 166,569	\$ 269,078	\$ 21,914
Accrual (GAAP)	<u>158,901</u>	<u>269,078</u>	<u>21,914</u>
(Increase) decrease in payables	<u>\$ 7,668</u>	<u>\$ -</u>	<u>\$ -</u>

7. 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, 2009, 2008, and 2007 were \$8,251, \$4,309 and \$2,178 respectively equal to the amount of the required contributions for the year.

8. 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.

Notes to Financial Statements (continued)

9. 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.

10. BUDGET VIOLATIONS

The Village had budget overruns in several funds. These include the Special Revenue Recreation Fund in the amount of \$335; the Special Revenue Fire Protection Fund in the amount of \$206,338 and the Special Revenue Environmental Gross Receipts Fund in the amount of \$917.

**NON-MAJOR  
SPECIAL REVENUE FUNDS**

**ROAD FUND** - 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.

**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.

**EMERGENCY MEDICAL SERVICES FUND** - To account for grant funds received from state sources for development of an EMS system within the Village (Authority DOH 7 NMAC 27.4).

STATE OF NEW MEXICO  
VILLAGE OF WILLARD  
Non-Major Governmental Funds  
Combining Balance Sheet  
June 30, 2009

Statement A-1

	Road Fund	Recreation Fund	Environmental Gross Receipts Tax Fund	Postal Fund	EMS Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash on deposit	\$ 5,838	\$ -	\$ 327	\$ 100	\$ 1,500	\$ 7,765
Total assets	<u>\$ 5,838</u>	<u>\$ -</u>	<u>\$ 327</u>	<u>\$ 100</u>	<u>\$ 1,500</u>	<u>\$ 7,765</u>
<b>FUND BALANCE</b>						
Unreserved:						
Undesignated	\$ 5,838	\$ -	\$ 327	\$ 100	\$ 1,500	\$ 7,765
Total fund balance	<u>\$ 5,838</u>	<u>\$ -</u>	<u>\$ 327</u>	<u>\$ 100</u>	<u>\$ 1,500</u>	<u>\$ 7,765</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, 2009

	Road Fund	Recreation Fund	Environmental Gross Receipts Tax Fund	Postal Fund	EMS Fund	Total Governmental Funds
<b>REVENUES</b>						
Charges for services	\$ -	\$ -	\$ -	\$ 10,582	\$ -	\$ 10,582
State shared taxes	3,753	-	1,417	-	-	5,170
Local sources	50	-	-	-	-	50
State sources	9,580	-	-	-	1,500	11,080
Earnings from investments	-	-	-	-	-	-
<b>Total revenues</b>	<u>13,383</u>	<u>-</u>	<u>1,417</u>	<u>10,582</u>	<u>1,500</u>	<u>26,882</u>
<b>EXPENDITURES</b>						
<b>Current:</b>						
General government	-	-	-	10,582	-	10,582
Health & welfare	-	-	1,417	-	-	1,417
Public safety	-	-	-	-	-	-
Culture and recreation	-	335	-	-	-	335
Capital outlay	9,580	-	-	-	-	9,580
<b>Total expenditures</b>	<u>9,580</u>	<u>335</u>	<u>1,417</u>	<u>10,582</u>	<u>-</u>	<u>21,914</u>
Net change in fund balances	3,803	(335)	-	-	1,500	4,968
Fund balance beginning of year	<u>2,035</u>	<u>335</u>	<u>327</u>	<u>100</u>	<u>-</u>	<u>2,797</u>
Fund balance end of year	<u>\$ 5,838</u>	<u>\$ -</u>	<u>\$ 327</u>	<u>\$ 100</u>	<u>\$ 1,500</u>	<u>\$ 7,765</u>

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



STATE OF NEW MEXICO  
 VILLAGE OF WILLARD  
 Non-Major Special Revenue Fund - Road Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State shared taxes	\$ 4,000	\$ 4,000	\$ 3,753	\$ (247)
Local sources	-	50	50	-
State sources	-	9,580	9,580	-
Total revenues	<u>\$ 4,000</u>	<u>\$ 13,630</u>	<u>\$ 13,383</u>	<u>\$ (247)</u>
<b>EXPENDITURES</b>				
Highways and streets	\$ -	\$ 9,630	\$ 9,580	\$ 50
Total expenditures	<u>\$ -</u>	<u>\$ 9,630</u>	<u>\$ 9,580</u>	<u>\$ 50</u>

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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Culture and recreation	\$ -	\$ -	\$ 335	\$ (335)
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 335</u>	<u>\$ (335)</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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State shared taxes	\$ 500	\$ 500	\$ 1,417	\$ 917
Total revenues	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 1,417</u>	<u>\$ 917</u>
<b>EXPENDITURES</b>				
Health and welfare	\$ 500	\$ 500	\$ 1,417	\$ (917)
Total expenditures	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 1,417</u>	<u>\$ (917)</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, 2009

	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	\$ 10,582	\$ -
Total expenditures	<u>\$ 10,582</u>	<u>\$ 10,582</u>	<u>\$ 10,582</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 - EMS Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ 1,500	\$ 1,500	\$ -
Total revenues	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Public safety	\$ -	\$ 1,500	\$ -	\$ 1,500
Total expenditures	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 1,500</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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 56,650	\$ 56,650	\$ 59,076	\$ 2,426
State grant	140,000	140,000	47,645	(92,355)
Interest income	250	250	591	341
	<u>196,900</u>	<u>196,900</u>	<u>107,312</u>	<u>(89,588)</u>
<b>Total revenues</b>	<b><u>\$ 196,900</u></b>	<b><u>\$ 196,900</u></b>	<b><u>\$ 107,312</u></b>	<b><u>\$ (89,588)</u></b>
<b>EXPENDITURES</b>				
Personal services	\$ 14,245	\$ 14,245	\$ 14,141	\$ 104
Operating expenses	31,460	31,460	32,939	(1,479)
Capital outlay	140,000	140,000	44,943	95,057
Debt principal	4,977	4,977	4,977	-
Debt interest	5,279	5,279	5,229	50
	<u>195,961</u>	<u>195,961</u>	<u>102,229</u>	<u>93,732</u>
<b>Total expenditures</b>	<b><u>\$ 195,961</u></b>	<b><u>\$ 195,961</u></b>	<b><u>\$ 102,229</u></b>	<b><u>\$ 93,732</u></b>
<b>REVENUES</b>				
Budgetary basis			\$ 107,312	
(Decrease) in accounts receivable			<u>(2,107)</u>	
<b>Modified accrual basis</b>			<b><u>\$ 105,205</u></b>	
<b>EXPENDITURES</b>				
Budgetary basis			\$ 102,229	
Depreciation			48,505	
Increase in accounts payable			<u>1,475</u>	
<b>Modified accrual basis</b>			<b><u>\$ 152,209</u></b>	

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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 17,600	\$ 17,600	\$ 20,453	\$ 2,853
Total revenues	<u>\$ 17,600</u>	<u>\$ 17,600</u>	<u>\$ 20,453</u>	<u>\$ 2,853</u>
<b>EXPENDITURES</b>				
Contractual services	\$ 14,600	\$ 20,300	\$ 20,291	\$ 9
Total expenditures	<u>\$ 14,600</u>	<u>\$ 20,300</u>	<u>\$ 20,291</u>	<u>\$ 9</u>
BUDGETED CASH BALANCE	<u>\$ 3,000</u>	<u>\$ 3,000</u>		
<b>REVENUES</b>				
Budgetary basis			\$ 20,453	
Accounts receivable			(530)	
Modified accrual basis			<u>\$ 19,923</u>	
<b>EXPENDITURES</b>				
Budgetary basis			\$ 20,291	
Depreciation			-	
Accounts payable			(1,034)	
Modified accrual basis			<u>\$ 19,257</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, 2009

	Balances June 30, 2008	Additions	Deletions	Balances June 30, 2009
<b>ASSETS</b>				
Cash of deposit	\$ 135	\$ 253	\$ 227	\$ 161
Total assets	<u>\$ 135</u>	<u>\$ 253</u>	<u>\$ 227</u>	<u>\$ 161</u>
<b>LIABILITIES</b>				
Deposits held for others	\$ 135	\$ 253	\$ 227	\$ 161
Total liabilities	<u>\$ 135</u>	<u>\$ 253</u>	<u>\$ 227</u>	<u>\$ 161</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  
11805 Menaul NE  
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, 2009, and have issued our report thereon dated December 1, 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, 2009. 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 06-06 Replacement Reserve Amount, 06-07 Imprest Bank Account, 06-08 Capital Asset Listing, 06-09 Depreciation Schedule, 06-12 Budget Overruns, 08-03 Water Meter Deposits, 08-04 Three Quotes Not Obtained, 08-11 Fire Department Credit Card, 09-01 Direct Payments Not Posted, 09-02 Purchase Orders Required Before Items Purchased and 09-03 Fire Department Fundraiser.

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 06-06 Replacement Reserve Amount, 06-08 Capital Asset Listing, 06-09 Depreciation Schedule, 06-12 Budget Overruns, 08-11 Fire Department Credit Card, 09-02 Purchase Orders Required Before Items Purchased and 09-04 Fire Department Expenditures.

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.

*Road & Associates, LLP*

December 1, 2009

## **STATUS OF COMMENTS**

### **Prior Year Audit Findings**

1. New Hire Reporting (05-01) - Resolved.
2. PERA Withholdings (06-01) - Resolved.
3. Purchase Orders Not Used (06-02) - Resolved.
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) - Resolved.
10. Audit Review (07-05) - Resolved.
11. Department of Labor Reports (08-01) - Resolved.
12. Department of Labor Reports Wage Base Rate (08-02) - Resolved.
13. Water Meter Deposits (08-03) - Repeated.
14. Three Quotes Not Obtained (08-04) - Repeated.
15. Signatures of Receipt (08-05) - Resolved.
16. Questionable Repairs (08-06) - Resolved.
17. Capital Assets Sold Without Proper Bids (08-07) - Resolved.
18. Water Obtained Without Proper Procedures (08-08) - Resolved.
19. Unadvertised Special Meeting (08-09) - Resolved.
20. Monies Lost/Stolen (08-10) - Resolved.
21. Fire Department Credit Card (08-11) - Repeated.
22. Gasoline Lost/Stolen (08-12) - Resolved.
23. Approval of Motion Not on Agenda (08-13) - Resolved.
24. Rent of Village Assets (08-14) - Resolved.
25. Unbudgeted Transfer (08-15) - Resolved.

### **Current Year Audit Findings**

1. Direct Payments Not Posted (09-01)
2. Purchase Orders Required Before Items Purchased - (09-02)
3. Fire Department Fundraisers (09-03)
4. Fire Department Expenditures (09-04)

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	The Village has the money and will be placing it in a restricted bank account as soon as a budget adjustment is submitted and approved by DFA.



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 a budget overrun in the Fire Fund by \$206,338. Village management did not adjust the Fire Fund budget for the \$200,000 loan from NMFA that the Village used to purchase the new fire pumper truck. Also, the Special Revenue Recreation Fund in the amount of \$335 and the Special Revenue Environmental Gross Receipts Fund in the amount of \$917.
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	A budgetary adjustment did not occur to correct the budget deficit.
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 had no knowledge of how to deal with loan due to funds not going thru their bank account. This occurred prior to change over in management.

Water Meter Deposits  
(08-03)

CONDITION	The Village has \$278 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 start implementing accounting procedures to assure that this is done properly.

Three Quotes Not Obtained  
(08-04)

CONDITION	The Village purchased construction services in the amount of \$9,218. Three quotes were not available to be reviewed, even though the Village claims three were obtained.
CRITERIA	To comply with DFA procurement regulations three quotations are required for amounts over \$5,000.
CAUSE	It is unclear as to why the Village did not have available the three quotes obtained for review.
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 is now complying with procurement regulations.

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	Current management has cancelled the credit card.

Direct Payments Not Posted  
(09-01)

CONDITION	The Village had \$200,000 worth of SAP monies paid directly to a vendor, however, never shown on the Village's books of record.
CRITERIA	All transactions of the Village are to be posted to the books of record.
CAUSE	Management was not completing this procedure.
EFFECT	The total \$200,000 was not being included in the original books of record. Thus, if not posted could have understated revenues and capital assets.
RECOMMENDATION	Management should implement procedures to ensure these transactions are included in the 2010 books of record.
RESPONSE	Current management has knowledge of the above and has implemented this procedure.



Purchase Orders Required Before Items Purchased  
(09-02)

CONDITION	Fourteen out of Forty-one paid invoices chosen had purchase orders dated after the invoice.
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 authorized, cash and budget are available and the correct fund and line item have been charged.
CAUSE	Management of the Village is not ensuring that this internal control procedure is being done.
EFFECT	Department of Finance and Administration regulations have not been followed.
RECOMMENDATION	The Village should start dating purchase orders before the item is purchased/ordered.
RESPONSE	Management will produce Purchase Orders dated before purchases are made.

Fire Department Fundraisers

(09-03)

CONDITION	The Fire Department is fundraising throughout the community; however, they are not having these monies deposited into a Village bank account, having the monies accounted for in the Village's books of record or allowing the Village to purchase the items the fundraiser was for.
CRITERIA	All monies, whether they are public monies, donations, or interest earned on those monies, are to be recorded, deposited and expended by the Village business office. The Department of Finance and Administration regulations require this.
CAUSE	The Fire Department has not followed this regulation established by DFA.
EFFECT	Monies may not be managed according to DFA regulations.
RECOMMENDATION	The Fire Department should turn over any monies donated to the business office immediately.
RESPONSE	Current management has and will continue to advise the Fire Chief and fire personnel of this matter.

Fire Department Expenditures

(09-04)

CONDITION                    The Village hired an attorney to represent them during meetings with the State Fire Marshall and the State Fire Marshall's attorney. The Village paid \$3,626 to said attorney. The State Fire Marshall however told the Village that their Fire Fund could not absorb this expenditure. The State Fire Marshall quoted State Statute 59A-53-8. The Village paid these attorneys fees out of the General Fund. It appears that these fees are expenditures of the Fire Fund, not the General Fund.

CRITERIA                      According to State statute 59A-53-8, the Fire Fund "shall be expended only for the maintenance of its fire department, the purchase, construction, maintenance, repair and operation of its fire stations, including substations, fire apparatus and equipment, and the financing or refinancing thereof, the payment of insurance premiums on fire stations, substations, fire apparatus and equipment and insurance premiums for injuries or deaths of firefighters as otherwise provided by law". It would appear that attorneys fees fall under the "operation of fire stations". If the Village had only a Fire Fund, then it would appear that these fees would have to be paid by the Fire Fund.

CAUSE                         It is unclear why the State Fire Marshall disagreed with where these fees would be paid.

EFFECT                        The General Fund is paying fees that appear to belong to and could be paid by another fund.

RECOMMENDATION              The Village should seek advice from the State Auditors Office on where these fees can be expended.

RESPONSE                     Management will seek advice from the State Auditors Office on this particular issue and have it resolved by the end of the 2010 fiscal year.

## FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2009 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 December 1, 2009. In attendance were Mrs. Emily Sanchez, Clerk-Treasurer, Ms. Karen Alarid, Consultant and Ms. Pamela A. Rice, CPA, Contract Auditor.