

STATE OF NEW MEXICO

VILLAGE OF WILLARD

AUDIT REPORT

For the Year Ended June 30, 2010

(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, 2010

(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, 2010

Village Council

| <u>Name</u> | <u>Title</u> |
|---------------------|----------------|
| Mr. Robert Chavez | Mayor |
| Ms. Ida Torrez | Mayor Pro-Tem |
| Ms. Faye Chavez | Council Member |
| Ms. Arlene Mendez | Council Member |
| Mr. Jerry Pack, Sr. | Council Member |

Village Administration

| | |
|-------------------|-----------------|
| Ms. Emily Sanchez | 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, and the budgetary comparison for the General and Fire Protection Funds of the Village of Willard, as of and for the year ended June 30, 2010, 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 Villages' non-major governmental, enterprise and fiduciary funds and the budgetary comparisons for all non-major governmental 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, 2010 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. Accordingly, 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, 2010, 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, enterprise and fiduciary funds of the Village of Willard, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the non-major governmental 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 November 29, 2010 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 the Village of Willard. The accompanying financial information listed as the 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.



November 29, 2010

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF WILLARD
Statement of Net Assets
June 30, 2010

Statement 1
Page 1 of 2

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash | \$ 245,355 | \$ 1,755 | \$ 247,110 |
| Accounts receivable (net of uncollectible accounts) | <u>5,016</u> | <u>71,085</u> | <u>76,101</u> |
| Total current assets | <u>250,371</u> | <u>72,840</u> | <u>323,211</u> |
| Restricted Assets | | | |
| Debt service reserve (cash) | - | 3,150 | 3,150 |
| Meter deposits (cash) | - | 4,535 | 4,535 |
| Bond reserve (cash) | - | 13,025 | 13,025 |
| Maintenance reserve (cash) | <u>-</u> | <u>2,750</u> | <u>2,750</u> |
| Total restricted assets | <u>-</u> | <u>23,460</u> | <u>23,460</u> |
| 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 | <u>-</u> | <u>2,055,340</u> | <u>2,055,340</u> |
| Total capital assets | <u>1,310,829</u> | <u>2,064,440</u> | <u>3,375,269</u> |
| Less accumulated depreciation | <u>(669,227)</u> | <u>(540,632)</u> | <u>(1,209,859)</u> |
| Total capital assets (net of accumulated depreciation) | <u>641,602</u> | <u>1,523,808</u> | <u>2,165,410</u> |
| Total assets | <u>\$ 891,973</u> | <u>\$ 1,620,108</u> | <u>\$ 2,512,081</u> |

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

STATE OF NEW MEXICO
VILLAGE OF WILLARD
Statement of Net Assets
June 30, 2010

Statement 1
Page 2 of 2

| | Governmental Activities | Business Type Activities | Total |
|--|----------------------------|-----------------------------|--------------|
| LIABILITIES AND NET ASSETS | | | |
| Current Liabilities | | | |
| Cash overdraft | \$ - | \$ 35,899 | \$ 35,899 |
| Accounts payable | 1,181 | 7,168 | 8,349 |
| Revenue bonds payable - current portion | - | 2,000 | 2,000 |
| Loan payable - current portion | 21,004 | 3,037 | 24,041 |
| Total current liabilities | 22,185 | 48,104 | 70,289 |
| Non-Current Liabilities | | | |
| Revenue bonds payable (less current portion) | - | 88,300 | 88,300 |
| Compensated absences | 1,818 | - | 1,818 |
| Meter deposits | - | 4,535 | 4,535 |
| Loans payable | 184,064 | 42,361 | 226,425 |
| Total non-current liabilities | 185,882 | 135,196 | 321,078 |
| Total liabilities | 208,067 | 183,300 | 391,367 |
| Net Assets | | | |
| Invested in net assets | | | |
| net of related debt | 436,534 | 1,388,110 | 1,824,644 |
| Restricted for debt service | - | 16,175 | 16,175 |
| Restricted for maintenance | - | 2,750 | 2,750 |
| Unrestricted | 247,372 | 29,773 | 277,145 |
| Total net assets | 683,906 | 1,436,808 | 2,120,714 |
| Total liabilities and net assets | \$ 891,973 | \$ 1,620,108 | \$ 2,512,081 |

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, 2010

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 | \$ 155,859 | \$ 12,154 | \$ 17,582 | \$ - | \$ (126,123) | \$ - | \$ (126,123) |
| Highways and streets | 2,081 | - | - | - | (2,081) | - | (2,081) |
| Public safety | 27,564 | - | 41,488 | 25,665 | 39,589 | - | 39,589 |
| Culture and recreation | - | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - | - |
| Depreciation - unallocated | 75,306 | - | - | - | (75,306) | - | (75,306) |
| Total governmental activities | <u>260,810</u> | <u>12,154</u> | <u>59,070</u> | <u>25,665</u> | <u>(163,921)</u> | <u>-</u> | <u>(163,921)</u> |
| Business-type activities: | | | | | | | |
| Water/sewer | 122,512 | 62,044 | - | 97,716 | - | 37,248 | 37,248 |
| Solid waste | 38,360 | 22,090 | - | 15,895 | - | (395) | (395) |
| Total business-type activities | <u>160,892</u> | <u>84,134</u> | <u>-</u> | <u>113,611</u> | <u>-</u> | <u>36,853</u> | <u>36,853</u> |
| Total all activities | <u>\$ 421,702</u> | <u>\$ 96,288</u> | <u>\$ 59,070</u> | <u>\$ 139,276</u> | <u>(163,921)</u> | <u>36,853</u> | <u>(127,068)</u> |
| General Revenues: | | | | | | | |
| Lodgers taxes | | | | | 179 | - | 179 |
| Property taxes | | | | | 5,620 | - | 5,620 |
| Franchise taxes | | | | | 3,509 | - | 3,509 |
| Gross receipts taxes | | | | | 61,532 | - | 61,532 |
| Gasoline taxes | | | | | 7,797 | - | 7,797 |
| Motor vehicle taxes | | | | | 923 | - | 923 |
| State aid not restricted to special purpose | | | | | | | |
| General | | | | | 35,625 | - | 35,625 |
| Investment earnings | | | | | 846 | 470 | 1,316 |
| Transfers | | | | | (327) | 327 | - |
| Total general revenues | | | | | <u>115,704</u> | <u>797</u> | <u>116,501</u> |
| Change in net assets | | | | | (48,217) | 37,650 | (10,567) |
| Net assets - beginning | | | | | 732,123 | 1,399,158 | 2,131,281 |
| Net assets - ending | | | | | <u>\$ 683,906</u> | <u>\$ 1,436,808</u> | <u>\$ 2,120,714</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, 2010

Statement 3

| | General | Fire Protection Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|----------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash on deposit | \$ 178,018 | \$ 58,879 | \$ 8,458 | \$ 245,355 |
| Accounts receivable | <u>5,016</u> | <u>-</u> | <u>-</u> | <u>5,016</u> |
| Total assets | <u>\$ 183,034</u> | <u>\$ 58,879</u> | <u>\$ 8,458</u> | <u>\$ 250,371</u> |
| LIABILITIES | | | | |
| Accounts payable | <u>\$ 1,181</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,181</u> |
| Total assets | <u>1,181</u> | <u>-</u> | <u>-</u> | <u>1,181</u> |
| FUND BALANCE | | | | |
| Reserved for retirement of long term debt | - | 22,634 | - | 22,634 |
| Unreserved: | | | | |
| Undesignated reported in: | | | | |
| General fund | 181,853 | - | - | 181,853 |
| Special revenue funds | <u>-</u> | <u>36,245</u> | <u>8,458</u> | <u>44,703</u> |
| Total fund balance | <u>181,853</u> | <u>58,879</u> | <u>8,458</u> | <u>249,190</u> |
| Total liabilities and fund balance | <u>\$ 183,034</u> | <u>\$ 58,879</u> | <u>\$ 8,458</u> | <u>\$ 250,371</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, 2010

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

Total fund balances - governmental funds \$ 249,190

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>(669,227)</u> | |
| Net capital assets | | 641,602 |

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 | (205,068) | |
| Compensated absences | <u>(1,818)</u> | |
| | | <u>(206,886)</u> |

Total net assets - governmental funds \$ 683,906

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, 2010

| | General Fund | Fire Protection Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|----------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| Lodgers taxes | \$ - | \$ - | \$ 179 | \$ 179 |
| Property taxes | 5,620 | - | - | 5,620 |
| Franchise taxes | 3,509 | - | - | 3,509 |
| Environmental gross receipts taxes | - | - | - | - |
| Motor vehicle taxes | 923 | - | - | 923 |
| Gas taxes | 4,044 | - | 3,753 | 7,797 |
| Gross receipts taxes | 61,532 | - | - | 61,532 |
| Charges for services | 1,137 | - | - | 1,137 |
| Licenses and permits | 435 | - | - | 435 |
| Local sources | 17,582 | 1,870 | - | 19,452 |
| State sources | 35,625 | 63,783 | 1,500 | 100,908 |
| Federal sources | 10,582 | - | - | 10,582 |
| Earnings from investments | 682 | 164 | - | 846 |
| | <u>141,671</u> | <u>65,817</u> | <u>5,432</u> | <u>212,920</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 154,747 | - | - | 154,747 |
| Highways and streets | - | - | 2,081 | 2,081 |
| Public safety | 488 | 45,711 | 2,230 | 48,429 |
| Health & welfare | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| | <u>155,235</u> | <u>45,711</u> | <u>4,311</u> | <u>205,257</u> |
| Excess (deficiency) revenues over expenditures | (13,564) | 20,106 | 1,121 | 7,663 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 3,030 | 3,626 | - | 6,656 |
| Operating transfers (out) | (3,626) | (2,930) | (427) | (6,983) |
| | <u>(596)</u> | <u>696</u> | <u>(427)</u> | <u>(327)</u> |
| Total other financing sources (uses) | <u>(596)</u> | <u>696</u> | <u>(427)</u> | <u>(327)</u> |
| Net change in fund balances | (14,160) | 20,802 | 694 | 7,336 |
| Fund balance beginning of year | <u>196,013</u> | <u>38,077</u> | <u>7,764</u> | <u>241,854</u> |
| Fund balance end of year | <u>\$ 181,853</u> | <u>\$ 58,879</u> | <u>\$ 8,458</u> | <u>\$ 249,190</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, 2010

Net change in fund balances - total governmental funds \$ 7,336

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 (1,112)

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 depreciation expense exceeds capital outlays in the period.

| | | |
|--|--------------------|----------|
| Depreciation expense | (75,306) | |
| Capital outlays | <u> -</u> | |
| Excess of capital outlay over depreciation expense | | (75,306) |

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.

| | |
|-----------------------------|---------------|
| Repayment of long-term debt | <u>20,865</u> |
|-----------------------------|---------------|

| | |
|---|--------------------|
| Change in net assets of governmental activities | <u>\$ (48,217)</u> |
|---|--------------------|

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, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------------|-------------------|-------------------|--|
| REVENUES | | | | |
| Taxes | \$ 5,500 | \$ 5,500 | \$ 5,556 | \$ 56 |
| Franchise tax | 2,100 | 2,100 | 2,956 | 856 |
| Motor vehicle taxes | 800 | 800 | 923 | 123 |
| Gas taxes | 1,251 | 1,251 | 4,044 | 2,793 |
| Gross receipts taxes | 28,620 | 28,620 | 66,650 | 38,030 |
| Charges for services | 2,000 | 2,000 | 1,137 | (863) |
| Licenses and permits | 305 | 305 | 435 | 130 |
| Local sources | 23,350 | 23,350 | 17,582 | (5,768) |
| State sources | 78,425 | 78,425 | 35,625 | (42,800) |
| Federal sources | 11,181 | 11,181 | 10,582 | (599) |
| Earnings from investments | 150 | 150 | 682 | 532 |
| Total revenues | <u>\$ 153,682</u> | <u>\$ 153,682</u> | <u>\$ 146,172</u> | <u>\$ (7,510)</u> |
| EXPENDITURES | | | | |
| General government | \$ 174,912 | \$ 174,912 | \$ 155,116 | \$ 19,796 |
| Public safety | - | - | 488 | (488) |
| Culture and recreation | - | - | - | - |
| Total expenditures | <u>\$ 174,912</u> | <u>\$ 174,912</u> | <u>\$ 155,604</u> | <u>\$ 19,308</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 2,930 | \$ 3,030 | \$ 3,030 | \$ - |
| Transfers out | - | (3,626) | (3,626) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ 2,930</u> | <u>\$ (596)</u> | <u>\$ (596)</u> | <u>\$ -</u> |
| BUDGETED CASH BALANCE | <u>\$ 18,300</u> | <u>\$ 21,826</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, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Local sources | \$ 100 | \$ 100 | \$ 1,870 | \$ 1,770 |
| State sources | 51,636 | 65,648 | 63,783 | (1,865) |
| Earnings from investments | <u>-</u> | <u>-</u> | <u>164</u> | <u>164</u> |
| Total revenues | <u>\$ 51,736</u> | <u>\$ 65,748</u> | <u>\$ 65,817</u> | <u>\$ 69</u> |
| EXPENDITURES | | | | |
| Public safety | \$ 64,013 | \$ 78,025 | \$ 45,711 | \$ 32,314 |
| Total expenditures | <u>\$ 64,013</u> | <u>\$ 78,025</u> | <u>\$ 45,711</u> | <u>\$ 32,314</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer in | \$ - | \$ 3,626 | \$ 3,626 | \$ - |
| Transfer out | <u>(2,930)</u> | <u>(2,930)</u> | <u>(2,930)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>\$ (2,930)</u> | <u>\$ 696</u> | <u>\$ 696</u> | <u>\$ -</u> |
| BUDGETED CASH BALANCE | <u>\$ 15,207</u> | <u>\$ 15,207</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, 2010

Statement 9

| | Water & Sewer Fund | Solid Waste Fund | Total |
|---|--------------------------|------------------------|--------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | \$ - | \$ 1,755 | \$ 1,755 |
| Accounts receivable (net of allowance) | 53,184 | 17,901 | 71,085 |
| Total current assets | 53,184 | 19,656 | 72,840 |
| Restricted assets | | | |
| Debt service reserve (cash) | 3,150 | - | 3,150 |
| Meter deposits (cash) | 4,535 | - | 4,535 |
| Bond reserve (cash) | 13,025 | - | 13,025 |
| Maintenance reserve (cash) | 2,750 | - | 2,750 |
| Total restricted assets | 23,460 | - | 23,460 |
| Capital assets | | | |
| Land | 3,600 | 5,500 | 9,100 |
| Property, plant and equipment | 2,055,340 | - | 2,055,340 |
| Less accumulated depreciation | (540,632) | - | (540,632) |
| Total capital assets net of accumulated depreciation | 1,518,308 | 5,500 | 1,523,808 |
| Total assets | 1,594,952 | 25,156 | 1,620,108 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Cash overdraft | 35,899 | - | 35,899 |
| Accounts payable | 5,437 | 1,731 | 7,168 |
| Current portion of long term debt | 5,037 | - | 5,037 |
| Total current liabilities | 46,373 | 1,731 | 48,104 |
| Noncurrent liabilities | | | |
| Meter deposits | 4,535 | - | 4,535 |
| Revenue bonds payable | 88,300 | - | 88,300 |
| Loans payable | 42,361 | - | 42,361 |
| Total noncurrent liabilities | 135,196 | - | 135,196 |
| Total liabilities | 181,569 | 1,731 | 183,300 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 1,382,610 | 5,500 | 1,388,110 |
| Restricted for debt service | 16,175 | - | 16,175 |
| Restricted for maintenance | 2,750 | - | 2,750 |
| Unrestricted | 11,848 | 17,925 | 29,773 |
| Total net assets | \$ 1,413,383 | \$ 23,425 | \$ 1,436,808 |

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, 2010

| | Water/Sewer Fund | Solid Waste Fund | Totals |
|---|---------------------|---------------------|---------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 62,044 | \$ 22,090 | \$ 84,134 |
| Total operating revenue | <u>62,044</u> | <u>22,090</u> | <u>84,134</u> |
| OPERATING EXPENSES | | | |
| Salaries | 19,290 | - | 19,290 |
| Depreciation | 51,241 | - | 51,241 |
| Contractual services | 10,174 | 17,292 | 27,466 |
| Other operating expense | <u>36,708</u> | <u>21,088</u> | <u>57,796</u> |
| Total operating expenses | <u>117,413</u> | <u>38,380</u> | <u>155,793</u> |
| Operating income (loss) | <u>(55,369)</u> | <u>(16,290)</u> | <u>(71,659)</u> |
| NON-OPERATING REVENUE (EXPENSES) | | | |
| Investment income | 462 | 8 | 470 |
| Investment expense | (5,099) | - | (5,099) |
| Capital grants | 97,716 | 15,895 | 113,611 |
| Transfer in | <u>-</u> | <u>327</u> | <u>327</u> |
| Total Non-Operating Revenue (Expenses) | <u>93,079</u> | <u>16,230</u> | <u>109,309</u> |
| Change in Net Assets | 37,710 | (60) | 37,650 |
| Net assets, beginning of year | <u>1,375,673</u> | <u>23,485</u> | <u>1,399,158</u> |
| Net assets, end of year | <u>\$ 1,413,383</u> | <u>\$ 23,425</u> | <u>\$ 1,436,808</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, 2010

Statement 11

| | Water/Sewer Fund | Solid Waste Fund | Totals |
|---|---------------------|---------------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Received from customers | \$ 61,534 | \$ 22,228 | \$ 83,762 |
| Cash payment to employees | (19,290) | - | (19,290) |
| Cash payments to suppliers | (44,652) | (38,394) | (83,046) |
| Net cash provided by operating activities | (2,408) | (16,166) | (18,574) |
| CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES: | | | |
| Principal paid on debt | (5,007) | - | (5,007) |
| Interest paid on debt | (5,099) | - | (5,099) |
| Acquisition and construction of capital assets | (91,206) | - | (91,206) |
| Capital grants | 50,713 | - | 50,713 |
| Net cash provided by capital and related activities | (50,599) | - | (50,599) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Operating transfers to other funds | - | - | - |
| Operating transfers from other funds | - | 327 | 327 |
| Meter deposits | 25 | - | 25 |
| Net cash provided (used) by noncapital financing activities | 25 | 327 | 352 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest | 462 | 8 | 470 |
| Net cash provided by investing activities | 462 | 8 | 470 |
| Net increase (decrease) in cash | (52,520) | (15,831) | (68,351) |
| Cash, beginning of year | 40,081 | 17,586 | 57,667 |
| Cash, end of year | \$ (12,439) | \$ 1,755 | \$ (10,684) |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$ (55,369) | \$ (16,290) | \$ (71,659) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 51,241 | - | 51,241 |
| Changes in assets and liabilities: | | | |
| Receivables | (510) | 138 | (372) |
| Payables | 2,230 | (14) | 2,216 |
| Net cash provided (used) by operating activities | \$ (2,408) | \$ (16,166) | \$ (18,574) |

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, 2010

| | <u>Agency Funds</u> |
|-------------------|---------------------|
| ASSETS | |
| Cash on deposit | \$ <u>213</u> |
| Total assets | <u>\$ 213</u> |
| LIABILITIES | |
| Due to others | \$ <u>213</u> |
| Total liabilities | <u>\$ 213</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, 2010

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 \$250,000 in aggregate and separate from the \$250,000 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 | \$ 213 |
| My Bank | Fire Fund | Checking | 36,171 |
| My Bank | Reserve Fund | Certificate of Deposit | 12,421 |
| My Bank | Utilities Fund | Checking | 37,056 |
| My Bank | General Fund | Checking | 125,456 |
| My Bank | Payroll | Checking | 3,722 |
| My Bank | Water Meter Fund | Checking | 4,700 |
| My Bank | Lodgers Tax Fund | Checking | 179 |
| New Mexico Finance Authority | | | <u>22,709</u> |
| | | | <u>\$ 242,627</u> |
| Total amount on deposit | | | \$ 242,627 |
| Petty Cash | | | 125 |
| Outstanding checks | | | (7,867) |
| Deposits in transit | | | - |
| Rounding | | | <u>(1)</u> |
| Total per financial statements | | | <u>\$ 234,884</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 | \$ 219,918 |
| Less FDIC | <u>(219,918)</u> |
| Uninsured funds | - |
| Funds needing collateralization at 50% (required by State Law) | - |
| Pledged collateral at June 30 | <u>102,315</u> |
| Excess of Pledged Collateral | <u>\$ 102,315</u> |

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, 2010, none of the Village's bank balance of \$219,918 was exposed to custodial credit risk as follows:

| | |
|-----------------------------------|-------------|
| A. Uninsured and Uncollateralized | \$ - |
| B. Uninsured and Collateralized | <u>-</u> |
| Total | <u>\$ -</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 #3133XNUU1 | 01-07-15 | \$ <u>102,315</u> |
| | | <u>\$ 102,315</u> |

The amount held at the New Mexico Finance Authority totaling \$22,709 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 | \$ - | \$ 8,188 |
| Less allowance for uncollectible accounts | <u>-</u> | <u>-</u> |
| Subtotal | - | 8,188 |
| Property taxes receivable | 173 | - |
| Franchise taxes receivable | 554 | - |
| Gross receipts taxes receivable | 4,289 | - |
| Intergovernmental (grants) | <u>-</u> | <u>62,897</u> |
| Total | <u>\$ 5,016</u> | <u>\$ 71,085</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 | \$ 48,405 | \$ - | \$ 3,007 | \$ 45,398 | \$ 3,037 |
| Revenue bonds | 92,300 | - | 2,000 | 90,300 | 2,000 |
| Total | <u>\$ 140,705</u> | <u>\$ -</u> | <u>\$ 5,007</u> | <u>\$ 135,698</u> | <u>\$ 5,037</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.

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% | 45,398 |
| Revenue Bonds: | | | | |
| 1994 Water and Sewer | \$106,300 | 2037 | 5% | 90,300 |
| Total business-type activities | | | | <u>\$ 135,698</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> |
| 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 | 2,000 | 4,115 | 3,161 | 331 |
| 2016-2020 | 13,000 | 18,925 | 16,283 | 1,172 |
| 2021-2025 | 15,000 | 12,925 | 13,622 | 343 |
| 2026-2030 | 18,000 | 8,980 | - | - |
| 2031-2035 | 17,000 | 7,925 | - | - |
| 2036-2037 | 17,300 | 880 | - | - |
| | <u>\$ 90,300</u> | <u>\$ 71,210</u> | <u>\$ 45,398</u> | <u>\$ 3,478</u> |

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 | \$ 706 | \$ 1,112 | \$ - | \$ 1,818 | \$ - |
| Loan payable | <u>225,753</u> | <u>-</u> | <u>20,685</u> | <u>205,068</u> | <u>21,004</u> |
| | <u>\$ 226,459</u> | <u>\$ 1,112</u> | <u>\$ 20,685</u> | <u>\$ 206,886</u> | <u>\$ 21,004</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> |
|------------------------------------|-------------------|------------------|-------------------|
| 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>24,781</u> | <u>704</u> | <u>25,485</u> |
| Total | <u>\$ 205,068</u> | <u>\$ 25,736</u> | <u>\$ 230,804</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:

| | Balance June 30, 2009 | Additions | Deletions | Balance June 30, 2010 |
|--------------------------------|--------------------------|------------------|-------------|--------------------------|
| Land | \$ 9,100 | \$ - | \$ - | \$ 9,100 |
| Buildings | 15,000 | - | - | 15,000 |
| Plant and equipment | 1,947,608 | 91,206 | - | 2,038,814 |
| Vehicle | 1,526 | - | - | 1,526 |
| Sub-total | <u>1,973,234</u> | <u>91,206</u> | <u>-</u> | <u>2,064,440</u> |
| Less accumulated depreciation: | | | | |
| Buildings | (15,000) | - | - | (15,000) |
| Plant & equipment | (473,171) | (50,936) | - | (524,107) |
| Vehicle | (1,220) | (305) | - | (1,525) |
| Sub-total | <u>(489,391)</u> | <u>(51,241)</u> | <u>-</u> | <u>(540,632)</u> |
| Net capital assets | <u>\$ 1,483,843</u> | <u>\$ 39,965</u> | <u>\$ -</u> | <u>\$ 1,523,808</u> |

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

| | Balance June 30, 2009 | Additions | Deletions | Balance June 30, 2010 |
|--|--------------------------|--------------------|-------------|--------------------------|
| 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 | 433,514 | - | - | 433,514 |
| Infrastructure | 131,141 | - | - | 131,141 |
| Land improvements | 49,978 | - | - | 49,978 |
| Total capital assets being depreciated | <u>1,235,011</u> | <u>-</u> | <u>-</u> | <u>1,235,011</u> |
| Less accumulated depreciation for: | | | | |
| Building and improvements | (365,700) | (19,548) | - | (385,248) |
| Equipment & vehicles | (208,513) | (48,911) | - | (257,424) |
| Infrastructure | (17,438) | (5,712) | - | (23,150) |
| Land improvements | (2,270) | (1,135) | - | (3,405) |
| Total accumulated depreciation | <u>(593,921)</u> | <u>(75,306)</u> | <u>-</u> | <u>(669,227)</u> |
| Total capital assets being depreciated | <u>641,090</u> | <u>(75,306)</u> | <u>-</u> | <u>565,784</u> |
| Net capital assets | <u>\$ 716,908</u> | <u>\$ (75,306)</u> | <u>\$ -</u> | <u>\$ 641,602</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) | \$ 146,172 | \$ 65,817 | \$ 5,432 |
| Accrual (GAAP) | <u>141,671</u> | <u>65,817</u> | <u>5,432</u> |
| Increase (decrease) in receivables | <u>\$ 4,501</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>Expenditures</u> | | | |
| Actual (Budget) | \$ 155,604 | \$ 45,711 | \$ 4,311 |
| Accrual (GAAP) | <u>155,235</u> | <u>45,711</u> | <u>4,311</u> |
| (Increase) decrease in payables | <u>\$ 369</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, 2010, 2009, and 2008 were \$9,312, \$8,251 and \$4,309 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. TRANSFERS

The composition of interfund transfers during the year is as follows:

| <u>Transfer Out</u> | <u>Transfers In</u> | | | <u>Total</u> |
|------------------------|---------------------|---------------------|-------------------------|--------------|
| | <u>Fire Fund</u> | <u>General Fund</u> | <u>Solid Waste Fund</u> | |
| General Fund | \$3,626 | \$ - | \$ - | \$ (3,626) |
| Fire Fund | - | 2,930 | - | (2,930) |
| Non-Major Governmental | - | 100 | 327 | (427) |
| | <u>\$3,626</u> | <u>\$ 3,030</u> | <u>\$ 327</u> | <u>\$ -</u> |

The Village made the following one-time transfers:

1. The Fire Fund received \$3,626 from the General Fund to cover one-time expenditures.
2. The General Fund received \$2,930 from the Fire Fund to move State Forestry monies out of the Fire Fund.
3. The General Fund received \$100 when the Postal Fund was eliminated.
4. The Solid Waste Fund received \$327 when the Environmental Gross Receipts Tax Fund was eliminated.

**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.

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, 2010

Statement A-1

| | Road Fund | Lodgers Tax Fund | Environmental Gross Receipts Tax Fund | Postal Fund | EMS Fund | Total Governmental Funds |
|---------------------|-----------------|------------------------|--|----------------|---------------|--------------------------------|
| ASSETS | | | | | | |
| Cash on deposit | \$ 7,509 | \$ 179 | \$ - | \$ - | \$ 770 | \$ 8,458 |
| Total assets | <u>\$ 7,509</u> | <u>\$ 179</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 770</u> | <u>\$ 8,458</u> |
| FUND BALANCE | | | | | | |
| Unreserved: | | | | | | |
| Undesignated | \$ 7,509 | \$ 179 | \$ - | \$ - | \$ 770 | \$ 8,458 |
| Total fund balance | <u>\$ 7,509</u> | <u>\$ 179</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 770</u> | <u>\$ 8,458</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, 2010

Statement A-2

| | Road Fund | Lodgers Tax Fund | Environmental Gross Receipts Tax Fund | Postal Fund | EMS Fund | Total Governmental Funds |
|---|-----------------|------------------------|--|----------------|---------------|--------------------------------|
| REVENUES | | | | | | |
| Taxes | \$ - | \$ 179 | \$ - | \$ - | \$ - | \$ 179 |
| Charges for services | - | - | - | - | - | - |
| State shared taxes | 3,753 | - | - | - | - | 3,753 |
| Local sources | - | - | - | - | - | - |
| State sources | - | - | - | - | 1,500 | 1,500 |
| Earnings from investments | - | - | - | - | - | - |
| Total revenues | <u>3,753</u> | <u>179</u> | <u>-</u> | <u>-</u> | <u>1,500</u> | <u>5,432</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Highways and streets | 2,081 | - | - | - | - | 2,081 |
| Health & welfare | - | - | - | - | - | - |
| Public safety | - | - | - | - | 2,230 | 2,230 |
| Culture and recreation | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Total expenditures | <u>2,081</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,230</u> | <u>4,311</u> |
| Excess (deficiency) revenue over expenses | 1,672 | 179 | - | - | (730) | 1,121 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | (327) | (100) | - | (427) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(327)</u> | <u>(100)</u> | <u>-</u> | <u>(427)</u> |
| Net change in fund balances | 1,672 | 179 | (327) | (100) | (730) | 694 |
| Fund balance beginning of year | 5,837 | - | 327 | 100 | 1,500 | 7,764 |
| Fund balance end of year | <u>\$ 7,509</u> | <u>\$ 179</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 770</u> | <u>\$ 8,458</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, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|----------------------|--------------------|-----------------|-----------------|--|
| REVENUES | | | | |
| State shared taxes | \$ 3,753 | \$ 3,753 | \$ 3,753 | \$ - |
| Total revenues | <u>\$ 3,753</u> | <u>\$ 3,753</u> | <u>\$ 3,753</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Highways and streets | \$ 2,082 | \$ 2,082 | \$ 2,081 | \$ 1 |
| Total expenditures | <u>\$ 2,082</u> | <u>\$ 2,082</u> | <u>\$ 2,081</u> | <u>\$ 1</u> |

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

STATE OF NEW MEXICO
 VILLAGE OF WILLARD
 Non-Major Special Revenue Fund - Lodgers Tax Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------|--------------------|-----------------|-------------|--|
| REVENUES | | | | |
| Taxes | \$ 179 | \$ 179 | \$ 179 | \$ - |
| Total revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Culture and recreation | \$ 178 | \$ 178 | \$ - | \$ 178 |
| Total expenditures | <u>\$ 178</u> | <u>\$ 178</u> | <u>\$ -</u> | <u>\$ 178</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, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-------------------------------|--------------------|-----------------|-----------------|--|
| REVENUES | | | | |
| State shared taxes | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Health and welfare | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| OTHER FINANCING (USES) | | | | |
| Transfer out | \$ - | \$ (327) | \$ (327) | \$ - |
| Total other financing (uses) | <u>\$ -</u> | <u>\$ (327)</u> | <u>\$ (327)</u> | <u>\$ -</u> |
| BUDGETED CASH BALANCE | <u>\$ -</u> | <u>\$ 327</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, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------|--------------------|-----------------|-----------------|--|
| REVENUES | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| General government | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| OTHER FINANCING (USES) | | | | |
| Transfer out | \$ - | \$ (100) | \$ (100) | \$ - |
| Total other financing (uses) | <u>\$ -</u> | <u>\$ (100)</u> | <u>\$ (100)</u> | <u>\$ -</u> |
| BUDGETED CASH BALANCE | <u>\$ -</u> | <u>\$ 100</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, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------|-----------------|-----------------|--|
| REVENUES | | | | |
| State sources | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ - |
| Total revenues | <u>\$ 1,500</u> | <u>\$ 1,500</u> | <u>\$ 1,500</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Public safety | \$ 3,000 | \$ 3,000 | \$ 2,230 | \$ 770 |
| Total expenditures | <u>\$ 3,000</u> | <u>\$ 3,000</u> | <u>\$ 2,230</u> | <u>\$ 770</u> |
| BUDGETED CASH BALANCE | <u>\$ 1,500</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, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------|--------------------------|--------------------------|--------------------------|--|
| REVENUES | | | | |
| Charges for services | \$ 50,500 | \$ 54,609 | \$ 61,534 | \$ 6,925 |
| State grant | 100,000 | 100,000 | 50,713 | (49,287) |
| Interest income | 120 | 120 | 462 | 342 |
| Total revenues | <u>\$ 150,620</u> | <u>\$ 154,729</u> | <u>\$ 112,709</u> | <u>\$ (42,020)</u> |
| EXPENDITURES | | | | |
| Personal services | \$ 20,000 | \$ 20,000 | \$ 19,290 | \$ 710 |
| Operating expenses | 25,943 | 36,676 | 44,652 | (7,976) |
| Capital outlay | 100,000 | 100,000 | 91,206 | 8,794 |
| Debt principal | 5,008 | 5,008 | 5,007 | 1 |
| Debt interest | 5,099 | 5,099 | 5,099 | - |
| Total expenditures | <u>\$ 156,050</u> | <u>\$ 166,783</u> | <u>\$ 165,254</u> | <u>\$ 1,529</u> |
| BUDGETED CASH BALANCE | <u>\$ 5,430</u> | <u>\$ 12,054</u> | | |
| REVENUES | | | | |
| Budgetary basis | | | \$ 112,709 | |
| Increase in accounts receivable | | | 47,513 | |
| Modified accrual basis | | | <u>\$ 160,222</u> | |
| EXPENDITURES | | | | |
| Budgetary basis | | | \$ 165,254 | |
| Depreciation | | | 51,241 | |
| Capital assets purchased | | | (91,206) | |
| Principal paid | | | (5,007) | |
| Increase in accounts payable | | | 2,230 | |
| Modified accrual basis | | | <u>\$ 122,512</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, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------|-------------------------|-------------------------|-------------------------|--|
| REVENUES | | | | |
| Charges for services | \$ 18,200 | \$ 20,517 | \$ 22,228 | \$ 1,711 |
| State sources | 18,000 | 18,000 | - | (18,000) |
| Interest income | - | - | 8 | 8 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total revenues | <u>\$ 36,200</u> | <u>\$ 38,517</u> | <u>\$ 22,236</u> | <u>\$ (16,281)</u> |
| EXPENDITURES | | | | |
| Contractual services | \$ 37,800 | \$ 38,880 | \$ 38,394 | \$ 486 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total expenditures | <u>\$ 37,800</u> | <u>\$ 38,880</u> | <u>\$ 38,394</u> | <u>\$ 486</u> |
| BUDGETED CASH BALANCE | | | | |
| | <u>\$ 1,600</u> | <u>\$ 1,600</u> | | |
| OTHER FINANCING SOURCES | | | | |
| Transfer in | \$ - | \$ - | \$ 327 | \$ 327 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total other financing sources | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 327</u> | <u>\$ 327</u> |
| REVENUES | | | | |
| Budgetary basis | | | \$ 22,236 | |
| Accounts receivable | | | <u>15,757</u> | |
| | | | <u> </u> | |
| Modified accrual basis | | | <u>\$ 37,993</u> | |
| EXPENDITURES | | | | |
| Budgetary basis | | | \$ 38,394 | |
| Depreciation | | | - | |
| Accounts payable | | | <u>(14)</u> | |
| | | | <u> </u> | |
| Modified accrual basis | | | <u>\$ 38,380</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, 2010

| | Balances June 30, 2009 | Additions | Deletions | Balances June 30, 2010 |
|--------------------------|---------------------------|---------------|---------------|---------------------------|
| ASSETS | | | | |
| Cash of deposit | \$ 161 | \$ 247 | \$ 195 | \$ 213 |
| Total assets | <u>\$ 161</u> | <u>\$ 247</u> | <u>\$ 195</u> | <u>\$ 213</u> |
| LIABILITIES | | | | |
| Deposits held for others | \$ 161 | \$ 247 | \$ 195 | \$ 213 |
| Total liabilities | <u>\$ 161</u> | <u>\$ 247</u> | <u>\$ 195</u> | <u>\$ 213</u> |

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

Rice and Associates, C.P.A.

AUDITING
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CERTIFIED PUBLIC ACCOUNTANTS
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Albuquerque, NM 87112

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**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 and Fire Protection Funds of the Village of Willard, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 29, 2010. We also have audited the financial statements of each of the Village's non-major governmental, enterprise and fiduciary funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010. 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 of Willard'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 of Willard'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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not be designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, a significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Willard'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* and which are described in the accompanying Status of Comments as Capital Asset Listing (06-08), Depreciation Schedule (06-09), Direct Payments Not Posted (09-01), Employee Overpaid (10-10) and Accounting Software (10-02).

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 Office of the State Auditor, the New Mexico State Legislature, applicable federal grantors and the New Mexico Department of Finance and Administration and is not intended to be used by anyone other than these specified parties.

Rid & Associates, CPA

November 29, 2010

STATUS OF COMMENTS

Prior Year Audit Findings

1. Replacement Reserve Amount (06-06) - Resolved.
2. Imprest Bank Account (06-07) - Resolved.
3. Capital Asset Listing (06-08) - Repeated.
4. Depreciation Schedule (06-09) - Repeated.
5. Budget Overruns (06-12) - Resolved.
6. Water Meter Deposits (08-03) - Resolved.
7. Three Quotes Not Obtained (08-04) - Resolved.
8. Fire Department Credit Card (08-11) - Resolved.
9. Direct Payments Not Posted (09-01) Repeated.
10. Purchase Orders Required Before Items Purchased - (09-02) Resolved.
11. Fire Department Fundraisers (09-03) Resolved.
12. Fire Department Expenditures (09-04) Resolved.

Current Year Audit Findings

1. Employee Overpaid (10-01)
2. Accounting Software (10-02)

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 with outside help on getting a complete list. |

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 getting current with this. |

Direct Payments Not Posted
(09-01)

| | |
|----------------|--|
| CONDITION | The Village had \$1,711 of Environmental Gross Receipts Taxes earned yet withheld by New Mexico Taxation and Revenue for an existing contract however, never shown on the Villages books of record. Also, the Environment Department paid a vendor directly in the amount of \$13,687. The New Mexico Finance Authority intercepted \$6,404 from the Villages Fire allotment to pay for the loan issued in 2009. Neither of these transactions were shown on the Villages 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 | Managements books of record could have been understated by \$21,802. |
| RECOMMENDATION | Management should implement procedures to ensure these transactions are included in the 2011 books of record. |
| RESPONSE | Current management understands the process and will implement procedures to assure these transactions are recorded properly. |

Employee Overpaid
(10-01)

| | |
|----------------|---|
| CONDITION | The Board approved the budget for the 2009-2010 fiscal year with an employees budgeted salary at \$47,820. The employee was actually paid \$51,467. |
| CRITERIA | All employees have a specific salary for each fiscal year budgeted of which is approved by the Board and DFA. |
| CAUSE | Management was not ensuring that controls existed to control what this employee was paid each pay period. |
| EFFECT | The employee was overpaid by \$3,647. |
| RECOMMENDATION | Management should implement controls to ensure all employees are paid based on the budget approved by the Board. |
| RESPONSE | Current management is working on updating the procedure for reports that would assist in identifying this problem. |

Accounting Software

(10-02)

| | |
|----------------|--|
| CONDITION | The Village obtained the QuickBooks software package to be used for their books of record. However, the system was not set up correctly. Because of this financial statements cannot be provided. Also, this creates a problem for the Village Clerk when preparing the Quarterly Department of Finance and Administration Report. |
| CRITERIA | All accounting software should be installed adequately so it can be used at its fullest potential and intended use. |
| CAUSE | The Board has not ensured that those associated with implementing and using the accounting software actually installed it correctly. |
| EFFECT | The Board cannot review financial statements at their Board meetings. Also, the Village Clerk cannot prepare the DFA quarterly reports on a timely basis. |
| RECOMMENDATION | The Board should take steps to ensure that the current software is correctly updated and installed. |
| RESPONSE | Current management will be implementing a new software program. |

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2010 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 115. Management is responsible for these financial statements.

EXIT CONFERENCE

An exit conference was held on November 24, 2010. In attendance were Mrs. Emily Sanchez, Clerk-Treasurer, Mr. Robert Chavez, Mayor, Ms. Ida Torrez, Mayor Pro-Tem and Ms. Pamela A. Rice, CPA, Contract Auditor.