

**STATE OF NEW MEXICO  
VILLAGE OF WILLARD**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

**JUNE 30, 2011**

**CALHOON ACCOUNTING &  
TAX SERVICES  
P.O. BOX 945  
ESTANCIA, NM 87016**

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**STATE OF NEW MEXICO**  
**VILLAGE OF WILLARD**  
**Independent Accountants' Report on**  
**Applying Agreed-Upon Procedures**  
**JUNE 30, 2011**

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**STATE OF NEW MEXICO  
VILLAGE OF WILLARD  
Official Roster  
JUNE 30, 2011**

**Village Council**

<b>Name</b>	<b>Title</b>
Robert Chavez	Mayor
Ida Torrez	Mayor Pro-Tem
Fay Chavez	Council Member
Arlene Mendez	Council Member
Jerry Pack, Sr.	Council Member

**Village Administration**

Emily Sanchez	Clerk/Treasurer
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**CALHOON ACCOUNTING & TAX SERVICES  
PO BOX 945  
ESTANCIA, NEW MEXICO 87016**

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**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING  
AGREED-UPON PROCEDURES**

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

We have performed the procedures enumerated below which were agreed to by Village of Willard (Village) and New Mexico State Auditor (the specified parties), solely to users in evaluating the Village's financial reporting relating to its Cash, Capital Assets, Debt, Revenue, Expenditures, Journal Entries, Budget and Capital Outlay Appropriations information and its compliance with Section 12-6-3B (6) NMSA 1978 and Section 2.2.2.16 NMAC as of and for the year ended June 30, 2011. The Village is responsible for its financial reporting to the State Auditor as described above. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

In accordance with Tier 6 of the Audit Act – Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC, we perform the following procedures:

**1. CASH**

**Procedures**

- a. Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand. For purposes of performing our procedures “timely” means completion of the bank reconciliations within one month after the last day of the reporting month and “complete” means that statements for bank and investment accounts are all accounted for by the Village.
- b. Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division (DFA-LGD). For purposes of performing our procedures “accuracy” means that reconciling items agree to deposit slips and subsequent bank or investment statements.
- c. Determine whether the local public body’s financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

**Results of Procedures 1 (a) – 1 (c)**

No instances of noncompliance were noted as a result of performing the procedures described in 1 (a) – 1 (c).

**2. CAPITAL ASSETS**

**Procedures**

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

**Results of Procedure 2**

The Village is performing a yearly inventory as required by Section 12-6-10 NMSA 1978 but is not maintaining a capital asset depreciation schedule. This has been noted as finding 06-09 of this report.

### 3. DEBT

#### Procedures

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

#### Results of Procedure 3

The Village is in compliance with the debt payments and reserve requirements.

### 4. REVENUE

#### Procedures

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Selected a sample of revenues and tested for the following attributes:

- b. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c. Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

#### Results of Procedures 4 (a) – 4 (c)

- a. Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.
- b. Amounts recorded on General Ledger generated through QuickBooks agreed with supporting documentation and the bank statements.
- c. Amounts were properly recorded on a cash basis as to classification, amount and period per review of documentation.

## 5. EXPENDITURES

### Procedures

Select a sample of cash disbursements and test transactions and test using the following attributes:

- a. Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. For purposes of performing our procedures, disbursements were considered to be properly authorized if they contained evidence of review such as sign off on invoices or approval through correspondence.
- c. Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

### Results of Procedures 5 (a) – 5 (c)

- a. Amounts recorded as disbursed agree to adequate supporting documentation.
- b. Disbursements were properly authorized, approved and in compliance.
- c. The bid process (or request for proposal process, if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

## 6. JOURNAL ENTRIES

### Procedures

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger; test significant items for the following attributes:

- a. Journal entries appear reasonable and have supporting documentation.

- b. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

**Results of Procedures 6 (a) – 6 (b)**

- a. The Village utilizes QuickBooks to record transactions. The journal entries posted for the year ended June 30, 2011 were authorized and approved.
- b. We also noted the Village does not have a policy regarding journal entries or their approval process.

**7. BUDGET**

**Procedures**

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- a. Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustment were approved by the local public body's governing body and DFA-LGD.
- b. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- c. From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual, or modified accrual basis) for each individual fund.

**Results of Procedures 7 (a) – 7 (c)**

- a. The review of the Village minutes indicates that the original budget and budget adjustments were approved by the Village Council.
- b. Total actual expenditures did not exceed the final budget at the total funds level, the legal level of budgetary control.
- c. A Schedule of Revenues and Expenditures – Budget and Actual was prepared from the Village records on the Non-GAAP Budgetary Basis.



## 8. CAPITAL OUTLAY APPROPRIATIONS

### Procedures

Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital award funds expended by the recipient during the fiscal year.

Test all capital outlay expenditures during the fiscal year to:

- a. Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b. Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.
- c. Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts, and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d. Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e. Verify that state reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f. If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g. If the project is complete, determine if there is an unexpected balance and whether it was reverted per statute and agreement with the grantor.
- h. Determine whether cash received for the award was accounted for in a separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i. Determine whether reimbursement requests were properly supported by cost incurred by the recipient.

**Results of Procedures on capital Outlay Appropriations**

- a. Amount recorded as disbursed agrees to supporting documentation.
- b. Cash disbursements were properly authorized and approved.
- c. The bid process, purchase order, contracts and agreements were processed properly.
- d. Capital assets physically exist.
- e. Reports were submitted to the state and amounts agree with the general ledger and other supporting documentation.
- f. No projects were funded in advance.
- g. No unexpended balances exist.
- h. Cash receive was accounted for in a separate fund.
- i. Reimbursement requests were properly supported by cost incurred.

**9. OTHER**

**Procedures**

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6-NMSA 1978. The findings must include the required content per Section 2.2.2.10(0(3) (C) NMAC.

**Results of Procedures- Other**

During our inquiries of personnel and a review of the Villages accounts receivables in arrears it is noted that billing procedures are not being followed according to billing policy on termination of water service. This has been noted as finding 11-1 of this report.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the village's financial reporting to the State Auditor as described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Village and the New Mexico Office of the State Auditor and is not intended to be and should not be used by anyone other than those specified parties.

*Calhoon Accounting & Tax Services*

Calhoon Accounting & Tax Services

November 30, 2011

**State of New Mexico**  
**VILLAGE OF WILLARD**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**General Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ 38,691	\$ 38,691	\$ 34,039	\$ (4,652)
Intergovernmental	66,951	87,212	88,449	1,237
Licenses and permits	235	235	35	(200)
Charges for services	9,618	11,381	11,182	(199)
State Forestry	500	500	-	(500)
Interest on investments	500	500	268	(232)
Miscellaneous	1,100	20,800	20,459	(341)
<i>Total revenues</i>	<u>117,595</u>	<u>159,319</u>	<u>154,432</u>	<u>(4,887)</u>
<i>Expenditures:</i>				
General government	8,250	8,250	5,589	2,661
Finance and administration	119,733	164,353	149,911	14,442
Culture and recreation	1,000	-	-	-
Other - miscellaneous	21,035	21,035	18,160	2,875
<i>Total expenditures</i>	<u>150,018</u>	<u>193,638</u>	<u>173,660</u>	<u>19,978</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	71,842	71,842	-
Transfers out	(2,178)	(10,086)	(10,086)	-
<i>Total other financing sources (uses)</i>	<u>(2,178)</u>	<u>61,756</u>	<u>61,756</u>	<u>-</u>
<b>Budgeted Cash Balance</b>	<u>\$ 34,601</u>	<u>\$ 27,437</u>		

**State of New Mexico**  
**VILLAGE OF WILLARD**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Special Revenue - Environmental Gross Receipts Tax Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues:</i>				
Environmental Gross Receipts Tax	-	1,306	1,304	(2)
<i>Total revenues</i>	-	1,306	1,304	(2)
<i>Expenditures:</i>				
Health and welfare	-	1,306	1,304	2
<i>Total expenditures</i>	-	1,306	1,304	2
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<b>Budgeted Cash Balance</b>	<b>\$ -</b>	<b>\$ -</b>		

**State of New Mexico**  
**VILLAGE OF WILLARD**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Special Revenue - Fire Protection Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	51,636	51,636	50,332	(1,304)
Earnings from investments	100	100	78	(22)
<i>Total revenues</i>	<u>51,736</u>	<u>51,736</u>	<u>50,410</u>	<u>(1,326)</u>
<i>Expenditures:</i>				
Public safety	51,736	51,736	52,684	(948)
<i>Total expenditures</i>	<u>51,736</u>	<u>51,736</u>	<u>52,684</u>	<u>(948)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgeted Cash Balance	<u>\$ -</u>	<u>\$ -</u>		

State of New Mexico  
**VILLAGE OF WILLARD**  
 Schedule of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Special Revenue - Lodgers Tax Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
State shared taxes	100	100	-	(100)
<b>Total revenues</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>(100)</b>
<i>Expenditures:</i>				
Culture and recreation	278	278	-	278
<b>Total expenditures</b>	<b>278</b>	<b>278</b>	<b>-</b>	<b>278</b>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Budgeted Cash Balance</b>	<b>\$ 178</b>	<b>\$ 178</b>		

State of New Mexico  
**VILLAGE OF WILLARD**  
 Schedule of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Special Revenue - Municipal Streets Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
State shared taxes	3,753	37,304	37,304	-
<i>Total revenues</i>	<u>3,753</u>	<u>37,304</u>	<u>37,304</u>	<u>-</u>
<i>Expenditures:</i>				
Highways and streets	2,000	48,826	48,825	1
Capital outlay	44,824	44,824	44,734	90
<i>Total expenditures</i>	<u>2,000</u>	<u>48,826</u>	<u>48,825</u>	<u>1</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	2,853	2,853	-
Transfers out	(9,028)	(9,028)	(9,028)	-
<i>Total other financing sources (uses)</i>	<u>(9,028)</u>	<u>(6,175)</u>	<u>(6,175)</u>	<u>-</u>
<b>Budgeted Cash Balance</b>	<u>\$ 7,275</u>	<u>\$ (17,697)</u>		



**State of New Mexico**  
**VILLAGE OF WILLARD**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Capital Outlay Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
CDBG grant	35,000	35,000	-	(35,000)
State grants	-	-	7,495	7,495
Legislative Appropriations	85,509	85,509	56,220	(29,289)
Miscellaneous	33,618	33,618	19,495	(14,123)
<b>Total revenues</b>	<b>154,127</b>	<b>154,127</b>	<b>83,210</b>	<b>(70,917)</b>
<i>Expenditures:</i>				
Utilities	85,509	85,509	15,549	(69,960)
Infrastructure	44,824	44,824	-	(44,824)
Other	35,000	35,000	-	35,000
<b>Total expenditures</b>	<b>165,333</b>	<b>165,333</b>	<b>15,549</b>	<b>(79,784)</b>
<i>Other financing sources (uses)</i>				
Transfers in	11,206	11,824	2,844	8,980
Transfers out	-	(71,327)	(71,328)	1
<b>Total other financing sources (uses)</b>	<b>11,206</b>	<b>(59,503)</b>	<b>(68,484)</b>	<b>8,981</b>
<b>Budgeted Cash Balance</b>	<b>\$ -</b>	<b>\$ 48,297</b>		

**State of New Mexico**  
**VILLAGE OF WILLARD**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Debt Service Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Investment Income - Debt Service	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Expenditures:</i>				
Waste Water - Principal	3,037	3,037	3,037	-
Waste Water - Interest	454	454	454	-
Water - Principal	2,000	2,000	2,000	-
Water - Interest	4,515	4,515	4,515	-
<b>Total expenditures</b>	<b>10,006</b>	<b>10,006</b>	<b>10,006</b>	<b>-</b>
<i>Other financing sources (uses)</i>				
Transfers in	10,006	10,006	10,006	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>10,006</b>	<b>10,006</b>	<b>10,006</b>	<b>-</b>
<b>Budgeted Cash Balance</b>	<b>\$ -</b>	<b>\$ -</b>		

State of New Mexico  
**VILLAGE OF WILLARD**  
 Schedule of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Enterprise - Water Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Charges for services	45,900	45,900	50,657	4,757
Interest on investment	120	120	75	(45)
<b>Total revenues</b>	<u>46,020</u>	<u>46,020</u>	<u>50,732</u>	<u>4,712</u>
<i>Expenditures:</i>				
Water	40,290	42,052	40,835	1,217
<b>Total expenditures</b>	<u>40,290</u>	<u>42,052</u>	<u>40,835</u>	<u>1,217</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	4,681	4,680	1
Transfers out	(6,515)	(3,768)	(10,283)	6,515
<b>Total other financing sources (uses)</b>	<u>(6,515)</u>	<u>913</u>	<u>(5,603)</u>	<u>6,516</u>
<b>Budgeted Cash Balance</b>	<u>\$ (785)</u>	<u>\$ 4,881</u>		

**State of New Mexico**  
**VILLAGE OF WILLARD**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Enterprise - Waste Water**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Charges for services	13,410	23,174	23,174	-
Investment Income	270	270	2	(268)
<b>Total revenues</b>	<b>13,680</b>	<b>23,444</b>	<b>23,176</b>	<b>(268)</b>
<i>Expenditures:</i>				
Waste Water	13,000	18,696	18,696	-
<b>Total expenditures</b>	<b>13,000</b>	<b>18,696</b>	<b>18,696</b>	<b>-</b>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers out	(3,491)	(3,491)	(341)	(3,150)
<b>Total other financing sources (uses)</b>	<b>(3,491)</b>	<b>(3,491)</b>	<b>(341)</b>	<b>(3,150)</b>
<b>Budgeted Cash Balance</b>	<b>\$ 2,811</b>	<b>\$ 1,257</b>		

**State of New Mexico**  
**VILLAGE OF WILLARD**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Enterprise - Solid Waste Fund**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Charges for services	20,610	20,610	19,524	(1,086)
Interest on investments	100	100	-	(100)
<i>Total revenues</i>	<u>20,710</u>	<u>20,710</u>	<u>19,524</u>	<u>(1,186)</u>
<i>Expenditures:</i>				
Solid Waste	20,100	21,732	21,731	1
<i>Total expenditures</i>	<u>20,100</u>	<u>21,732</u>	<u>21,731</u>	<u>1</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	327	327	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>327</u>	<u>327</u>	<u>-</u>
 Budgeted Cash Balance	 <u>\$ -</u>	 <u>\$ 1,022</u>		

**STATE OF NEW MEXICO  
VILLAGE OF WILLARD  
Schedule of Findings and Responses  
YEAR ENDED JUNE 30, 2011**

**Prior Year Finding**

06-08 Capital Asset Listing – Resolved  
06-09 Depreciation Schedule - Repeated  
09-01 Direct Payments Not Posted – Resolved

**Current Year Finding**

11-01 Billing Procedures

**06-09 Depreciation Schedule**

**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. The current management is compiling a schedule.

**Effect** – The capital asset records could be overstated or understated.

**Recommendation** – The Village should continue to prepare a depreciation schedule and bring it current.

**Response** – Current management is working with outside help on getting a complete schedule.

**STATE OF NEW MEXICO  
VILLAGE OF WILLARD  
Schedule of Findings and Responses (Continued)  
YEAR ENDED JUNE 30, 2011**

**11-01 Billing Procedures**

**Condition** – Billing procedures are not being followed for all customers.

**Criteria** – Personnel Policy and Procedures Manual, Section 8 (c) Billing Procedures – Termination of Water Service.

**Cause** – Management is not enforcing the policy and compliance with the current procedures.

**Effect** – Accounts receivable in arrears continue to grow while the Village carries an additional financial burden of being unable to collect from their customers.

**Recommendation** – Management should ensure that billing procedures are followed for all customers and cut-off notices are given according to the policy.

**Response** – Management will ensure that proper procedures are followed and enforced for all customers.

**STATE OF NEW MEXICO  
VILLAGE OF WILLARD  
Exit Conference  
YEAR ENDED JUNE 30, 2011**

The report contents were discussed at an exit conference held on November 30, 2011 with the following in attendance:

**Village of Willard**

Robert Chavez, Mayor  
Ida Torrez, Mayor Pro-Tem  
Emily Sanchez, Clerk/Treasurer

**Accounting Firm**

Renea L. Calhoon, CPA



**STATE OF NEW MEXICO  
VILLAGE OF WILLARD**

**Accountants' Compilation Report  
For the Year Ended  
June 30, 2011**

**CALHOON ACCOUNTING &  
TAX SERVICIES  
P.O. BOX 945  
ESTANCIA, NM 87016**

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**STATE OF NEW MEXICO  
VILLAGE OF WILLARD  
JUNE 30, 2011**

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**CALHOON ACCOUNTING & TAX SERVICES  
PO BOX 945  
ESTANCIA, NEW MEXICO 87016**

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**ACCOUNTANTS' COMPILATION REPORT**

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

We have compiled the accompanying statement of financial positions of Village of Willard as of and for the Year Ended June 30, 2011, and related statement of activity for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compliance in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. During our compilation, we did become aware of a departure from U.S. generally accepted accounting principles that is described in the following paragraph.

A statement of cash flows for the year ended June 30, 2011, has not been presented. U.S. generally accepted accounting principles require that such a statement be presented when financial statements purport to present financial position and results of operations.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

*Calhoon Accounting & Tax Services*  
Calhoon Accounting & Tax Services  
November 30, 2011

**FUND FINANCIAL STATEMENTS**

State of New Mexico  
**VILLAGE OF WILLARD**  
 Balance Sheet  
 As of June 30, 2011

	General Fund	EMS Fund	Fire Protection Fund
<b>Assets</b>			
Current Assets			
Cash and investments	\$ 158,117	\$ 770	\$ 56,628
Accounts Receivables	2,831	-	-
Total assets	160,948	770	56,628
 <b>Liabilities and Fund Balance</b>			
Liabilities			
Accounts payable and accrued liabilities	5,376	-	-
Total liabilities	5,376	-	-
 Fund balance			
Reserved for:			
Retirement of long-term debt	-	-	21,370
Unreserved for:			
Designated			
Undesignated, reported in:			
General fund	155,572	-	-
Enterprise fund	-	-	-
Special revenue funds	-	770	35,258
Total fund balance	155,572	770	56,628
Total liabilities and fund balance	\$ 160,948	\$ 770	\$ 56,628

See accountants' compilation report and accompanying notes.

State of New Mexico  
**VILLAGE OF WILLARD**  
 Balance Sheet  
 As of June 30, 2011

	<b>Lodgers Tax Fund</b>	<b>Water Fund</b>	<b>Waste Water Fund</b>
<b>Assets</b>			
Current Assets			
Cash and investments	\$ 179	\$ 23,729	\$ 13,631
Accounts Receivables	-	5,102	2,833
Total assets	179	28,831	16,464
 <b>Liabilities and Fund Balance</b>			
Liabilities			
Accounts payable and accrued liabilities	-	780	465
Total liabilities	-	780	465
Fund balance			
Reserved for:			
Retirement of long-term debt	-	15,333	3,756
Unreserved for:			
Designated	-	-	-
Undesignated, reported in:			
General fund	-	-	-
Enterprise fund	-	12,718	12,243
Special revenue funds	179	-	-
Total fund balance	179	28,051	15,999
Total liabilities and fund balance	\$ 179	\$ 28,831	\$ 16,464

See accountants' compilation report and accompanying notes.

State of New Mexico  
**VILLAGE OF WILLARD**  
 Balance Sheet  
 As of June 30, 2011

	Solid Waste Fund	Total Funds
<b>Assets</b>		
Current Assets		
Cash and investments	\$ 15,342	\$ 268,396
Accounts Receivables	1,847	12,613
Total assets	17,189	281,009
 <b>Liabilities and Fund Balance</b>		
Liabilities		
Accounts payable and accrued liabilities	1,691	8,312
Total liabilities	1,691	8,312
 Fund balance		
Reserved for:		
Retirement of long-term debt	-	40,459
Unreserved for:		
Designated		
Undesignated, reported in:		
General fund	-	155,572
Enterprise fund	15,498	40,459
Special revenue funds	-	36,207
Total fund balance	15,498	272,697
Total liabilities and fund balance	\$ 17,189	\$ 281,009

See accountants' compilation report and accompanying notes.

**State of New Mexico**  
**VILLAGE OF WILLARD**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2011**

**Assets**

Current Assets

Cash	\$ 4,129
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Total assets	<u>\$ 4,129</u>
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**Liabilities**

Current Liabilities

Deposits held for others	\$ 4,129
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Total liabilities	<u>\$ 4,129</u>
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See accountants' compilation report and accompanying notes.



State of New Mexico  
**VILLAGE OF WILLARD**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**ALL FUNDS**  
**For the Year Ended June 30, 2011**

	General Fund	EGRT Fund	EMS Fund
<b>Revenues:</b>			
Taxes	\$ 34,039	\$ -	\$ -
Intergovernmental	88,449	-	-
Licenses and permits	35	-	-
Charges for services	11,182	-	-
State Sources	-	-	-
Interest on investments	268	-	-
Environmental Gross Receipts Tax	-	1,304	-
Miscellaneous	20,459	-	-
Total Revenues	154,432	1,304	-
<b>Expenditures:</b>			
Current			
General government	74,398	1,304	-
Finance and administration	149,911	-	-
Culture and recreation	-	-	-
Other - miscellaneous	18,160	-	-
Capital outlay	-	-	-
Debt service-principal	-	-	-
Debt service-interest	-	-	-
Total expenditures	242,469	1,304	-
Excess (deficiency) of revenues over (under) expenditures	(88,037)	-	-
<b>Other financing sources (uses):</b>			
Issuance of general obligation bonds	-	-	-
Operating transfers in (out)	61,756	-	-
Total other financing sources (uses)	61,756	-	-
Net change in fund balances	(26,281)	-	-
Fund balances - beginning of year	181,853	-	770
Fund balances - end of year	\$ 155,572	\$ -	\$ 770

See accountant's compilation report and accompanying notes

State of New Mexico  
**VILLAGE OF WILLARD**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**ALL FUNDS**  
**For the Year Ended June 30, 2011**

	Fire Protection Fund	Lodgers Tax Fund	Municipal Streets Fund
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Licenses and permits	-	-	-
Charges for services	-	-	-
State Sources	50,355	-	37,304
Interest on investments	78	-	-
Environmental Gross Receipts Tax	-	-	-
Miscellaneous	-	-	-
Total Revenues	50,433	-	37,304
<b>Expenditures:</b>			
Current			
General government	52,684	-	79
Finance and administration	-	-	-
Culture and recreation	-	-	-
Other - miscellaneous	-	-	-
Capital outlay	-	-	44,734
Debt service-principal	-	-	-
Debt service-interest	-	-	-
Total expenditures	52,684	-	44,813
Excess (deficiency) of revenues over (under) expenditures	(2,251)	-	(7,509)
Other financing sources (uses):			
Issuance of general obligation bonds	-	-	-
Operating transfers in (out)	-	-	2,853
Total other financing sources (uses)	-	-	2,853
Net change in fund balances	(2,251)	-	(7,509)
Fund balances - beginning of year	58,879	179	7,509
Fund balances - end of year	\$ 56,628	\$ 179	\$ -

See accountant's compilation report and accompanying notes

State of New Mexico  
**VILLAGE OF WILLARD**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**ALL FUNDS**  
**For the Year Ended June 30, 2011**

	<u>Capital Outlay Fund</u>	<u>Debt Service Fund</u>	<u>Water Fund</u>
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Licenses and permits	-	-	-
Charges for services	-	-	68,811
State Sources	63,715	-	-
Interest on investments	-	-	75
Environmental Gross Receipts Tax	-	-	-
Miscellaneous	19,495	-	-
Total Revenues	<u>83,210</u>	<u>-</u>	<u>68,886</u>
<b>Expenditures:</b>			
Current			
General government	15,549	-	40,835
Finance and administration	-	-	-
Culture and recreation	-	-	-
Other - miscellaneous	-	-	-
Capital outlay	-	-	-
Debt service-principal	-	5,037	-
Debt service-interest	-	4,969	-
Total expenditures	<u>15,549</u>	<u>10,006</u>	<u>40,835</u>
Excess (deficiency) of revenues over (under) expenditures	<u>67,661</u>	<u>(10,006)</u>	<u>28,051</u>
Other financing sources (uses):			
Issuance of general obligation bonds	-	-	-
Operating transfers in (out)	(68,484)	10,006	(5,603)
Total other financing sources (uses)	<u>(68,484)</u>	<u>10,006</u>	<u>(5,603)</u>
Net change in fund balances	67,661	(10,006)	28,051
Fund balances - beginning of year	<u>(67,661)</u>	<u>10,006</u>	<u>-</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,051</u>

See accountant's compilation report and accompanying notes

State of New Mexico  
**VILLAGE OF WILLARD**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**ALL FUNDS**  
**For the Year Ended June 30, 2011**

	Waste Water Fund	Solid Waste Fund	Total Funds
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ 34,039
Intergovernmental	-	-	88,449
Licenses and permits	-	-	35
Charges for services	34,693	37,229	151,915
State Sources	-	-	151,374
Interest on investments	2	-	423
Environmental Gross Receipts Tax	-	-	1,304
Miscellaneous	-	-	39,954
Total Revenues	<u>34,695</u>	<u>37,229</u>	<u>467,493</u>
<b>Expenditures:</b>			
<b>Current</b>			
General government	18,696	21,731	225,276
Finance and administration	-	-	149,911
Culture and recreation	-	-	-
Other - miscellaneous	-	-	18,160
Capital outlay	-	-	44,734
Debt service-principal	-	-	5,037
Debt service-interest	-	-	4,969
Total expenditures	<u>18,696</u>	<u>21,731</u>	<u>448,087</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,999</u>	<u>15,498</u>	<u>19,406</u>
<b>Other financing sources (uses):</b>			
Issuance of general obligation bonds	-	-	-
Operating transfers in (out)	(341)	327	514
Total other financing sources (uses)	<u>(341)</u>	<u>327</u>	<u>514</u>
Net change in fund balances	15,999	15,498	81,162
Fund balances - beginning of year	-	-	191,535
Fund balances - end of year	<u>\$ 15,999</u>	<u>\$ 15,498</u>	<u>\$ 272,697</u>

See accountant's compilation report and accompanying notes

**State of New Mexico**  
**VILLAGE OF WILLARD**  
**Statement of Changes in Assets and Liabilities -**  
**Agency Funds**  
**For the Year Ended June 30, 2011**

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
<b><u>Assets</u></b>				
Water Meter Fund	4,535	4,832	(5,292)	4,075
Children's Christmas Fund	213	41	(200)	54
Total Assets	<u>\$ 4,748</u>	<u>\$ 4,873</u>	<u>\$ (5,492)</u>	<u>\$ 4,129</u>
<b>Liabilities</b>				
Deposits held for others	4,748	4,873	\$ (5,492)	4,129
Total Liabilities	<u>\$ 4,748</u>	<u>\$ 4,873</u>	<u>\$ (5,492)</u>	<u>\$ 4,129</u>

See accountants' compilation report and accompanying notes.

**NOTES TO THE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**VILLAGE OF WILLARD**  
**Notes to the Financial Statements**  
**YEAR ENDED JUNE 30, 2011**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

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 Village of Willard follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The Village is not a component of any other governmental entity and the Village has no component units.

The financial statements of the Village of Willard have been prepared in conformity with accounting principles generally accepted in the United States (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 principals. The more significant of the government's accounting policies are described below.

**Basis of Presentation**

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures.

**Governmental Funds**

The Village reports the following governmental funds:

- a. General Fund - the Village's primary operating fund. It accounts for all the financial resources of the general government except those required to be accounted for in another fund.
- b. Special Revenue Funds – used to account for the grant/contract received and is legally restricted to expenditures for specific purposes.
- c. Capital Outlay Fund – used to account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

**STATE OF NEW MEXICO**  
**VILLAGE OF WILLARD**  
**Notes to the Financial Statements (continued)**  
**YEAR ENDED JUNE 30, 2011**

- d. Debt Service Fund – accounts for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The Village reports the following proprietary funds:

- a. Water Fund – used to account for the activities of the Village’s water operations.
- b. Waste Water Fund – used to account for waste water activities of the Village’s operations.
- c. Solid Waste Fund – accounts for the collection and disposal of solid waste.

Additionally the Village reports the following fiduciary funds:

- a. Children’s Christmas Fund - are donations held in the Village’s name for the benefit of the Village’s children at Christmas.
- b. Water Meter Deposit Fund – used to account for the collection and payment of water meter deposits.

**Measurement Focus and Basis Accounting**

The governmental fund statements are reporting using the current measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when they are both measurable and available. The village considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

**Budgetary Data**

Budgets are submitted with original requests for grants through the approval of the Village Councilors. Modifications are made to these budgets as funding levels are changed or as program requirements change. These budgets represent the financial plan of the Village.

**Cash Equivalents**

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.



**STATE OF NEW MEXICO**  
**VILLAGE OF WILLARD**  
**Notes to the Financial Statements (continued)**  
**YEAR ENDED JUNE 30, 2011**

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.

**Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities. Capital assets are defined by the government as assets with a cost of more than \$5,000 and an estimated useful life in excess of one year. 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	5-7
Software	3

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

**STATE OF NEW MEXICO**  
**VILLAGE OF WILLARD**  
**Notes to the Financial Statements (continued)**  
**YEAR ENDED JUNE 30, 2011**

**Compensated Absences**

It is the policy of the Village 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. 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.

**Long-Term Obligations**

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.

**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. The designation of fund balance represents tentative management plans that are subject to change.

**Fund Balances**

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. The designation of the fund balances represent tentative management plans that are subject to change.

**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.

**STATE OF NEW MEXICO**  
**VILLAGE OF WILLARD**  
**Notes to the Financial Statements (continued)**  
**YEAR ENDED JUNE 30, 2011**

**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.

**Use of Estimates**

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from those estimates.

**Revenues and Expenditures**

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 Village financial records. Income on investments is recorded when the investments have matured and the income available.

**NOTE 2- CASH AND CASH EQUIVALENTS**

At June 30, 2011, cash and cash equivalents consisted of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Carrying amount of deposits	\$272,525	\$276,789
Total	\$272,525	\$276,789

**STATE OF NEW MEXICO**  
**VILLAGE OF WILLARD**  
**Notes to the Financial Statements (continued)**  
**YEAR ENDED JUNE 30, 2011**

**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 the village. The Village does not have a deposit policy for custodial credit risk. At June 30, 2011, the carrying amount of the Village's deposits was \$ and the bank balance was \$. At June 30, 2011, the Village's deposits, in compliance with federal cash management regulations, were entirely covered by federal depository insurance or by collateral held by the pledging financial institution.

**NOTE 3- RISK MANAGEMENT**

The village is exposed to various risk of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. Commercial insurance coverage is purchased for claims arising from such matters. 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.