

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

VILLAGE OF WILLARD, NEW MEXICO

Report of Independent Accountant on the
Application of Agreed-Upon Procedures
and
Compilation Report of Independent Accountant and
Compiled Financial Statements

June 30, 2014

VILLAGE OF WILLARD, NEW MEXICO

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VILLAGE OF WILLARD, NEW MEXICO

List of Principal Officials

June 30, 2014

Village Council

Robert Chavez	Mayor
Ricardo Garcia	Mayor Pro Tem
Lorine A. Mendez	Council Member
Faye Chavez	Council Member
David Dean	Council Member

Village Administration

Emily Sanchez	Clerk/Treasurer through 03/04/14
Kathryn Mendez-Hernandez	Temporary Clerk/Treasurer
Angelina Halbert	Clerk/Treasurer starting 06/09/14

**Report of Independent Accountant
on the Application of Agreed-Upon Procedures**

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

I have performed the procedures enumerated below, which were agreed to by the Village of Willard, New Mexico (Village) and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Village's financial reporting relating to its cash, capital assets, debt, revenues, expenditures, journal entries, and budget information and its compliance with Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended June 30, 2014. The Village's management is responsible for its accounting records, financial reporting, and compliance with the State Auditor rules 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, I 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.

My procedures and findings are as follows:

In accordance with Tier 6 of the Audit Act – Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC, the procedures and associated findings are as follows:

1. Cash

- 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.
- 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).
- 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.

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

Findings Resulting from Procedures 1(a) – 1(c): See finding 2014-001 and 2014-003 for details.

1. For the purposes of performing these procedures “timely” means completion of the bank reconciliations within one month after the last day of the reporting month. Bank reconciliations were not prepared on a timely basis.
2. Bank reconciliations did not show evidence that they were reviewed or approved by someone other than the person performing the reconciliation.
3. The Village has twenty-two cash or investment accounts. Of the twenty-two accounts, only six reconciliations had reconciled balances that matched the balance per the general ledger. The reconciled cash balances appear to be correct, but the general ledger balances appear to be incorrect. The Village uses an accounting system that automatically allocates cash between funds. The differences appear to be the result of incorrect use of the allocated cash system.

The cash balance per the general ledger is \$250,355.32, and the balance per the reconciliations is \$264,577.87. The reconciliations show \$14,222.55 more in cash than the general ledger.

4. The amount of cash reported to DFA was \$183,940, which is \$81,538.20 less than the reconciled balances, and \$66,415.32 less than the cash reported on the trial balance.

2. Capital Assets

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

Findings Resulting from Procedure 2

The Village is performing the required yearly inventory.

3. Debt

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

Findings Resulting from Procedure 3

The Village has made all required debt payments. No reserves were required.

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

4. Revenue

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.

Select a sample of revenues based on auditor judgment and test using the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation in 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.

Findings Resulting from Procedures 4(a) – 4(c): See finding 2014-004 and 2014-006 for details.

1. The Village is posting gross receipts tax revenue based upon percentages instead of using the figures provided on the distribution spreadsheet provided by the New Mexico Taxation and Revenue Department. Therefore, revenue is not posted to the individual funds correctly.
2. Gross receipts tax related to the Environmental Gross Receipts Tax fund is being intercepted by the New Mexico Environmental Department as payment for a loan. The Village is not recording the related gross receipts tax revenue, or the related debt service expense. The amount of the payment intercepted is \$29,935.30.

5. Expenditures

Select a sample of cash disbursements based on auditor judgment 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 canceled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements, and established policies and procedures.

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

- 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 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Findings Resulting from Procedures 5(a) – 5(c)

1. Twenty-six expenditures were tested. One expenditure in the amount of \$217.82 for telephone services included two long distance charges, one of which lasted more than an hour. The charges were not reviewed or approved before paid. We inquired of management regarding the business purpose of the one hour long distance call. They could not confirm if the call was related to Village business, or personal in nature.

6. Journal Entries

If non-routine journal entries, such as adjustments or reclassification, 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.

Findings Resulting from Procedures 6(a) – 6(b)

1. Journal entries are not reviewed and approved by someone other than the person entering the journal entries into the system.
2. The Village does not keep support for the journal entries made into the accounting system.

7. Budget: See finding 2014-002 for details.

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 adjustments 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.

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

- 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.

Findings Resulting from Procedures 7(a) – 7(c)

1. The General, State Forestry, and Water funds had expenditures in excess of budget. See the Schedule of Findings and Recommendations for the related compliance finding.

8. Capital Outlay Appropriations

Note – capital outlay appropriations procedures are only performed when capital outlay appropriation money has been expended during the fiscal year. The Village did not expend any capital outlay appropriations. Therefore, no testwork has been performed in this area.

9. Other

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(I)(3)(C) NMAC.

Findings Resulting from Procedure 9

See the Schedule of Findings and Responses beginning on page 17.

* * * * *

I was 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, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

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



Albuquerque, New Mexico
November 22, 2014

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 23,051	23,051	46,401	23,350
Licenses, permits, fees, and fines	985	985	1,077	92
Intergovernmental	69,000	69,000	90,172	21,172
Interest	50	50	73	23
Post office contract	10,600	10,600	10,582	(18)
Other	1,100	1,100	1,336	236
Total revenues	104,786	104,786	149,641	44,855
Expenditures				
General government	93,652	97,152	119,862	(22,710)
Culture and recreation	-	-	204	(204)
Post office contract	19,112	19,112	18,433	679
Total expenditures	112,764	116,264	138,499	(22,235)
Excess of revenues over expenditures	(7,978)	(11,478)	11,142	22,620
Other financing sources (uses)				
Operating transfers out	(327)	(2,327)	-	2,327
Total other financing sources (uses)	(327)	(2,327)	-	2,327
Net change in fund balance	(8,305)	(13,805)	11,142	24,947
Prior year cash appropriated	8,305	13,805		
	<u>\$ -</u>	<u>-</u>		
Non-GAAP change in fund balance			\$ 11,142	
Change from:				
Accounts receivable			(5,807)	
Accounts payable			(12,704)	
Payroll liabilities			(18,327)	
GAAP change in fund balance			<u>\$ (25,696)</u>	

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
ENVIRONMENTAL GROSS RECEIPTS TAX
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Taxes	\$ 600	600	265	(335)
Other	-	-	4	4
Total revenues	600	600	269	(331)
Expenditures				
General government	600	600	269	331
Total expenditures	600	600	269	331
Net change in fund balance	\$ -	-	-	-

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
FIRE PROTECTION
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Intergovernmental	\$ 39,058	47,241	47,241	-
Interest	-	-	21	21
Other	20	20	-	(20)
Total revenues	39,078	47,261	47,262	1
Expenditures				
Public safety	27,575	61,070	41,282	19,788
Debt service - principal and interest	25,665	25,665	25,665	-
Total expenditures	53,240	86,735	66,947	19,788
Net change in fund balance	(14,162)	(39,474)	(19,685)	<u>19,789</u>
Prior year cash appropriated	14,162	39,474	19,685	
	<u>\$ -</u>	<u>-</u>	<u>-</u>	
Non-GAAP change in fund balance			\$ (19,685)	
Change from:				
Accounts payable			<u>(21,601)</u>	
GAAP change in fund balance			<u>\$ (41,286)</u>	

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LODGERS TAX
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 100	100	-	(100)
Interest	1	1	-	(1)
 Total revenues	101	101	-	(101)
Expenditures				
Culture and recreation	-	-	-	-
 Total expenditures	-	-	-	-
Net change in fund balance	\$ 101	101	-	(101)

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
STREETS
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 3,753	3,753	3,886	133
Grants	113,154	113,154	-	(113,154)
Total revenues	116,907	116,907	3,886	(113,021)
Expenditures				
Highways and streets	4,080	4,080	2,833	1,247
Capital outlay	113,154	113,154	50,957	62,197
Total expenditures	117,234	117,234	53,790	63,444
Excess of revenues over expenditures	(327)	(327)	(49,904)	(49,577)
Other financing sources (uses)				
Operating transfers in	327	2,327	-	(2,327)
Total other financing uses	327	2,327	-	(2,327)
Net change in fund balance	\$ -	2,000	(49,904)	(51,904)
Prior year cash appropriated			49,904	
			-	
Non-GAAP change in fund balance			\$ (49,904)	
Change from:				
Taxes receivable			12,957	
GAAP change in fund balance			\$ (36,947)	

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
STATE FORESTRY
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Other	\$ 200	664	664	-
Total revenues	200	664	664	-
Expenditures				
Public safety	200	1,691	1,801	(110)
Total expenditures	200	1,691	1,801	(110)
Net change in fund balance	<u>\$ -</u>	<u>(1,027)</u>	<u>(1,137)</u>	<u>(110)</u>
Prior year cash appropriated		<u>1,027</u>	<u>1,137</u>	
		<u>-</u>	<u>-</u>	

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CHILDREN'S CHRISTMAS
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Other	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures				
Culture and recreation	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	\$ -	-	-	-

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Grants	\$ 349,000	349,000	-	(349,000)
Expenditures				
Capital outlay	349,000	349,000	-	349,000
Net change in fund balance	\$ -	-	-	-

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WASTE WATER ENTERPRISE
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Sales and service	\$ 29,400	29,400	27,963	(1,437)
Expenses				
Operating costs	23,995	23,995	12,785	11,210
Debt service	9,807	9,807	3,491	6,316
Total expenditures	33,802	33,802	16,276	17,526
Excess of expenses over revenues	(4,402)	(4,402)	11,687	16,089
Other financing sources (uses)				
Operating transfers in	9,807	9,807	4,904	(4,903)
Operating transfers out	(3,492)	(3,492)	(1,746)	1,746
Total other financing sources (uses)	6,315	6,315	3,158	(3,157)
Change in net position	\$ 1,913	1,913	14,845	12,932
Non-GAAP change in fund balance			\$ 14,845	
Change from:				
Accounts receivable			(3,472)	
Accounts payable			(6,836)	
Taxes payable			(580)	
GAAP change in net position			\$ 3,957	

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
SOLID WASTE ENTERPRISE
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Sales and service	\$ 20,000	20,000	17,510	(2,490)
Expenses				
Operating costs	20,750	20,750	8,751	11,999
Change in net position	(750)	(750)	8,759	9,509
Prior year cash appropriated	750	750		
	<u>\$ -</u>	<u>-</u>		
Non-GAAP change in fund balance			\$ 8,759	
Change from:				
Accounts receivable			(2,340)	
Accounts payable			(2,953)	
Taxes payable			(413)	
GAAP change in net position			<u>\$ 3,053</u>	

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WATER ENTERPRISE
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Sales and service	\$ 47,660	47,660	44,503	(3,157)
Interest income	49	49	32	(17)
Total revenues	<u>47,709</u>	<u>47,709</u>	<u>44,535</u>	<u>(3,174)</u>
Expenses				
Operating costs	48,230	48,230	60,686	(12,456)
Excess of revenues over expenditures	<u>(521)</u>	<u>(521)</u>	<u>(16,151)</u>	<u>(15,630)</u>
Other financing sources (uses)				
Operating transfers out	(6,315)	(6,315)	(3,158)	3,157
Total other financing sources (uses)	<u>(6,315)</u>	<u>(6,315)</u>	<u>(3,158)</u>	<u>3,157</u>
Change in net position	(6,836)	(6,836)	(19,309)	<u>(12,473)</u>
Prior year cash appropriated	6,836	6,836	19,309	
	<u>\$ -</u>	<u>-</u>	<u>-</u>	
Non-GAAP change in fund balance			\$ (19,309)	
Change from:				
Accounts receivable			(6,054)	
Accounts payable			9,567	
Taxes payable			<u>(836)</u>	
GAAP change in net position			<u>\$ (16,632)</u>	

**VILLAGE OF WILLARD, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014**

Status of Prior Year Audit Findings

2006-09 Depreciation Schedule – Resolved

2013-01 Late IPA Recommendation Report – Resolved

VILLAGE OF WILLARD, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2014

2014-001 Bank Reconciliation

Condition: The Village does not have a process to reconcile the cash and investment accounts to the general ledger. During our testwork, we noted the following:

1. For the purposes of performing these procedures “timely” means completion of the bank reconciliations within one month after the last day of the reporting month. Bank reconciliations were not being prepared on a timely basis.
2. Bank reconciliations did not show evidence that they were reviewed or approved by someone other than the person performing the reconciliation.
3. The Village has twenty-two cash or investment accounts. Of the twenty-two accounts, only six reconciliations had reconciled balances that matched the balance per the general ledger. The reconciled cash balances appear to be correct, but the general ledger balances appear to be incorrect. The Village uses an accounting system that automatically allocates cash between funds. The differences appear to be the result of incorrect use of the allocated cash system.
4. The cash balance per the general ledger is \$250,355.32, and the balance per the reconciliations is \$264,577.87. The reconciliations show \$14,222.55 more in cash than the general ledger.

Criteria: Good accounting practices require properly reconciled cash and investment accounts.

Effect: The Village does not know what actual cash balances are by fund.

Cause: The Village staff has not been adequately trained on the accounting system’s allocated cash feature. Village staff does not adequately review the reconciliations and their balance relative to the general ledger.

Auditor’s Recommendations: The Village should obtain training on the allocated cash system. The Village should consider hiring an outside accountant to help train staff on cash reconciliations. Management should review all reconciliations completed by Village staff.

Management’s Response: Bank reconciliations were not performed in a timely fashion because of a change in management. The temporary clerk was not aware of the necessary duties. Once we procured a permanent clerk/treasurer the reconciliations were completed. They have been done in a timely manner each month since. Additionally, the Village does not have the financial resources to hire someone to review/approve this information. The Village will procure assistance in cash allocation training.

**VILLAGE OF WILLARD, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2014**

2014-002 Excess of Expenditures Over Authorized Budget

Condition: The Village's expenditures exceeded the authorized budget in the following funds:

- General fund by \$22,235
- State Forestry fund by \$110
- Water Enterprise fund by \$12,456

Criteria: Section 6-6-6, NMSA 1978, required the Village to keep expenditures within budgeted amounts.

Effect: The Village may not have precise information for planning the activities and cash flows in the funds that are over budget.

Cause: Insufficient budget tracking procedures.

Auditor's Recommendations: The Village should develop a process to ensure that funds do not exceed their budgets.

Management's Response: The Village will work on developing a process to ensure funds do not exceed their budgets.

VILLAGE OF WILLARD, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2014

2014-003 Cash Reporting to the Department of Finance and Administration Local Government Division

Condition: The cash balances reported by the Village to the Department of Finance and Administration's Local Government Division (DFA-LGD) do not agree with the reconciled cash balances. The amount of cash reported to DFA-LGD was \$183,940, which is \$81,538 less than the reconciled balances, and \$66,415 less than the cash reported on the trail balance.

Criteria: Quarterly reporting required by DFA-LGD require cash balances to be reported by the Village.

Effect: The Village is not in compliance with DFA-LGD requirements.

Cause: Village staff does not adequately review the reconciliations and their balance relative to the general ledger. Village staff does not adequately review the DFA-LGD quarterly report to ensure it agrees with the reconciled cash balances by fund.

Auditor's Recommendations: The Village should develop a process to ensure that the DFA-LGD reports are properly prepared and reviewed.

Management's Response: The Village will work on developing a process to ensure DFA-LGD Reports are properly prepared and reviewed.

VILLAGE OF WILLARD, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2014

2014-004 Generally Accepted Accounting Principles

Condition: Management of the Village has not recorded the following items which accounting principles generally accepted in the United States of America require:

- The General fund balance sheet is not in balance. Assets do not equal liabilities plus equity.
- Cash balances at year-end per the general ledger do not agree with the reconciliations for those accounts. Cash balances on the balance sheet as presented are incorrect.
- Fund balances do not roll forward from the prior year. This means that current year transactions have been recorded into prior years.
- There are negative liability accounts on the general ledger in the General fund. These account balances cannot be valid.
- Deposits and refunds of water deposits in the Water Deposit fund are being recorded and income and expense instead of an increase or decrease in the water deposit liability.
- The Village has not recorded accounts receivable in the Waste Water, Solid Waste, and Water funds.
- The Village has not recorded capital asset purchases greater than \$5,000 in the enterprise funds. The Village has not recorded the related depreciation.
- The Village has not recorded taxes receivable for taxes received within their period of availability. The Village's books are being kept on the cash basis and not adjusted to modified accrual at year-end.
- The Village has not recorded outstanding debt in the Waste Water fund. The related debt service principal payment is being recorded as an expense instead of a reduction of principal.
- Grant revenue is recorded on the cash basis instead of the modified accrual basis. As a result, the revenue and related accounts receivable have not been recorded for expenditures made on a cost reimbursement type grant.
- Intercepted gross receipts taxes have not been recorded as revenue and debt service expenditures.
- Gross receipts taxes have not been recorded to the correct accounts.

Criteria: Generally accepted accounting principles dictate accounting methods that must be used by governments.

Effect: The Village does not have financial statements in compliance with generally accepted accounting principles.

Cause: Village staff is not familiar with governmental accounting.

VILLAGE OF WILLARD, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2014

2014-004 Generally Accepted Accounting Principles (Continued)

Auditor's Recommendations: The Village should obtain training on generally accepted accounting principles as applied to governmental entities. The Village should consider hiring an outside accountant to help prepare the monthly financial statement close and to train the Village staff on accounting for governmental entities.

Management's Response: The Village will procure assistance and specialized training for accounting for government entities in order to be in compliance. Current management was not aware of some of the intercepted funds, and was unfamiliar with accounts payable for Waste Water, Solid Waste, and Water Funds. Currently, the Village management has a better understanding of the activities which should be allocated to those funds.

VILLAGE OF WILLARD, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2014

2014-005 Late Tier System Contract

Condition: The Village did not complete and deliver a tier system contract to the New Mexico State Auditor's Office by the July 1 deadline.

Criteria: The New Mexico Office of the State Auditor Audit Rule section 2.2.2.8(G)(6)(vi) requires Local Public Bodies that qualify for the tiered system pursuant to Subsections A and B of Section 2.2.2.16 NMAC should follow the procedures at Subsection D of Section 2.2.2.16 NMAC, and submit the required Recommendation Form for Tiered System Local Public Bodies and the completed signed agreed upon procedures contract to the State Auditor by July 1.

Effect: The Village is not in compliance with the State Auditor's Audit Rule.

Cause: There was turnover in the Clerk/Treasurer's office.

Auditor's Recommendations: The Village should develop a system to ensure that the audit contract is submitted by the required date.

Management's Response: The Village will submit the audit contract by the required date next year.

VILLAGE OF WILLARD, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2014

2014-006 Segregation of Duties

Condition: Adjusting journal entries are not reviewed and approved by someone other than the person making the entry. Cash disbursements and the related invoices are not reviewed by someone other than the person preparing the cash disbursement.

Criteria: Good accounting practices require segregation of duties in order to prevent mistakes and fraud.

Effect: An employee of the Village could commit fraud without the fraud being discovered. The accounting reports may contain errors.

Cause: Inadequate segregation of duties.

Auditor's Recommendations: The Village should consider hiring an outside accountant to review the work of Village staff. The Village should consider having a board member review all journal entries, invoices, and cash disbursements before being made.

Management's Response: Current management understands the need for a separation of duties, however the Village does not have the financial resources to allow as much as necessary. Current management has tried to divide the duties between the Clerk and the Assistant Clerk, to help provide more segregation. The Village will look into having a board member review these activities.

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS
10612 ROYAL BIRKDALE NE
ALBUQUERQUE, NM 87111

Compilation Report of Independent Public Accountant

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

I have compiled the accompanying financial statements of the governmental activities and the business-type activities of the Village of Willard, New Mexico (Village), as of and for the year ended June 30, 2014, which collectively comprise the Village's basic financial statements as listed in the table of contents. I 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 of America.

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

My responsibility is to conduct the compilation 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 my compilation, I did become aware of departures from accounting principles generally accepted in the United States of America that is described in the following paragraph.

Management of the Village has not recorded the following items which accounting principles generally accepted in the United States of America require:

- The General fund balance sheet is not in balance. Assets do not equal liabilities plus equity.
- Cash balances at year-end per the general ledger do not agree with the reconciliations for those accounts. Cash balances on the balance sheet as presented are incorrect.
- Fund balances do not roll forward from the prior year. This means that current year transactions have been recorded into prior years.

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

- There are negative liability accounts on the general ledger in the General fund. These account balances cannot be valid.
- Deposits and refunds of water deposits in the Water Deposit fund are being recorded and income and expense instead of an increase or decrease in the water deposit liability.
- The Village has not recorded accounts receivable in the Waste Water, Solid Waste, and Water funds.
- The Village has not recorded capital asset purchases greater than \$5,000 in the enterprise funds. The Village has not recorded the related depreciation.
- The Village has not recorded taxes receivable for taxes received within their period of availability. The Village's books are being kept on the cash basis and not adjusted to modified accrual at year-end.
- The Village has not recorded outstanding debt in the Waste Water fund. The related debt service principal payment is being recorded as an expense instead of a reduction of principal.
- Grant revenue is recorded on the cash basis instead of the modified accrual basis. As a result, the revenue and related accounts receivable have not been recorded for expenditures made on a cost reimbursement type grant.
- Intercepted gross receipts taxes have not been recorded as revenue and debt service expenditures.

The amount by which these departures from general accepted accounting principles would affect the assets, liabilities, revenues, and expenditures of the governmental activities is not reasonably determinable.

Management has elected to omit the statement of cash flows, government-wide financial statements, and notes related to the government-wide financial statements required by accounting principles generally accepted in the United States of America. If the omitted statement of cash flows, government-wide financial statements, and related note disclosures were included in the financial statements, they might influence the user's conclusions about the Village's financial position, respective changes in financial position, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

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

Management has omitted management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

A handwritten signature in cursive script that reads "Perch & Associates LLC".

Albuquerque, New Mexico
November 22, 2014

VILLAGE OF WILLARD, NEW MEXICO
BALANCE SHEET
June 30, 2014

	General	Environmental Gross Receipts Tax	Fire Protection
ASSETS			
Cash and cash equivalents	\$ 189,843	-	19,803
Total assets	<u>\$ 189,843</u>	<u>-</u>	<u>19,803</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 13,742	-	21,601
Payroll liabilities	18,327	-	-
Taxes payable	-	-	-
Total liabilities	<u>32,069</u>	<u>-</u>	<u>21,601</u>
FUND BALANCES			
Restricted, special revenues	-	-	(1,798)
Assigned, special revenues	-	-	-
Unassigned	157,102	-	-
Total fund balances	<u>157,102</u>	<u>-</u>	<u>(1,798)</u>
Total liabilities and fund balances	<u>\$ 189,171</u>	<u>-</u>	<u>19,803</u>

See independent accountant's compilation report and accompanying notes.

VILLAGE OF WILLARD, NEW MEXICO
BALANCE SHEET
June 30, 2014

	Lodgers Tax	Streets	State Forestry
ASSETS			
Cash and cash equivalents	\$ 179	(24,660)	348
Total assets	\$ 179	(24,660)	348
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	12,957	-
Payroll liabilities	-	-	-
Taxes payable	-	-	-
Total liabilities	-	12,957	-
FUND BALANCES			
Restricted, special revenues	179	-	-
Assigned, special revenues	-	(36,947)	348
Unassigned	-	-	-
Total fund balances	179	(36,947)	348
Total liabilities and fund balances	\$ 179	(23,990)	348

See independent accountant's compilation report and accompanying notes.

VILLAGE OF WILLARD, NEW MEXICO
BALANCE SHEET
June 30, 2014

	Children's Christmas	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 54	-	185,567
Total assets	\$ 54	-	185,567
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	-	-	48,300
Payroll liabilities	-	-	18,327
Taxes payable	-	-	-
Total liabilities	-	-	66,627
FUND BALANCES			
Restricted, special revenues	-	-	(1,619)
Assigned, special revenues	54	-	(36,545)
Unassigned	-	-	157,102
Total fund balances	54	-	118,938
Total liabilities and fund balances	\$ 54	-	185,565

See independent accountant's compilation report and accompanying notes.

VILLAGE OF WILLARD, NEW MEXICO
BALANCE SHEET
June 30, 2014

	Waste Water	Solid Waste	Water
ASSETS			
Cash and cash equivalents	\$ 20,365	18,568	22,967
Total assets	\$ 20,365	18,568	22,967
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 7,497	3,360	(7,841)
Payroll liabilities	-	-	-
Taxes payable	580	413	836
Total liabilities	8,077	3,773	(7,005)
FUND BALANCES			
Restricted, special revenues	-	-	-
Assigned, special revenues	-	-	-
Unassigned	12,288	14,795	29,972
Total fund balances	12,288	14,795	29,972
Total liabilities and fund balances	\$ 20,365	18,568	22,967

See independent accountant's compilation report and accompanying notes.

VILLAGE OF WILLARD, NEW MEXICO
BALANCE SHEET
June 30, 2014

	Total Proprietary Funds	Total All Funds
ASSETS		
Cash and cash equivalents	\$ 61,900	247,467
	<hr/>	
Total assets	\$ 61,900	247,467
	<hr/> <hr/>	
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 3,016	51,316
Payroll liabilities	-	18,327
Taxes payable	1,829	1,829
	<hr/>	
Total liabilities	4,845	71,472
	<hr/> <hr/>	
FUND BALANCES		
Restricted, special revenues	-	(1,619)
Assigned, special revenues	-	(36,545)
Unassigned	57,055	214,157
	<hr/>	
Total fund balances	57,055	175,993
	<hr/> <hr/>	
Total liabilities and fund balances	\$ 61,900	247,465
	<hr/> <hr/>	

See independent accountant's compilation report and accompanying notes.

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES
OR EXPENSES, AND CHANGES IN FUND
BALANCES
Year Ended June 30, 2014

	General	Environmental Gross Receipts Tax	Fire Protection
Revenues			
Taxes	\$ 40,594	265	-
Licenses, permits, fees, and fines	1,077	-	-
From non-federal sources:			
Intergovernmental	90,172	-	47,241
Interest	73	-	21
Post office contract	10,582	-	-
Sales and services	-	-	-
Other	1,336	4	-
Total revenues	143,834	269	47,262
Expenditures			
Current			
General government	150,893	269	-
Public safety	-	-	62,883
Highways and streets	-	-	-
Culture and recreation	204	-	-
Post office contract	18,433	-	-
Operating costs	-	-	-
Debt service - principal and interest	-	-	25,665
Capital outlay	-	-	-
Total expenditures	169,530	269	88,548
(Deficiency) excess of revenues over expenditures before other financing sources	(25,696)	-	(41,286)
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(25,696)	-	(41,286)
Fund balance, beginning of year	169,941	-	62,263
Fund balance, end of year	\$ 144,245	-	20,977

See independent accountant's compilation report and accompanying notes.

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES
OR EXPENSES, AND CHANGES IN FUND
BALANCES
Year Ended June 30, 2014

	Lodgers Tax	Streets	State Forestry
Revenues			
Taxes	\$ -	3,886	-
Licenses, permits, fees, and fines	-	-	-
From non-federal sources:			
Intergovernmental	-	-	-
Interest	-	-	-
Post office contract	-	-	-
Sales and services	-	-	-
Other	-	-	664
Total revenues	-	3,886	664
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	1,801
Highways and streets	-	2,833	-
Culture and recreation	-	-	-
Post office contract	-	-	-
Operating costs	-	-	-
Debt service - principal and interest	-	-	-
Capital outlay	-	38,000	-
Total expenditures	-	40,833	1,801
(Deficiency) excess of revenues over expenditures before other financing sources	-	(36,947)	(1,137)
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	(36,947)	(1,137)
Fund balance, beginning of year	179	-	-
Fund balance, end of year	\$ 179	(36,947)	(1,137)

See independent accountant's compilation report and accompanying notes.

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES
OR EXPENSES, AND CHANGES IN FUND
BALANCES
Year Ended June 30, 2014

	Children's Christmas	Capital Projects	Total Governmental Funds
Revenues			
Taxes	\$ -	-	44,745
Licenses, permits, fees, and fines	-	-	1,077
From non-federal sources:			-
Intergovernmental	-	-	137,413
Interest	-	-	94
Post office contract	-	-	10,582
Sales and services	-	-	-
Other	-	-	2,004
Total revenues	-	-	195,915
Expenditures			
Current			
General government	-	-	151,162
Public safety	-	-	64,684
Highways and streets	-	-	2,833
Culture and recreation	-	-	204
Post office contract	-	-	18,433
Operating costs	-	-	-
Debt service - principal and interest	-	-	25,665
Capital outlay	-	-	38,000
Total expenditures	-	-	300,981
(Deficiency) excess of revenues over expenditures before other financing sources	-	-	(105,066)
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	-	(105,066)
Fund balance, beginning of year	54	-	-
Fund balance, end of year	\$ 54	-	(105,066)

See independent accountant's compilation report and accompanying notes.

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES
OR EXPENSES, AND CHANGES IN FUND
BALANCES
Year Ended June 30, 2014

	Waste Water	Solid Waste	Water
Revenues			
Taxes	\$ -	-	-
Licenses, permits, fees, and fines	-	-	-
From non-federal sources:			
Intergovernmental	-	-	-
Interest	-	-	32
Post office contract	-	-	-
Sales and services	24,491	15,170	38,449
Other	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	24,491	15,170	38,481
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Culture and recreation	-	-	-
Post office contract	-	-	-
Operating costs	20,201	12,117	51,955
Debt service - principal and interest	3,491	-	-
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	23,692	12,117	51,955
	<hr/>	<hr/>	<hr/>
(Deficiency) excess of revenues over expenditures before other financing sources	799	3,053	(13,474)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Operating transfers in	4,904	-	-
Operating transfers out	(1,746)	-	(3,158)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	3,158	-	(3,158)
	<hr/>	<hr/>	<hr/>
Net change in fund balances	3,957	3,053	(16,632)
Fund balance, beginning of year	14,724	14,226	43,716
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 18,681	17,279	27,084
	<hr/>	<hr/>	<hr/>

See independent accountant's compilation report and accompanying notes.

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES
OR EXPENSES, AND CHANGES IN FUND
BALANCES
Year Ended June 30, 2014

	Total Proprietary Funds	Total Non-major
Revenues		
Taxes	\$ -	44,745
Licenses, permits, fees, and fines	-	1,077
From non-federal sources:		
Intergovernmental	-	137,413
Interest	32	126
Post office contract	-	10,582
Sales and services	78,110	78,110
Other	-	2,004
	<hr/>	<hr/>
Total revenues	78,142	274,057
	<hr/>	<hr/>
Expenditures		
Current		
General government	-	151,162
Public safety	-	64,684
Highways and streets	-	2,833
Culture and recreation	-	204
Post office contract	-	18,433
Operating costs	84,273	84,273
Debt service - principal and interest	3,491	29,156
Capital outlay	-	38,000
	<hr/>	<hr/>
Total expenditures	87,764	388,745
	<hr/>	<hr/>
(Deficiency) excess of revenues over expenditures before other financing sources	(9,622)	(114,688)
	<hr/>	<hr/>
Other financing sources (uses)		
Operating transfers in	4,904	4,904
Operating transfers out	(4,904)	(4,904)
	<hr/>	<hr/>
Total other financing sources (uses)	-	-
	<hr/>	<hr/>
Net change in fund balances	(9,622)	(114,688)
Fund balance, beginning of year	72,666	377,769
	<hr/>	<hr/>
Fund balance, end of year	\$ 63,044	263,081
	<hr/>	<hr/>

See independent accountant's compilation report and accompanying notes.

VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity. The Village of Willard, New Mexico (Village) was incorporated in 1910 under Section 3 NMSA 1978 and operates under the Mayor-Council form of government. The Village provides the following services The Village operates under a Mayor-Trustee form of government and provides the following services as authorized by its charter: public safety (police and fire protection), highways and streets, health and social services, sanitation, culture and recreation, and general administrative services.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities.

A. Financial Reporting Entity

As required by GAAP, financial statements are presented for the Village and its component units. A legally separate organization that does not qualify as a primary government is a potential component unit. The normal criterion for deciding whether a potential component unit is, in fact, a component unit is financial accountability. Financial accountability is determined by analyzing fiscal dependency, board appointments, financial benefit or burden relationships, or the ability of the primary government to impose its will on the potential component unit. Based on these criteria, the Village has no component units.

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

Governmental 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. For this purpose, the Village 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 judgments, are recorded only when payment is made.

VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

The Village follows the following revenue recognition principles applied to nonexchange transactions which are in accordance with *GASB Statement 33, Accounting and Reporting for Nonexchange Transactions*:

Derived tax revenues are recognized as revenue in the period when the underlying exchange transaction has occurred and the resources are available. Derived tax revenues include gross receipts tax, gasoline taxes, and cigarette taxes.

Imposed nonexchange revenues – property taxes are levied and collected by the Torrance County treasurer on behalf of the Village. The taxes are levied in November and payable in two installments, November 10th and May 10th. The County remits to the Village a percentage of the collections made during the month. Taxes are considered delinquent and subject to lien, penalty, and interest 30 days after the date on which they are due.

Imposed nonexchange revenue other than property taxes are recognized in the period when an enforceable legal claim has arisen and the resources are available.

Government-mandated nonexchange transactions and voluntary nonexchange transactions are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

Other revenues susceptible to accrual are investment income and charges for services. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Village reports the following governmental funds:

General Fund. The General Fund is the Village's primary operating fund. It accounts for all of the financial resources of the general government except those required to be accounted for in another fund.

Environmental Gross Receipts Tax Fund. To account for the revenue received from the State through gross receipts tax.

Fire Protection Fund. To account for the operations and maintenance of the fire department. The operations are financed by an allotment from the annual fire grant from the State of New Mexico. Authority is NMSA 59-A-53-1.

VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

Lodger's Tax. To account for lodger's tax collections. The tax is to be used for cultural and recreational activities. Authority is NMSA 3-38-14.

Streets. To account for funds used to maintain roads for which the Village is responsible. Funding is provided by the gas tax. Expenditures are restricted to the construction and maintenance of Village roads. Authority is NMSA 7-1-6.27.

State Forestry. To account for funds received from the New Mexico State Forestry Division.

Children's Christmas. To account for donations held in the Village's name for the benefit of the Village's children at Christmas.

Capital Projects Fund. To account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds.

The Village reports the following enterprise funds:

Waste Water. To account for the activities of the Village's waste water system.

Solid Waste. To account for the activities of the Villages collection and disposal of solid waste.

Water. To account for the activities of the Village's water system.

VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. Cash and Investments

Cash includes amounts in demand deposits and certificates of deposit. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

All investments are stated at fair value that is determined by using selected bases. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

The Village does not have an investment policy. Village funds are invested in accordance with New Mexico State Statute 6-10-36 which provides for the following investments:

1. United States Treasury Securities (Bills, Notes and Bonds) and other securities issued by the United States government or its agencies or instrumentalities that are either direct obligations of the United States of America, the Federal Home Loan Mortgage Corp., the Federal National Mortgage Association, the Federal Farm Credit Bank, or the Student Loan Marketing Association, or are backed by the full faith and credit of the United States government.
2. Insured and/or collateralized (with U.S. Government Securities and/or New Mexico Bonds) certificates of deposit of banks, savings and loan associations, and credit unions, pursuant to State Board of Finance Collateral Policies.
3. Money market funds whose portfolios consist entirely of United States Government Securities or agencies sponsored by the United States government.
4. Investments in the New Mexico State Treasurer external investment pool (Local Government investment Pool).

VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C. Capital Assets

Capital assets, which include software, 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 Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Governmental Accounting Standards Board (GASB) 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* allows phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The Village has elected to not retroactively record infrastructure assets.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Improvements other than buildings	30 years
Buildings and structures	30 years
Machinery and equipment	5 - 30 years
Furniture and fixtures	5 - 30 years
Infrastructure	5 - 50 years

Capital Assets in proprietary funds are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and other improvements	30 years
Water and sewer system	30 years
Machinery and equipment	5 - 10 years

The Audit Act, 12-6-10, NMSA 1978, requires all assets which cost more than \$5,000 and have a life greater than one year to be added to the General Fixed Asset Account Group and a yearly inventory of those assets must be taken.

VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Intangible Assets

Under ASC 350, *Intangibles - Goodwill and Other*, intangible assets with indefinite lives are no longer amortized. Indefinite lived intangible assets, such as water rights, are tested for impairment on an annual basis. There were no intangible assets at year-end.

E. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Village has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from ad valorem taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

F. Fund Balances

The Village follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement defines fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance — amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance — amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance — amounts constrained to specific purposes by the Village itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Village takes the same highest level action to remove or change the constraint.
- Assigned fund balance — amounts the Village intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.
- Unassigned fund balance — amounts that are available for any purpose. Positive amounts are reported only in the general fund.

VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Fund Balances (Continued)

The Village does not currently have a policy regarding whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those classifications could be used.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Village considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Village considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Village Directors have provided otherwise in its commitment or assignment actions.

G. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

H. Budgetary Information

Actual amounts on the budgetary basis are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general, special revenue, capital projects, and debt service funds.

The Village follows defined procedures in establishing the budgetary data reflected in the financial statements. Each year the Village determines amounts required for construction, maintenance, operations and debt service expenditures. Budget amounts are as originally adopted and as amended by the Board of Directors and approved by the Local Government Division of the State of New Mexico Department of Finance and Administration (DFA) and are prepared on a cash basis. The Village submits a proposed budget to DFA for the fiscal year commencing the following July 1. DFA must approve the budget prior to its legal enactment.

To meet legal compliance actual expenditures cannot exceed the total budgeted expenditures for the fund on a cash basis. Adjustments to the budget must be submitted to and approved by DFA in the form of a "budget adjustment request". The Village does not use encumbrances.

VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

H. Budgetary Information (Continued)

The budget is prepared on the cash basis, which differs from GAAP. Budgetary comparisons presented in these financial statements are on this Non-GAAP budgetary basis. The legal level of budgetary control is at the fund level; the Village had expenditures in excess of budget for its debt service fund.

In accordance with the requirements of Section 2.2.2.10.A (2) (b) of 2.2.2 NMAC Requirements for Contracting and Conducting Audits of Agencies and the allowance made by GASB 34, footnote 53, the budgetary comparison statements for the general fund has been included as part of the basic financial statements.

I. Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Implementation of New Accounting Standards

During the year ended June 30, 2014, the Village adopted Government Accounting Standards Board Statement (GASB) No. 65, *Items Previously Reported as Assets and Liabilities*. This statement changes the requirement to capitalize bond issuance costs. As a result, the Village has recorded a prior period adjustment to remove capitalized bond issuance costs from the Statement of Net Position.

During the year ended June 30, 2014, the Village adopted Government Accounting Standards Board Statement (GASB) No. 66, *Technical Corrections – 2012, An Amendment of GASBS Statements No. 10 and No. 62*. The statement will not have a material impact on the Village's financial statements.

VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. CASH

Custodial Credit Risk - Deposits. Custodial credit risk is, in the event of the failure of a depository financial institution, the Village will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Village does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name. As of June 30, 2014, the Village's bank balance total of \$268,258 was exposed to credit risk in the amount of \$18,258 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Village's name	<u>\$ 18,258</u>
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In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Village is required to collateralize an amount equal to one-half of the public money in excess of \$250,000 at each financial institution.

The total balance in any single financial institution may at times exceed the \$250,000 in FDIC coverage available to individual depositors. The Village is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account.

Credit Risk. The Village has no formal policy on managing credit risk. State law limits investments to United States Government obligations, commercial paper with A-1 or better ratings, corporate bonds with a BBB+ or better rating, asset backed obligations with an AAA or better rating, or repurchase agreements.

NOTE 3. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2014, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Loans payable	<u>\$ 141,099</u>	-	<u>(22,206)</u>	<u>118,893</u>	<u>22,678</u>

In July 2008, the Village entered into a loan agreement with the New Mexico Finance Authority in the amount of \$225,933. The purpose of the loan was for the purchase of a fire tanker truck. The yearly debt service payments are made by intercepting the Village's state fire allotment. Interest is at 1.54%. The maturity date is May 1, 2019.

VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
June 30, 2014

NOTE 3. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS
(CONTINUED)

The following is a schedule of the debt service requirements to maturity for the loan:

Year Ending June 30	Principal	Interest	Total
2015	\$ 22,678	2,987	25,665
2016	23,188	2,477	25,665
2017	23,737	1,928	25,665
2018	24,329	1,336	25,665
2019	24,961	704	25,665
	<u>\$ 118,893</u>	<u>9,432</u>	<u>128,325</u>

NOTE 4. LONG-TERM DEBT - ENTERPRISE FUNDS

During the year ended June 30, 2014, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities					
Loan payable	\$ 36,194	-	(3,129)	33,065	3,160
Bonds payable	84,300	-	(2,000)	82,300	2,000
Total	<u>\$ 120,494</u>	<u>-</u>	<u>(5,129)</u>	<u>115,365</u>	<u>5,160</u>

In February 2005, the Village entered into a loan agreement with the New Mexico Environmental Department in the amount of \$63,000. The purpose of the loan was for the water system improvements. Annual principal and interest payments in the amount of \$3,491 are due in February of each year. Interest is at 1.00%. The maturity date is February 27, 2024.

The following is a schedule of the debt service requirements to maturity for the loan:

Year Ending June 30	Principal	Interest	Total
2015	\$ 3,160	331	3,491
2016	3,192	299	3,491
2017	3,224	267	3,491
2018	3,256	235	3,491
2019	3,289	202	3,491
2020 to 2024	16,944	511	17,455
	<u>\$ 33,065</u>	<u>1,845</u>	<u>34,910</u>

VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
June 30, 2014

NOTE 4. LONG-TERM DEBT - ENTERPRISE FUNDS (CONTINUED)

In June 1994, the Village issued Water System Improvement Revenue Bonds in the amount of \$106,300. Annual principal and interest payments range from \$5,315 to \$16,065 and are due in June of each year. Interest is at 5.00%. The maturity date is June 16, 2037.

The following is a schedule of the debt service requirements to maturity for the bond:

Year Ending June 30	Principal	Interest	Total
2015	\$ 2,000	4,115	6,115
2016	2,000	4,015	6,015
2017	2,000	3,915	5,915
2018	3,000	3,815	6,815
2019	3,000	3,665	6,665
2020 to 2024	15,000	16,075	31,075
2025 to 2029	20,000	11,825	31,825
2030 to 2024	35,300	6,325	41,625
	\$ 82,300	53,750	136,050

NOTE 5. 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 and natural disasters for which the government carries commercial insurance. The Village did not have an insurance policy in place during the year to address these types of risks as it had no employees or capital assets. Management will evaluate the need for a commercial insurance policy on an ongoing basis.

NOTE 6. EXPENDITURES IN EXCESS OF BUDGET

The Village's expenditures exceeded budgeted amounts in the General fund by \$84,297, State Forestry by \$110, and in the Water fund by \$12,456.

NOTE 7. NEGATIVE FUND BALANCE

The Village has negative fund balances in the Fire Protection and Streets funds. Management plans to make up the negative fund balances with future revenues.

**VILLAGE OF WILLARD
EXIT CONFERENCE
Year Ended June 30, 2014**

An exit conference was held on November 24, 2014, and attended by the following:

Village of Willard, New Mexico

Robert Chavez, Mayor
Ricardo Garcia, Mayor Pro Tem

Porch & Associates LLC

Thad Porch, Managing Principal

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The financial statements were prepared by Porch & Associates LLC from the books and records of the Village of Willard, New Mexico. However, the contents of these financial statements remain the responsibility of the Village's management.