

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, 2015

VILLAGE OF WILLARD, NEW MEXICO

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VILLAGE OF WILLARD, NEW MEXICO

List of Principal Officials

June 30, 2015

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

Angelina Halbert	Clerk/Treasurer
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Report of Independent Accountant on the Application of Agreed-Upon Procedures

Mr. Timothy Keller, New Mexico 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, 2015. 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. Timothy Keller, New Mexico State Auditor and
The Village Council
Village of Willard, New Mexico

Findings Resulting from Procedures 1(a) – 1(c): See finding 2015-001 and 2015-003 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 prepared on a timely basis.
2. 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 \$252,135.71, and the balance per the reconciliations is \$265,769.59. The reconciliations show \$13,633.88 more in cash than the general ledger.

3. The amount of cash reported to DFA was \$266,283.00, which is \$1,552.56 more than the reconciled balances, and \$14,147.29 more 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. Timothy Keller, New Mexico 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):

The Village has recorded revenue correctly.

5. Expenditures: See finding 2015-006 for details.

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.
- 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).

Mr. Timothy Keller, New Mexico State Auditor and
The Village Council
Village of Willard, New Mexico

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

The Village Council has approved all purchases. Procurement policies have been followed. However, approvals are after the fact, and not prior to purchase.

6. Journal Entries: See finding 2015-006 for details.

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 2015-002 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.
- 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 and Water funds had expenditures in excess of budget. See the Schedule of Findings and Recommendations for the related compliance finding.

Mr. Timothy Keller, New Mexico State Auditor and
The Village Council
Village of Willard, New Mexico

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 18.

* * * * *

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 16, 2015

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
GENERAL
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 32,051	32,051	31,034	(1,017)
Licenses, permits, fees, and fines	985	985	235	(750)
Intergovernmental	90,000	150,000	90,000	(60,000)
Interest	140	140	56	(84)
Post office contract	10,600	10,600	10,582	(18)
Other	1,785	1,785	12,399	10,614
Total revenues	135,561	195,561	144,306	(51,255)
Expenditures				
General government	134,598	134,598	126,808	7,790
Post office contract	-	-	13,820	(13,820)
Total expenditures	134,598	134,598	140,628	(6,030)
Excess of revenues over expenditures	963	60,963	3,678	(57,285)
Other financing sources (uses)				
Operating transfers in	-	-	11	11
Operating transfers out	(32,865)	(32,865)	-	32,865
Total other financing sources (uses)	(32,865)	(32,865)	11	32,876
Net change in fund balance	(31,902)	28,098	3,689	(24,409)
Prior year cash appropriated	31,902			
	<u>\$ -</u>			
Non-GAAP change in fund balance			\$ 3,689	
Change from:				
Accounts receivable			9,243	
Accounts payable			24,334	
Payroll liabilities			(42,894)	
GAAP change in fund balance			<u>\$ (5,628)</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, 2015

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Taxes	\$ 600	600	490	(110)
Expenditures				
General government	600	600	490	110
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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 49,324	49,324	49,324	-
Interest	-	-	9	9
Total revenues	49,324	49,324	49,333	9
Expenditures				
Public safety	49,324	49,324	8,900	40,424
Net change in fund balance	\$ -	-	40,433	40,433
Non-GAAP change in fund balance			\$ 40,433	
Change from:				
Accounts payable			(27,966)	
GAAP change in fund balance			\$ 12,467	

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LODGERS TAX
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 101	101	-	(101)
Expenditures				
Culture and recreation	-	-	-	-
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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,753	3,753	1,910	(1,843)
Grants	60,000	60,000	31,391	(28,609)
Total revenues	63,753	63,753	33,301	(30,452)
Expenditures				
Highways and streets	-	-	21,958	(21,958)
Capital outlay	60,000	60,000	-	60,000
Total expenditures	60,000	60,000	21,958	38,042
Excess of revenues over expenditures	3,753	3,753	11,343	7,590
Other financing sources (uses)				
Operating transfers in	31,391	31,391	-	(31,391)
Total other financing uses	31,391	31,391	-	(31,391)
Net change in fund balance	\$ 35,144	35,144	11,343	(23,801)
Non-GAAP change in fund balance			\$ 11,343	
Change from:				
Accounts payable			<u>1,147</u>	
GAAP change in fund balance			<u>\$ 12,490</u>	

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
STATE FORESTRY
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Other	\$ 200	200	-	(200)
Expenditures				
Public safety	-	-	-	-
Net change in fund balance	\$ 200	200	-	(200)

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CHILDREN'S CHRISTMAS
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Other	\$ -	-	-	-
Expenditures				
Culture and recreation	-	-	-	-
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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Grants	\$ 309,000	309,000	-	(309,000)
Interest	100	100	-	(100)
Total revenues	309,100	309,100	-	(309,100)
Expenditures				
Capital outlay	60,000	60,000	(217)	60,217
Excess of revenues over expenditures	249,000	249,000	217	(248,783)
Other financing sources				
Operating transfers in	-	-	283	283
Operating transfers out	-	-	(283)	(283)
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ 249,000	249,000	217	(248,783)
Non-GAAP change in fund balance			\$ 217	
Change from:				
Accounts payable			(500)	
GAAP change in fund balance			\$ (283)	

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WASTE WATER ENTERPRISE
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Sales and service	\$ 29,614	29,614	23,045	(6,569)
Expenses				
Operating costs	25,666	25,666	20,348	5,318
Debt service	9,807	9,807	-	9,807
Total expenditures	35,473	35,473	20,348	15,125
Excess of expenses over revenues	(5,859)	(5,859)	2,697	8,556
Other financing sources (uses)				
Operating transfers in	9,807	9,807	-	(9,807)
Operating transfers out	(3,491)	(3,491)	-	3,491
Total other financing sources (uses)	6,316	6,316	-	(6,316)
Change in net position	\$ 457	457	2,697	2,240
Non-GAAP change in fund balance			\$ 2,697	
Change from:				
Accounts payable			(3,141)	
Taxes payable			1,111	
GAAP change in net position			<u>\$ 667</u>	

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
SOLID WASTE ENTERPRISE
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Sales and service	\$ 19,743	19,743	15,114	(4,629)
Expenses				
Operating costs	18,766	18,766	15,793	2,973
Change in net position	\$ 977	977	(679)	(1,656)
Non-GAAP change in fund balance			\$ (679)	
Change from:				
Accounts payable			(3,511)	
Taxes payable			(358)	
GAAP change in net position			\$ (4,548)	

VILLAGE OF WILLARD, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WATER ENTERPRISE
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Sales and service	\$ 43,683	43,683	42,334	(1,349)
Other income	-	-	8,566	8,566
Interest income	44	44	26	(18)
Total revenues	<u>43,727</u>	<u>43,727</u>	<u>50,926</u>	<u>7,199</u>
Expenses				
Operating costs	36,254	36,254	60,984	(24,730)
Excess of revenues over expenditures	<u>7,473</u>	<u>7,473</u>	<u>(10,058)</u>	<u>(17,531)</u>
Other financing sources (uses)				
Operating transfers out	(6,316)	(6,316)	(3,571)	2,745
Total other financing sources (uses)	<u>(6,316)</u>	<u>(6,316)</u>	<u>(3,571)</u>	<u>2,745</u>
Change in net position	<u>\$ 1,157</u>	<u>1,157</u>	<u>(13,629)</u>	<u>(14,786)</u>
Prior year cash appropriated			<u>13,629</u>	
			<u>-</u>	
Non-GAAP change in fund balance			\$ (13,629)	
Change from:				
Accounts payable			(7,945)	
Payroll liabilities			(234)	
Taxes payable			1,900	
GAAP change in net position			<u>\$ (19,908)</u>	

**VILLAGE OF WILLARD, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2015**

Status of Prior Year Findings

2014-001 Bank Reconciliation	Resolved
2014-002 Excess of Expenditures Over Authorized Budget	Updated and repeated
2014-003 Cash Reporting to the Department of Finance and Administration Local Government Division	Updated and repeated
2014-004 Generally Accepted Accounting Principles	Updated and repeated
2014-005 Late Tier System Contract	Resolved
2014-006 Segregation of Duties	Updated and repeated

VILLAGE OF WILLARD, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2015

2014-001 Bank Reconciliations – Repeat Finding

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. 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.
2. The cash balance per the general ledger is \$252,135.71, and the balance per the reconciliations is \$265,769.59. The reconciliations show \$13,633.88 more in cash than the general ledger.

Progress Towards Implementing the Prior Year Corrective Action Plan: The Village has begun to reconcile the bank and investment accounts on a timely basis. The Village has also procured the services of a CPA to help work on cash allocations in the trial balance. However, the Village has not corrected the allocation and reconciliation errors from the prior year.

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: The Village clerk/treasurer will obtain training with the software company, Caselle, to better understand the automatic cash allocation system. Additionally, the Village will verify that the cash allocation accounts are set up properly, within Caselle. Management currently has a member of the board review the reconciliations after they are completed by Village staff. The Village hopes to obtain cash allocation training by the next fiscal year.

VILLAGE OF WILLARD, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2015

2014-002 Excess of Expenditures Over Authorized Budget – Repeat Finding

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

- General fund by \$6,030
- Water Enterprise fund by \$24,730

Progress Towards Implementing the Prior Year Corrective Action Plan: The Village has not corrected the prior year errors in its accounting records, such as incorrect receivable and payable balances. As a result, it is not possible for the Village to properly report budget to actual amounts. The Village will have to correct its accounting records in order to properly track its budget.

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. The Village is not using the receivable and payable system correctly. As a result, revenues and expenditures/expenses are not properly stated.

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

Management's Response: The Village clerk/treasurer will work with our fee CPA to correct receivable and payable balances, which will allow better budget tracking. The Village hopes to correct this by the next fiscal year.

VILLAGE OF WILLARD, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2015

2014-003 Cash Reporting to the Department of Finance and Administration (DFA)
Local Government Division – Repeat Finding

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 was \$266,283.00, which is \$1,552.56 more than the reconciled balances, and \$14,147.29 more than the cash reported on the trial balance.

Progress Towards Implementing the Prior Year Corrective Action Plan: The Village has procured the services of a CPA to help work on cash balances in the trial balance. However, the Village has not corrected the DFA reporting errors from the prior year.

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 clerk/treasurer will work with the fee CPA on developing a process to ensure DFA-LGD Reports are properly prepared and reviewed. The Village hopes to correct this by the next fiscal year.

VILLAGE OF WILLARD, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2015

2014-004 Generally Accepted Accounting Principles – Repeat Finding

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

- 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.

Progress Towards Implementing the Prior Year Corrective Action Plan: The Village has procured the services of a CPA to help work on accounting errors. However, the Village has not been able to schedule adequate time with the CPA to correct the errors noted above.

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, 2015

2014-004 Generally Accepted Accounting Principles – Repeat Finding (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, and ensure that enough hours are spent with the accountant to correct the errors note above.

Management's Response: The Village clerk/treasurer will ensure to schedule adequate time with the fee CPA to help correct accounting errors. Additionally the clerk/treasurer is enrolled in a 10 week governmental accounting course starting this December to help have a better understanding of accounting for government entities. The Village hopes to correct this by the next fiscal year.

VILLAGE OF WILLARD, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2015

2014-006 Segregation of Duties – Repeat Finding

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.

Progress Towards Implementing the Prior Year Corrective Action Plan: The Village has not made progress toward implementing proper segregation of duties.

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 all 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: The Village clerk/treasurer has developed a process in which cash disbursement vouchers are signed prior to disbursement, and will schedule a board member to come once a week to review all journal entries, invoices, and cash disbursements before being made. This will be implemented and corrected immediately.

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS
10612 ROYAL BIRKDALE NE
ALBUQUERQUE, NM 87111

Compilation Report of Independent Public Accountant

Mr. Timothy Keller, New Mexico 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, 2015, 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:

- 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 receivable balances in the General fund. These account balances cannot be valid.

Mr. Timothy Keller, New Mexico 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, Fire Protection fund, Capital Project fund, and Water 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.

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.

Perch & Associates LLC

Albuquerque, New Mexico
November 16, 2015

VILLAGE OF WILLARD, NEW MEXICO
BALANCE SHEET
June 30, 2015

	General	Environmental Gross Receipts Tax	Fire Protection
ASSETS			
Cash and cash equivalents	\$ 184,003	-	4,304
Accounts receivable	(9,243)	-	-
	<hr/>		
Total assets	\$ 174,760	-	4,304
	<hr/> <hr/>		
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 38,076	-	(6,365)
Payroll liabilities	(24,567)	-	-
Taxes payable	-	-	-
	<hr/>		
Total liabilities	13,509	-	(6,365)
	<hr/>		
FUND BALANCES			
Restricted, special revenues	-	-	10,669
Assigned, special revenues	-	-	-
Unassigned	161,251	-	-
	<hr/>		
Total fund balances	161,251	-	10,669
	<hr/>		
Total liabilities and fund balances	\$ 174,760	-	4,304
	<hr/> <hr/>		

See independent accountant's compilation report and accompanying notes.

VILLAGE OF WILLARD, NEW MEXICO
BALANCE SHEET
June 30, 2015

	Lodgers Tax	Streets	State Forestry
ASSETS			
Cash and cash equivalents	\$ 179	(10,351)	348
Accounts receivable	-	-	-
	<hr/>		
Total assets	\$ 179	(10,351)	348
<hr/>			
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	14,104	-
Payroll liabilities	-	-	-
Taxes payable	-	-	-
	<hr/>		
Total liabilities	-	14,104	-
<hr/>			
FUND BALANCES			
Restricted, special revenues	179	-	-
Assigned, special revenues	-	(24,455)	348
Unassigned	-	-	-
	<hr/>		
Total fund balances	179	(24,455)	348
<hr/>			
Total liabilities and fund balances	\$ 179	(10,351)	348
<hr/>			

See independent accountant's compilation report and accompanying notes.

VILLAGE OF WILLARD, NEW MEXICO
BALANCE SHEET
June 30, 2015

	Children's Christmas	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 54	(783)	177,754
Accounts receivable	-	-	(9,243)
	<hr/>		
Total assets	\$ 54	(783)	168,511
<hr/>			
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	(500)	45,315
Payroll liabilities	-	-	(24,567)
Taxes payable	-	-	-
	<hr/>		
Total liabilities	-	(500)	20,748
<hr/>			
FUND BALANCES			
Restricted, special revenues	-	-	10,848
Assigned, special revenues	54	(283)	(24,336)
Unassigned	-	-	161,251
	<hr/>		
Total fund balances	54	(283)	147,763
<hr/>			
Total liabilities and fund balances	\$ 54	(783)	168,511
<hr/>			

See independent accountant's compilation report and accompanying notes.

VILLAGE OF WILLARD, NEW MEXICO
BALANCE SHEET
June 30, 2015

	Waste Water	Solid Waste	Water
ASSETS			
Cash and cash equivalents	\$ 19,002	18,311	(3,210)
Accounts receivable	-	-	-
	<hr/>		
Total assets	\$ 19,002	18,311	(3,210)
<hr/>			
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 4,356	6,871	(15,786)
Payroll liabilities	-	-	(234)
Taxes payable	1,691	1,194	2,746
	<hr/>		
Total liabilities	6,047	8,065	(13,274)
<hr/>			
FUND BALANCES			
Restricted, special revenues	-	-	-
Assigned, special revenues	-	-	-
Unassigned	12,955	10,246	10,064
	<hr/>		
Total fund balances	12,955	10,246	10,064
<hr/>			
Total liabilities and fund balances	\$ 19,002	18,311	(3,210)
<hr/>			

See independent accountant's compilation report and accompanying notes.

VILLAGE OF WILLARD, NEW MEXICO
BALANCE SHEET
June 30, 2015

	Total Proprietary Funds	Total All Funds
ASSETS		
Cash and cash equivalents	\$ 34,103	211,857
Accounts receivable	-	(9,243)
	<hr/>	<hr/>
Total assets	\$ 34,103	202,614
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ (4,559)	40,756
Payroll liabilities	(234)	(24,801)
Taxes payable	5,631	5,631
	<hr/>	<hr/>
Total liabilities	838	21,586
	<hr/> <hr/>	<hr/> <hr/>
FUND BALANCES		
Restricted, special revenues	-	10,848
Assigned, special revenues	-	(24,336)
Unassigned	33,265	194,516
	<hr/>	<hr/>
Total fund balances	33,265	181,028
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and fund balances	\$ 34,103	202,614
	<hr/> <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, 2015

	General	Environmental Gross Receipts Tax	Fire Protection
Revenues			
Taxes	\$ 31,034	490	-
Licenses, permits, fees, and fines	235	-	-
From non-federal sources:			
Intergovernmental	90,000	-	49,324
Interest	56	-	9
Post office contract	10,582	-	-
Sales and services	-	-	-
Other	21,642	-	-
Total revenues	153,549	490	49,333
Expenditures			
Current			
General government	145,368	490	-
Public safety	-	-	36,866
Highways and streets	-	-	-
Post office contract	13,820	-	-
Operating costs	-	-	-
Capital outlay	-	-	-
Total expenditures	159,188	490	36,866
(Deficiency) excess of revenues over expenditures before other financing sources	(5,639)	-	12,467
Other financing sources (uses)			
Operating transfers in	11	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	11	-	-
Net change in fund balances	(5,628)	-	12,467
Fund balance, beginning of year	157,102	-	(1,798)
Fund balance, end of year	\$ 151,474	-	10,669

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, 2015

	Lodgers Tax	Streets	State Forestry
Revenues			
Taxes	\$ -	1,910	-
Licenses, permits, fees, and fines	-	-	-
From non-federal sources:			
Intergovernmental	-	31,391	-
Interest	-	-	-
Post office contract	-	-	-
Sales and services	-	-	-
Other	-	-	-
Total revenues	-	33,301	-
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	20,811	-
Post office contract	-	-	-
Operating costs	-	-	-
Capital outlay	-	-	-
Total expenditures	-	20,811	-
(Deficiency) excess of revenues over expenditures before other financing sources	-	12,490	-
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	12,490	-
Fund balance, beginning of year	179	(36,947)	348
Fund balance, end of year	\$ 179	(24,457)	348

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, 2015

	Children's Christmas	Capital Projects	Total Governmental Funds
Revenues			
Taxes	\$ -	-	33,434
Licenses, permits, fees, and fines	-	-	235
From non-federal sources:			-
Intergovernmental	-	-	170,715
Interest	-	-	65
Post office contract	-	-	10,582
Sales and services	-	-	-
Other	-	-	21,642
Total revenues	-	-	236,673
Expenditures			
Current			
General government	-	-	145,858
Public safety	-	-	36,866
Highways and streets	-	-	20,811
Post office contract	-	-	13,820
Operating costs	-	-	-
Capital outlay	-	283	283
Total expenditures	-	283	217,638
(Deficiency) excess of revenues over expenditures before other financing sources	-	(283)	19,035
Other financing sources (uses)			
Operating transfers in	-	283	294
Operating transfers out	-	(283)	(283)
Total other financing sources (uses)	-	-	11
Net change in fund balances	-	(283)	19,046
Fund balance, beginning of year	54	-	118,938
Fund balance, end of year	\$ 54	(283)	137,984

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, 2015

	Waste Water	Solid Waste	Water
Revenues			
Taxes	\$ -	-	-
Licenses, permits, fees, and fines	-	-	-
From non-federal sources:			
Intergovernmental	-	-	-
Interest	-	-	26
Post office contract	-	-	-
Sales and services	23,045	15,114	42,334
Other	-	-	8,566
Total revenues	23,045	15,114	50,926
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Post office contract	-	-	-
Operating costs	22,378	19,662	67,263
Capital outlay	-	-	-
Total expenditures	22,378	19,662	67,263
(Deficiency) excess of revenues over expenditures before other financing sources	667	(4,548)	(16,337)
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers out	-	-	(3,571)
Total other financing sources (uses)	-	-	(3,571)
Net change in fund balances	667	(4,548)	(19,908)
Fund balance, beginning of year	12,288	14,795	29,972
Fund balance, end of year	\$ 12,955	10,247	10,064

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, 2015

	Total Proprietary Funds	Total Non-major
Revenues		
Taxes	\$ -	33,434
Licenses, permits, fees, and fines	-	235
From non-federal sources:		
Intergovernmental	-	170,715
Interest	26	91
Post office contract	-	10,582
Sales and services	80,493	80,493
Other	8,566	30,208
	<hr/>	<hr/>
Total revenues	89,085	325,758
	<hr/>	<hr/>
Expenditures		
Current		
General government	-	145,858
Public safety	-	36,866
Highways and streets	-	20,811
Post office contract	-	13,820
Operating costs	109,303	109,303
Capital outlay	-	283
	<hr/>	<hr/>
Total expenditures	109,303	326,941
	<hr/>	<hr/>
(Deficiency) excess of revenues over expenditures before other financing sources	(20,218)	(1,183)
	<hr/>	<hr/>
Other financing sources (uses)		
Operating transfers in	-	294
Operating transfers out	(3,571)	(3,854)
	<hr/>	<hr/>
Total other financing sources (uses)	(3,571)	(3,560)
	<hr/>	<hr/>
Net change in fund balances	(23,789)	(4,743)
Fund balance, beginning of year	57,055	175,993
	<hr/>	<hr/>
Fund balance, end of year	\$ 33,266	171,250
	<hr/> <hr/>	<hr/> <hr/>

See independent accountant's compilation report and accompanying notes.

VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
June 30, 2015

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
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
June 30, 2015**

**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.

**VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
June 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

A. Financial Reporting Entity (Continued)

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.

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
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
June 30, 2015**

**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
 SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
 REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
 ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
 June 30, 2015**

**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
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
June 30, 2015**

**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.

**VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
June 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

F. Fund Balances (Continued)

- 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.

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.

**VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
June 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

H. Budgetary Information (Continued)

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.

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.

**VILLAGE OF WILLARD, NEW MEXICO
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June 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

J. Implementation of New Accounting Standards

During the year ended June 30, 2015, the Village adopted the following Government Accounting Standards Board Statements (GASB):

GASB No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The statement will not have a material impact on the Village's financial statements.

GASB No. 69 – *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement will not have a material impact on the Village's financial statements.

GASB No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The statement will not have a material impact on the Village's financial statements.

J. Implementation of New Accounting Standards – Continued

GASB No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement will not have a material impact on the Village's financial statements.

**VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
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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, 2015, the Village's bank balance total of \$268,730 was exposed to credit risk in the amount of \$18,729 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Village's name	<u>\$ 18,729</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.

VILLAGE OF WILLARD, NEW MEXICO
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NOTE 3. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2015, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Loans payable	\$ 118,893	-	(22,678)	96,215	- *

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.

* The fire tanker loan was transferred to Torrance County as of June 30, 2015. The Village will not be responsible for future loan payments.

NOTE 4. LONG-TERM DEBT - ENTERPRISE FUNDS

During the year ended June 30, 2015, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities					
Loan payable	\$ 33,065	-	(3,160)	29,905	3,192
Bonds payable	82,300	-	(2,000)	80,300	2,000
Total	\$ 115,365	-	(5,160)	110,205	5,192

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.

VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
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NOTE 4. LONG-TERM DEBT - ENTERPRISE FUNDS (CONTINUED)

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

Year Ending June 30	Principal	Interest	Total
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	3,322	169	3,491
2021 to 2024	13,622	342	13,964
	<u>\$ 29,905</u>	<u>1,514</u>	<u>31,419</u>

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
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	3,000	3,515	6,515
2021 to 2025	16,000	15,325	31,325
2026 to 2030	21,000	10,825	31,825
2031 to 2034	30,300	4,560	34,860
	<u>\$ 80,300</u>	<u>49,635</u>	<u>129,935</u>

**VILLAGE OF WILLARD, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
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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 \$6,030, and in the Water fund by \$24,730.

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, 2015**

An exit conference was held on November 24, 2015, 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.