

# PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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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, 2017

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VILLAGE OF WILLARD, NEW MEXICO

List of Principal Officials

June 30, 2017

**Village Council**

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

**Village Administration**

Angelina Halbert	Clerk/Treasurer
Katie Maes	Assistant Clerk/Billing Clerk

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

Mr. Wayne Johnson, New Mexico State Auditor and  
The Village Council  
Village of Willard, New Mexico  
Willard, New Mexico

We 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, 2017. 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, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our 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. Verify the Local Public Body's Revenue Calculation for Tiered System Reporting**

We used the tiered system reporting worksheet provided by the New Mexico State Auditor's Office to recalculate the tiered system reporting calculation prepared by the Village.

**Findings Resulting from Procedure 1**

Our procedures confirmed that the Village should have Tier 6 procedures.

**2. 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) Test at least 30% of the 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).

Mr. Wayne Johnson, New Mexico State Auditor and  
The Village Council  
Village of Willard, New Mexico  
Willard, New Mexico

- 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.

**Findings Resulting from Procedures 2(a) – 2(c): See finding 2014-003 and 2017-002 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. The cash reconciliations are incorrect and do not agree to the trial balance in total. The reconciliations list outstanding checks that are not outstanding.
3. The amount of cash reported to DFA was \$218,972, which is \$37,084 more than the reconciled balances.
4. All cash accounts are covered by FDIC insurance.

### **3. 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 3: See finding 2017-003 for details.**

The yearly inventory was not complete as of October 30, 2017. The assets have not been recorded in the general ledger.

### **4. 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 4**

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

Mr. Wayne Johnson, New Mexico State Auditor and  
The Village Council  
Village of Willard, New Mexico  
Willard, New Mexico

## **5. 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 equal to at least 30% of the total dollar amount 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 5(a) – 5(c):**

The Village has recorded revenue correctly.

## **6. Expenditures**

Select a sample of cash disbursements equal to at least 30% of the total dollar amount 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. Wayne Johnson, New Mexico State Auditor and  
The Village Council  
Village of Willard, New Mexico  
Willard, New Mexico

### **Findings Resulting from Procedures 6(a) – 6(c)**

The Village Council has approved all purchases. Procurement policies have been followed.

### **7. 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 7(a) – 7(b): See finding 2017-001 for details.**

Journal entries are not reviewed and approved by someone other than the person entering the journal entries into the system. Proper support does not exist for the journal entries tested.

### **8. Budget:**

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 8(a) – 8(c): See finding 2014-002 for details.**

1. The General, Fire Protection, Streets, Waste Water Enterprise, Solid Waste Enterprise, and Water Enterprise funds have expenditures in excess of budget.



Mr. Wayne Johnson, New Mexico State Auditor and  
The Village Council  
Village of Willard, New Mexico  
Willard, New Mexico

## 9. 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.

## 10. 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 10

See the Schedule of Findings and Responses beginning on page 18.

\* \* \* \* \*

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

*Porch & Associates, LLC*

Albuquerque, New Mexico  
December 5, 2017

**VILLAGE OF WILLARD, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**GENERAL**  
**Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 33,450	33,450	22,584	(10,866)
Licenses, permits, fees, and fines	100	100	4,152	4,052
Grants	-	-	-	-
Intergovernmental	90,000	90,000	105,944	15,944
Interest	140	140	45	(95)
Other	12,385	12,385	11,868	(517)
<b>Total revenues</b>	<b>136,075</b>	<b>136,075</b>	<b>144,593</b>	<b>8,518</b>
Expenditures				
General government	114,600	114,600	146,059	(31,459)
Highways and streets	3,600	3,600	-	3,600
Post office contract	15,000	15,000	18,998	(3,998)
<b>Total expenditures</b>	<b>133,200</b>	<b>133,200</b>	<b>165,057</b>	<b>(31,857)</b>
Excess of revenues over expenditures	2,875	2,875	(20,464)	(23,339)
Other financing sources (uses)				
Operating transfers in	60,000	60,000	-	(60,000)
Operating transfers out	(60,000)	(60,000)	-	60,000
<b>Total other financing         sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balance	\$ 2,875	2,875	(20,464)	(23,339)
Prior year cash appropriated			20,464	
			<u>\$ -</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, 2017**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 600	600	(741)	(1,341)
Expenditures				
General government	-	-	(741)	741
Net change in fund balance	\$ 600	600	-	(600)

**VILLAGE OF WILLARD, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**FIRE PROTECTION**  
**Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Expenditures				
Public safety	-	-	40	(40)
Excess of revenues over expenditures	-	-	(40)	(40)
Other financing sources				
Operating transfers out	-	-	(10)	(10)
<b>Total other financing         sources</b>	-	-	(10)	(10)
Net change in fund balance	\$ -	-	(50)	(50)
Prior year cash appropriated			50	
			-	

**VILLAGE OF WILLARD, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**STREETS**  
**Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 5,004	5,004	5,004	-
Intergovernmental - non-federal	-	-	56,499	56,499
<b>Total revenues</b>	<b>5,004</b>	<b>5,004</b>	<b>61,503</b>	<b>56,499</b>
Expenditures				
Highways and streets	-	-	55,891	(55,891)
Other financing sources (uses)				
Operating transfers in	60,000	60,000	-	(60,000)
Operating transfers out	(60,000)	(60,000)	-	60,000
<b>Total other financing         sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balance	\$ 5,004	5,004	5,612	608

**VILLAGE OF WILLARD, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**CHILDREN'S CHRISTMAS**  
**Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-
				Positive
				(Negative)
Revenues				
Other	\$ 250	250	35	(215)
Expenditures				
Culture and recreation	250	250	-	250
Net change in fund balance	\$ -	-	35	35

**VILLAGE OF WILLARD, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**CAPITAL PROJECTS**  
**Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-
				Positive
				(Negative)
Revenues				
Grants	\$ 236,820	236,820	225,501	(11,319)
Expenditures				
Capital outlay	236,820	236,820	225,975	10,845
Excess of revenues over expenditures	-	-	(474)	(474)
Net change in fund balance	\$ -	-	(474)	(474)
Prior year cash appropriated			474	
			\$ -	

**VILLAGE OF WILLARD, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENSES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**WASTE WATER ENTERPRISE**  
**Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Sales and service	\$ 29,614	29,614	26,618	(2,996)
Intergovernmental - non-federal	-	-	86,966	86,966
<b>Total revenues</b>	<u>29,614</u>	<u>29,614</u>	<u>113,584</u>	<u>83,970</u>
Expenses				
Operating costs	26,000	26,000	50,806	(24,806)
Capital outlay	-	-	5,915	(5,915)
Debt service	10,376	10,376	86,967	(76,591)
<b>Total expenditures</b>	<u>36,376</u>	<u>36,376</u>	<u>143,688</u>	<u>(107,312)</u>
Excess of expenses over revenues	<u>(6,762)</u>	<u>(6,762)</u>	<u>(30,104)</u>	<u>(23,342)</u>
Other financing sources (uses)				
Operating transfers in	10,376	10,376	7,915	(2,461)
Operating transfers out	(3,491)	(3,491)	-	3,491
<b>Total other financing         sources (uses)</b>	<u>6,885</u>	<u>6,885</u>	<u>7,915</u>	<u>1,030</u>
Change in net position	<u>\$ 123</u>	<u>123</u>	<u>(22,189)</u>	<u>(22,312)</u>
Prior year cash appropriated			<u>22,189</u>	
			<u>\$ -</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, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Sales and service	\$ 20,000	20,000	17,604	(2,396)
<b>Total revenues</b>	<u>20,000</u>	<u>20,000</u>	<u>17,604</u>	<u>(2,396)</u>
Expenses				
Operating costs	19,766	19,766	24,913	(5,147)
Change in net position	<u>\$ 234</u>	<u>234</u>	<u>(7,309)</u>	<u>(7,543)</u>
Prior year cash appropriated			<u>7,309</u>	
			<u>\$ -</u>	

**VILLAGE OF WILLARD, NEW MEXICO**  
**STATEMENT OF REVENUES AND EXPENSES -**  
**BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)**  
**WATER ENTERPRISE**  
**Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Sales and service	\$ 43,800	43,800	43,878	78
Intergovernmental - state	-	-	14,071	14,071
Other income	8,152	8,152	-	(8,152)
Interest income	50	50	8	(42)
<b>Total revenues</b>	<b>52,002</b>	<b>52,002</b>	<b>57,957</b>	<b>5,955</b>
Expenses				
Operating costs	-	-	70,517	(70,517)
Capital outlay	-	-	5,450	(5,450)
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>75,967</b>	<b>(75,967)</b>
Excess of revenues over expenditures	52,002	52,002	(18,010)	(70,012)
Other financing sources (uses)				
Operating transfers in	-	20,000	20,000	-
Operating transfers out	(6,316)	(6,316)	-	6,316
<b>Total other financing sources (uses)</b>	<b>(6,316)</b>	<b>13,684</b>	<b>20,000</b>	<b>6,316</b>
Change in net position	\$ 45,686	65,686	1,990	(63,696)

**VILLAGE OF WILLARD, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2017**

**Status of Prior Year Findings**

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

**VILLAGE OF WILLARD, NEW MEXICO**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**  
**Year Ended June 30, 2017**

**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 \$31,857
- Fire Protection fund by \$40
- Streets fund by \$55,891
- Waste Water Enterprise fund by \$107,312
- Solid Waste Enterprise fund by \$5,147
- Water Enterprise fund by \$75,967

*Progress Towards Implementing the Prior Year Corrective Action Plan:* The Village has corrected many of the prior year errors in its accounting records, such as incorrect receivable and payable balances. However, the budget tracking procedures have not improved.

*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 clerk/treasurer will work with Caselle, the software company, to input our budget into the program. This will allow the Village to properly track budgets within funds. The Village hopes to correct this by next fiscal year. Additionally, the LGD is implementing a new reporting system, which should better allow the Village to keep track of expenses. The Village hopes to correct this by next fiscal year.

**VILLAGE OF WILLARD, NEW MEXICO**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**  
**Year Ended June 30, 2017**

**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 \$218,972, which is \$37,084 more than the reconciled balances.

*Progress Towards Implementing the Prior Year Corrective Action Plan:* In prior years the Village worked with the DFA provided accountant and fee CPA on the cash reconciliations. As a result, in the prior year all of the cash accounts reconciled to the trial balance. The cash balances do not reconcile to the trial balance in the current year. The reporting to DFA has not been resolved.

*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 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 further to develop a process to ensure DFA-LGD reports are properly prepared and reviewed. The Village hopes to correct this by next fiscal year.

**VILLAGE OF WILLARD, NEW MEXICO**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**  
**Year Ended June 30, 2017**

**2014-004 Generally Accepted Accounting Principles – Repeat Finding**

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

- Fund balances do not roll forward from the prior year. This means that current year transactions have been recorded into prior years.
- The Village has not recorded accounts receivable in the Waste Water Enterprise, Solid Waste Enterprise, and Water Enterprise 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 Enterprise 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 acquired the services of a CPA to help work on accounting errors. Many of the prior year issues were corrected. However, the Village has not corrected 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.

*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 is continuing to take courses to have a better familiarity with Governmental Accounting procedures. Additionally, the Village will work with the DFA Specialist to make sure that all the appropriate debt, receivables, capital assets and taxes receivable are reflected on the books. The Village hopes to correct this by next fiscal year.

**VILLAGE OF WILLARD, NEW MEXICO**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**  
**Year Ended June 30, 2017**

**2017-001 Segregation of Duties Relating to Adjusting Journal Entries – Material Weakness**

*Condition:* Adjusting journal entries are not reviewed and approved by someone other than the person making the entry.

*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.

*Recommendations:* The Village should consider hiring an outside accountant to review all the work of Village staff. Alternatively, the Village should consider having a board member review all journal entries before being made.

*Management's Response:* The Village does have a process to ensure journal entries are reviewed and approved by someone other than the individual making them. Unfortunately, due to lack of organization, the Village was unable to provide those supporting documents. This will not be a finding next fiscal year.

**VILLAGE OF WILLARD, NEW MEXICO**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**  
**Year Ended June 30, 2017**

**2017-002 Bank Reconciliations**

*Condition:* The Village does not have a process to reconcile the cash and investment accounts to the general ledger and the trial balance. The reconciled cash balances appear to be correct, but the general ledger balances appear to be incorrect. In addition, several of the reconciliations had checks and deposits outstanding greater than 30 days. Of those outstanding several had cleared and others were meant to be reversals of transactions and were not outstanding checks. The Village is aware of the issue, but has been unable to correct it in the accounting software. Calling tech support for the accounting software did not produce a solution.

*Criteria:* Good accounting practices require properly reconciled cash and investment accounts. In addition, all reconciliations should be reviewed by someone other than the person performing the reconciliation function.

*Effect:* The Village cannot accurately report cash balances.

*Cause:* Village staff did not receive adequate training or support while using the accounting software.

*Recommendations:* The Village should correct the reconciliations so that improper outstanding items are no longer included in the reports. The Village should also implement procedures that require all reconciliations to be reviewed by someone other than the person performing the reconciliation function. This review should include comparing the reconciled balances to the general ledger and reviewing the reconciliations for old outstanding items.

*Management's Response:* The Village of Willard has been trying to work with the accounting software, as they are aware there are numerous bugs in the program, which sometimes reflect discrepancies. Additionally, some of the errors noted in the reconciliation, were actions suggested by the software company to fix those said errors. Village staff will verify with the software company if there is something procedurally that can be done to reflect the desired outcome. Although it is mentioned that cash balances may not be reflected appropriately to DFA, the Village does include a schedule of investments with each quarter report, which shows the cash balances in each account. The Village staff will continue to work with the accounting program to ensure there are no other software issues. At this time, the software company has no additional training to offer the Village Staff to be able to accommodate these perpetual errors. The Village hopes to get this corrected by next fiscal year.



**VILLAGE OF WILLARD, NEW MEXICO**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**  
**Year Ended June 30, 2017**

**2017-003 Capital Asset Inventory Procedures**

*Condition:* The Village has not completed the required capital assets inventories. The inventories have not been reviewed or certified by a council member.

*Criteria:* Section 12-6-10 NMSA 1978 requires a yearly inventory of capital assets over \$5,000 and items over \$1,000 to be completed and verified by a council member.

*Effect:* The Village may not have an accurate listing of assets on hand. Additions or disposals could be missed.

*Cause:* Town staff does not have procedures in place to complete the inventory in a timely manner and have it certified. In the current year there have also been staff changes that made it difficult to train new employees on how to do the inventory.

*Recommendations:* The Village should implement year end procedures that include preparing the inventory and presenting it to the council.

*Management's Response:* The Village of Willard currently does not have a policy in place for the Council members to review or approve the department inventory, or capital asset inventory. The Village Clerk/Treasurer will develop a process to make sure that the inventories, and capital asset inventories are reviewed, and approved by the Governing Body. This process will be implemented immediately.

# PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS  
10612 ROYAL BIRKDALE NE  
ALBUQUERQUE, NM 87111

## Compilation Report of Independent Accountant

Mr. Wayne Johnson, New Mexico State Auditor and  
the Village Council  
Village of Willard, New Mexico  
Willard, New Mexico

Management is responsible for the accompanying financial statements of the Village of Willard, New Mexico (Village), which comprise the balance sheets – governmental funds and statements of net position – proprietary fund for each individual fund as of June 30, 2017 and the related statements of revenues, expenditures and changes in fund balances – governmental funds, and statements of revenues, expenses and changes in net position – proprietary funds for each individual fund for the year then ended, and the related notes to the financial statements in accordance with the requirements of Section 2.2.2.16 New Mexico Administrative Code (NMAC). We have performed a compilation engagement in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

In order to comply with the requirements of Section 12-6-3(B) NMSA 1978 and 2.2.2.16 NMAC, management has presented: (1) the governmental fund financial statements prepared using the modified accrual basis of accounting; (2) the proprietary fund financial statements prepared using the accrual basis of accounting; and (3) only the notes related to those financial statements. However, in complying with these requirements, management has omitted the following financial statements and notes required by accounting principles generally accepted in the United States of America (GAAP): (a) the government-wide financial statements; (b) the statements of cash flows – proprietary funds; and (3) note disclosures related to items (a) and (b). These omissions result in the financial statements being presented on a basis of accounting other than GAAP.

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

- Fund balances do not roll forward from the prior year. This means that current year transactions have been recorded into prior years.
- The Village has not recorded accounts receivable in the Waste Water Enterprise, Solid Waste Enterprise, and Water Enterprise funds.

Mr. Wayne Johnson, New Mexico State Auditor and  
the Village Council  
Village of Willard, New Mexico  
Willard, New Mexico

- 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 Enterprise 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.

*Other Information*

The schedules required by Section 2.2.2 NMAC, as listed in the Supplementary Information – Supporting Schedules section of the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

*Porch & Associates, LLC*

Albuquerque, New Mexico  
December 5, 2017

**VILLAGE OF WILLARD, NEW MEXICO**  
**BALANCE SHEETS -**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

	General	Environmental Gross Receipts Tax	Fire Protection
<b>ASSETS</b>			
Cash and cash equivalents	\$ 156,606	-	-
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Payroll liabilities	\$ 7,298	-	-
<b>FUND BALANCES</b>			
Assigned, special revenues	-	-	-
Unassigned	146,308	-	-
<b>Total fund balances</b>	<b>146,308</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 153,606</b>	<b>-</b>	<b>-</b>

See independent accountant's compilation report and accompanying notes.

**VILLAGE OF WILLARD, NEW MEXICO**  
**BALANCE SHEETS -**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

	Streets	Children's Christmas	Capital Projects
<b>ASSETS</b>			
Cash and cash equivalents	\$ 17,713	105	23
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Payroll liabilities	\$ -	-	-
<b>FUND BALANCES</b>			
Assigned, special revenues	17,713	105	23
Unassigned	-	-	-
<b>Total fund balances</b>	<b>17,713</b>	<b>105</b>	<b>23</b>
<b>Total liabilities and fund balances</b>	<b>\$ 17,713</b>	<b>105</b>	<b>23</b>

See independent accountant's compilation report and accompanying notes.

**VILLAGE OF WILLARD, NEW MEXICO**  
**BALANCE SHEETS -**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

	<b>Total Governmental Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 174,447</u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Payroll liabilities	<u>\$ 7,298</u>
<b>FUND BALANCES</b>	
Assigned, special revenues	17,841
Unassigned	<u>146,308</u>
<b>Total fund balances</b>	<u><u>164,149</u></u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 171,447</u></u>

See independent accountant's compilation report and accompanying notes.

**VILLAGE OF WILLARD, NEW MEXICO**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2017**

	General	Environmental Gross Receipts Tax	Fire Protection
Revenues			
Taxes	\$ 22,584	(741)	-
Licenses, permits, fees, and fines	4,152	-	-
From federal sources			
Grants	-	-	-
From non-federal sources:			
Intergovernmental	105,944	-	-
Interest	45	-	-
Other	11,868	-	-
<b>Total revenues</b>	<b>144,593</b>	<b>(741)</b>	<b>-</b>
Expenditures			
Current			
General government	146,059	(741)	-
Public safety	-	-	40
Highways and streets	-	-	-
Post office contract	18,998	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>165,057</b>	<b>(741)</b>	<b>40</b>
Excess (deficiency) of revenues over expenditures before other financing sources	(20,464)	-	(40)
Other financing sources (uses)			
Operating transfers out	-	-	(10)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(10)</b>
Net change in fund balances	(20,464)	-	(50)
Fund balance, beginning of year	172,393	-	50
<b>Fund balance, end of year</b>	<b>\$ 151,929</b>	<b>-</b>	<b>-</b>

See independent accountant's compilation report and accompanying notes.

**VILLAGE OF WILLARD, NEW MEXICO**  
**STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2017**

	Streets	Children's Christmas	Capital Projects
Revenues			
Taxes	\$ 5,004	-	-
Licenses, permits, fees, and fines	-	-	-
From federal sources			
Grants	-	-	225,501
From non-federal sources:			
Intergovernmental	56,499	-	-
Interest	-	-	-
Other	-	35	-
<b>Total revenues</b>	<u>61,503</u>	<u>35</u>	<u>225,501</u>
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	-
Highways and streets	55,891	-	-
Post office contract	-	-	-
Capital outlay	-	-	225,975
<b>Total expenditures</b>	<u>55,891</u>	<u>-</u>	<u>225,975</u>
Excess (deficiency) of revenues over expenditures before other financing sources	<u>5,612</u>	<u>35</u>	<u>(474)</u>
Other financing sources (uses)			
Operating transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,612	35	(474)
Fund balance, beginning of year	12,101	70	497
<b>Fund balance, end of year</b>	<u>\$ 17,713</u>	<u>105</u>	<u>23</u>

See independent accountant's compilation report and accompanying notes.



**VILLAGE OF WILLARD, NEW MEXICO**  
**STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2017**

	<b>Total Governmental Funds</b>
Revenues	
Taxes	\$ 26,847
Licenses, permits, fees, and fines	4,152
From federal sources	
Grants	225,501
From non-federal sources:	
Intergovernmental	162,443
Interest	45
Other	11,903
	<hr/>
<b>Total revenues</b>	<b>430,891</b>
	<hr/>
Expenditures	
Current	
General government	145,318
Public safety	40
Highways and streets	55,891
Post office contract	18,998
Capital outlay	225,975
	<hr/>
<b>Total expenditures</b>	<b>446,222</b>
	<hr/>
Excess (deficiency) of revenues over expenditures before other financing sources	<hr/> <b>(15,331)</b>
Other financing sources (uses)	
Operating transfers out	<hr/> <b>(10)</b>
	<hr/>
<b>Total other financing sources (uses)</b>	<b>(10)</b>
	<hr/>
Net change in fund balances	<b>(15,341)</b>
Fund balance, beginning of year	<hr/> <b>185,111</b>
<b>Fund balance, end of year</b>	<hr/> <b>\$ 169,770</b>

See independent accountant's compilation report and accompanying notes.

**VILLAGE OF WILLARD, NEW MEXICO**  
**STATEMENT OF NET POSITION -**  
**PROPRIETARY FUNDS**  
**June 30, 2017**

	Waste Water	Solid Waste	Water	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,226	(196)	29,134	<b>32,164</b>
<b>LIABILITIES</b>				
Accounts payable	\$ (6,862)	(74)	(2,786)	<b>(9,722)</b>
Water meter deposits payable	-	-	4,336	<b>4,336</b>
<b>NET POSITION</b>				
Unrestricted	10,088	(122)	27,584	<b>37,550</b>
<b>Total liabilities and net position</b>	<b>\$ 3,226</b>	<b>(196)</b>	<b>29,134</b>	<b>32,164</b>

See independent accountant's compilation report and accompanying notes.

**VILLAGE OF WILLARD, NEW MEXICO  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION -  
PROPRIETARY FUNDS  
Year Ended June 30, 2017**

	Waste Water	Solid Waste	Water	Total
Operating Revenues				
Sales and services	\$ 26,618	17,604	43,878	<b>88,100</b>
From non-federal sources:				
Intergovernmental	86,966	-	14,071	<b>101,037</b>
Interest	-	-	8	<b>8</b>
<b>Total operating revenues</b>	<b>113,584</b>	<b>17,604</b>	<b>57,957</b>	<b>189,145</b>
Operating Expenses				
Current				
Operating costs	50,806	24,913	70,517	<b>146,236</b>
Debt service - principal and interest	5,915	-	-	<b>5,915</b>
Capital outlay	86,967	-	5,450	<b>92,417</b>
<b>Total operating expenses</b>	<b>143,688</b>	<b>24,913</b>	<b>75,967</b>	<b>244,568</b>
Operating loss	(30,104)	(7,309)	(18,010)	<b>(55,423)</b>
Nonoperating Revenues (Expenses)				
Transfers in	7,915	-	20,000	<b>27,915</b>
<b>Change in net position</b>	<b>(22,189)</b>	<b>(7,309)</b>	<b>1,990</b>	<b>(27,508)</b>
Net position, beginning of the year	32,277	7,187	25,594	<b>65,058</b>
<b>Net position, end of year</b>	<b>\$ 10,088</b>	<b>(122)</b>	<b>27,584</b>	<b>37,550</b>

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, 2017**

**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**

The financial statements are prepared in accordance with the requirements of Section 2.2.2.16 New Mexico Administrative Code (NMAC) which constitutes a special purpose framework. This special purpose framework is a basis of accounting other than Accounting Principles Generally Accepted in the United States of America (GAAP). GAAP financial statements for governmental entities require both entity wide and fund financial statements, and a complete set of footnotes. The special purpose framework only requires the fund financial statements and selected footnotes.

The 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, 2017**

**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 10<sup>th</sup> and May 10<sup>th</sup>. 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**  
**SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES**  
**REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY**  
**ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED**  
**June 30, 2017**

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

**A. Financial Reporting Entity (Continued)**

*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.

*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.

Proprietary funds are accounted for on the flow of economic resources measurement focus (all assets and all liabilities associated with the operation of these funds are included on the balance sheet) and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Village applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations.

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.

**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.

**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, 2017**

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

**B. Cash and Investments (continued)**

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).

**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.

**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, 2017**

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

**C. Capital Assets (continued)**

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.

**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.



**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, 2017**

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

**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 period 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  
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES  
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY  
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED  
June 30, 2017**

**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.

**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, 2017**

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

**H. Budgetary Information (Continued)**

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.

**J. Implementation of New Accounting Standards**

During the year ended June 30, 2017, the Village adopted the following Government Accounting Standards Board Statements (GASB):

*GASB No. 77 – Tax Abatement Disclosures.* The objective of this Statement is to assist the users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services, (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The statement will not have a material impact on the Village’s financial statements.

**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, 2017**

**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, 2017, the Village's bank balance total of \$185,308 was covered by FDIC insurance and did not require collateralization. However, the Village's bank pledged \$50,271 in collateral in addition to the FDIC insurance.

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**  
**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, 2017**

**NOTE 3. LONG-TERM DEBT - ENTERPRISE FUNDS**

During the year ended June 30, 2017, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
Loan payable	\$ 26,713	-	(3,224)	<b>23,489</b>	3,256
Bonds payable	78,300	-	(2,000)	<b>76,300</b>	3,000
<b>Total</b>	<b>\$ 105,013</b>	<b>-</b>	<b>(5,224)</b>	<b>99,789</b>	<b>6,256</b>

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
2018	\$ 3,256	235	3,491
2019	3,289	202	3,491
2020	3,322	169	3,491
2021	3,355	136	3,491
2022	3,388	103	3,491
2023 to 2024	6,879	103	6,982
	<u>\$ 23,489</u>	<u>948</u>	<u>24,437</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.

**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, 2017**

**NOTE 3. LONG-TERM DEBT - ENTERPRISE FUNDS (CONTINUED)**

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 3,000	3,815	6,815
2019	3,000	3,665	6,665
2020	3,000	3,515	6,515
2021	3,000	3,365	6,365
2022	3,000	3,215	6,215
2023 to 2027	18,000	13,675	31,675
2028 to 2032	23,000	8,675	31,675
2033 to 2034	20,300	1,780	22,080
	<u>\$ 76,300</u>	<u>41,705</u>	<u>118,005</u>

**NOTE 4. 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 5. EXPENDITURES IN EXCESS OF BUDGET**

The Village's expenditures exceeded budgeted amounts in the General fund by \$31,857, the Fire Protection fund by \$40, the Streets fund by \$55,891, the Waste Water Enterprise fund by \$107,312, the Solid Waste Enterprise fund by \$5,147, and in the Water Enterprise fund by \$75,967.

**VILLAGE OF WILLARD, NEW MEXICO**  
**SCHEDULE OF DEPOSIT ACCOUNTS**  
**June 30, 2017**

Type	Depository	Account Name	Depository Balance	Reconciled Balance
Interest bearing checking	My Bank	General Fund	\$ 144,172	142,817
Interest bearing checking	My Bank	Wastwater	19,634	17,606
Interest bearing checking	My Bank	Water Meter	5,667	5,667
Interest bearing checking	My Bank	Water Reserve	3,080	3,080
Interest bearing checking	My Bank	Childrens Christmas Fund	105	105
Interest bearing checking	My Bank	General Fund - Payroll	(180)	(192)
CD	My Bank	Water Certificate of Deposit	12,830	12,805
<b>Total cash and cash equivalents</b>			<b>\$ 185,308</b>	<b>181,888</b>

**VILLAGE OF WILLARD, NEW MEXICO**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**June 30, 2017**

	<u>My Bank</u>
Deposits at June 30, 2017	\$ 185,308
Less: FDIC coverage	250,000
Uninsured public funds	-
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	50,271
Uninsured and uncollateralized	<u>\$ -</u>
50% pledged collateral requirement per statute	\$ -
Total pledged collateral	50,271
Pledged collateral over the requirement	<u>\$ (50,271)</u>

Pledged collateral at June 30, 2017 consists of the following:

Security	CUSIP	Maturity	Fair Market Value
Los Lunas SD 1 NM 18	545562QS2	7/15/2018	<u>\$ 50,271</u>

The custodian of the pledged securities for My Bank is The Independent Banker's Bank in Dallas, Texas.



**VILLAGE OF WILLARD  
EXIT CONFERENCE  
Year Ended June 30, 2017**

An exit conference was held on December 12, 2017, and attended by the following:

Village of Willard, New Mexico

Ricardo Garcia, Council Member

Angelina Halbert, Clerk/Treasurer

Porch & Associates LLC

Thad Porch, Managing Principal

\* \* \* \* \*

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