

VILLAGE OF ENCINO
NEW MEXICO
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2005

VILLAGE OF ENCINO, NEW MEXICO
Table of Contents
For the year ended June 30, 2005

	Page
Official Roster	1
Independent Auditor's Report	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	4
Statement of Activities	5
Government Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>General Fund</i>	10
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Fire Fund</i>	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>EMS Fund</i>	12
Statement of Fund Net Assets - Proprietary Funds- Water	13
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds - Water	14
Statement of Fund Cash Flows - Proprietary Funds Water	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Water Fund	16
Notes to the Basic Financial Statements	17 -32
Nonmajor Special Revenue Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	34
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - <i>Gas Road Tax</i>	35

VILLAGE OF ENCINO, NEW MEXICO

Table of Contents

For the year ended June 30, 2005

	Page
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - <i>Meter Deposit Trust Fund</i>	36
Schedule of Cash Accounts	37
Additional Independent Auditor's Report	
Report on Internal Control over Financial Reporting and on Compliance and other matters based on an Audit of Financial Statements in Accordance with Government Auditing Standards	38-39
Schedule fo Findings and Reponses	40-41
Schedule of Prior Year Audir Findings and Exit Conference	42

**VILLAGE OF ENCINO
NEW MEXICO**

Official Roster
June 30, 2005

Village Council

Louisa Gallegos Mayor

Tomasita Chavez Member

William Murphy Member

Isabel Alarid Member

Village Administration

Juanita Barnes Clerk/Treasurer

A.J. PERKINS, CPA PC

Independent Auditor's Report

To: Hector H. Balderas - NM State Auditor
Santa Fe, New Mexico

To: The Mayor and Board of Trustees
Village of Encino, New Mexico

I have audited the accompanying financial statements of the governmental activities and the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Encino, as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. I have also audited the financial statements of each of the Village's non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Village of Encino's management. My responsibility is to express opinions on these financial statements based on this audit.

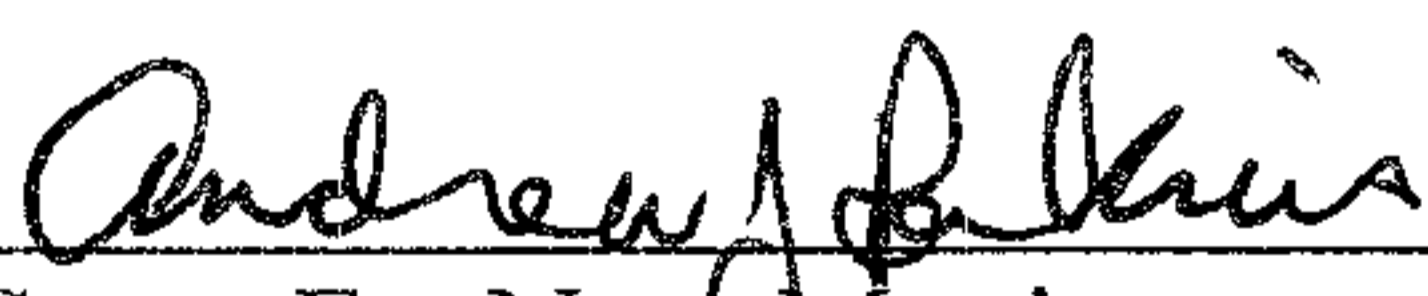
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. I believe that this audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities, each major fund and the aggregate remaining fund information of the Village of Encino, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the general fund and major special revenue funds for the year ended in conformity with accounting principles generally accepted in the United States of America. In addition, in my opinion, the a financial statements referred to above present fairly, in all material respects, the financial position of each non-major governmental fund of the Village of Encino, as of June 30, 2005, and the respective changes in financial position where applicable thereof and respective budgetary comparisons for the general fund and major special revenue funds for the year ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 30, 2008 based my consideration of the Village of Encino's internal control over financial reporting and my tests of its compliances with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describes the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control or on financial reporting or on compliances. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Village has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standard's Board (GASB) has determined is necessary to supplement, although not required to be part of the basic financial statements.

My audit was performed for the purpose of forming opinions on the basic financial statements and, the combining and individual fund financial statements, schedule of changes in assets and liabilities. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying schedule of cash accounts and schedule of pledged collateral are presented for purposes of additional analysis and are not a required part of the basic financial statements and, the combining and individual fund financial statements and budgetary comparisons. The schedule of cash accounts and the schedule of pledged collateral have not been subjected to the auditing procedures applied in the audit of the basic financial statements and the combining and individual fund financial statement and budgetary comparison and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements and, the combining and individual financial statement and budgetary comparisons taken as a whole.



Santa Fe, New Mexico
July 30, 2008

VILLAGE OF ENCINO, NEW MEXICO

STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash	\$ 29,846	\$ 2,389	\$ 32,235
Accrued Interest Receivable	-	-	-
Accounts Receivable (net)	-	-	-
Other receivables (net)	6,607	-	6,607
Internal Balances	12,366	2,838	15,204
Total Current Assets	<u>48,819</u>	<u>5,227</u>	<u>54,046</u>
Non-Current Asset			
Customer Deposits	-	696	696
Total Non-Current Assets	<u>-</u>	<u>696</u>	<u>696</u>
Capital Assets			
Land	8,985	-	8,985
Infrastructure	-	538,741	538,741
Buildings and Improvements	1,048,990	169,000	1,217,990
Vehicles	105,242	21,874	127,116
Equipment	13,713	-	13,713
Less: Accumulated Depreciation	(990,388)	(99,180)	(1,089,567)
Total Capital Assets	<u>186,542</u>	<u>630,435</u>	<u>816,978</u>
Total Assets	<u>\$ 235,361</u>	<u>\$ 636,359</u>	<u>\$ 871,720</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Current:			
Accounts Payable	\$ 4,363	\$ 1,162	\$ 5,525
Accrued Liabilities	1,783	2,533	4,316
Compensated Absences Payable	720	-	720
	-	-	-
Non-current Liabilities			
Customer Deposits	-	696	696
Deferred Revenues	-	-	-
Due to Other Funds	11,204	-	11,204
Total Liabilities	<u>18,070</u>	<u>4,391</u>	<u>22,461</u>
Net Assets			
Invested in Capital Assets	186,542	630,435	816,977
Unrestricted Net Assets	30,749	837	31,586
Restricted for Customer Deposits	-	696	696
Total Net Assets	<u>217,291</u>	<u>631,968</u>	<u>849,259</u>
Total Liabilities and Net Assets	<u>\$ 235,361</u>	<u>\$ 636,359</u>	<u>\$ 871,720</u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF ENCINO, NEW MEXICO

STATEMENT OF ACTIVITIES
JUNE 30, 2005

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business- Type Activities	Total
Governmental Activities						
General Government	\$ 99,223	\$ 26,524	\$ 35,000	\$ -	\$ (37,698)	\$ (37,698)
Public Safety	36,714	-	-	-	(36,714)	-
Culture and Recreation	-	-	-	-	-	-
Highway and Streets	-	-	-	-	-	-
Total Governmental Activities	135,937	26,524	35,000	-	(74,412)	(74,413)
Business-Type Activities						
Water	47,172	35,935	-	-	(11,237)	(11,237)
Total Business-Type activities	47,172	35,935	-	-	(11,237)	(11,237)
Total Primary Government	\$ 183,109	\$ 62,459	\$ 35,000	\$ -	\$ (74,413)	\$ (74,413)
General Revenues						
Local effort taxes					7,035	7,035
State shared taxes					63,172	63,172
Miscellaneous					295	295
Transfers in					-	-
Interest Income					70,502	70,207
Total General Revenues					(3,910)	(15,147)
Change in net assets					221,030	864,235
Net assets - June 30, 2004					171	171
Restatements					221,201	864,406
Net Assets - June 30, 2004 -- restated					\$ 217,291	\$ 849,259
Net Assets - June 30, 2005					\$ 631,968	\$ 849,259

The accompanying notes are an integral part of these financial statements

VILLAGE OF ENCINO, NEW MEXICO

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2005

ASSETS

	General Fund	Fire Fund	EMS Fund	Non-major Funds	Total Governmental Fund
Cash	\$ 20,720	\$ 7,087	\$ 1,293	\$ 746	\$ 29,846
Investments	-	-	-	-	-
Other receivables	6,607	-	-	-	6,607
Interest Receivable	-	-	-	-	-
Due From Other Funds	5,738	3,628	2,000	1,000	12,366
Total Assets	<u>\$ 33,065</u>	<u>\$ 10,715</u>	<u>\$ 3,293</u>	<u>\$ 1,746</u>	<u>\$ 48,819</u>

LIABILITIES AND FUND BALANCES

Liabilities					
Accounts Payable	4,003	138	-	222	4,363
Accrued Liabilities Payable	1,609	32	-	142	1,783
Deferred Revenues	-	-	-	-	-
Due to Other Funds	11,204	-	-	-	11,204
Total Liabilities	<u>\$ 16,816</u>	<u>\$ 170</u>	<u>\$ -</u>	<u>\$ 364</u>	<u>\$ 17,350</u>

FUND BALANCES:

Unreserved	16,248	10,545	3,294	1,382	31,469
Total Liabilities and Fund Balances	<u>\$ 33,064</u>	<u>\$ 10,715</u>	<u>\$ 3,294</u>	<u>\$ 1,746</u>	<u>\$ 48,819</u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF ENCINO, NEW MEXICO
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
JUNE 30, 2005

Total fund balances for governmental funds \$ 31,469

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Capital Assets less Accumulated Depreciation \$ 186,542

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

Compensated absences payable (720)

Total net assets of governmental activities \$ 217,291

The accompanying notes are an integral part of the basic financial statements

VILLAGE OF ENCINO, NEW MEXICO

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Fire Fund	EMS Fund	Non-major Funds	Total Governmental Fund
Revenues:					
Property Taxes	\$ 1,472				\$ 1,472
Local effort taxes	5,563	\$ -	-	\$ -	5,563
State Shared taxes	29,095	-	-	1,575	30,670
Licenses and Permits	295	-	-	-	295
Intergovernmental	35,000	32,502	-	-	67,502
Charges for services	26,524	-	-	-	26,524
Fines and Forfeitures	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>97,949</u>	<u>32,502</u>	<u>-</u>	<u>1,575</u>	<u>132,026</u>
Expenditures					
Current:					
General government	93,072	-	-	-	93,072
Public Safety	-	35,532	1,182	-	36,714
Culture and Recreation	-	-	-	-	-
Highway and Streets	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>93,072</u>	<u>35,532</u>	<u>1,182</u>	<u>-</u>	<u>129,786</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,877</u>	<u>(3,030)</u>	<u>(1,182)</u>	<u>1,575</u>	<u>2,240</u>
Other Financing Sources (Uses):					
Transfers In	-	-	-	-	-
Transfers (Out)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>4,877</u>	<u>(3,030)</u>	<u>(1,182)</u>	<u>1,575</u>	<u>2,240</u>
Fund balance, June 30, 2004	11,371	13,575	4,476	(364)	29,058
Restatements				171	\$ 171
Restated Fund Balance, June 30, 2004	<u>11,371</u>	<u>13,575</u>	<u>4,476</u>	<u>(193)</u>	<u>29,229</u>
Fund balance, end of year	<u>\$ 16,248</u>	<u>\$ 10,545</u>	<u>\$ 3,294</u>	<u>\$ 1,382</u>	<u>\$ 31,469</u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF ENCINO, NEW MEXICO
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Government Funds to the Statement of Activities
FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances-total governmental funds	\$ 2,240
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reports as depreciation expense	
Capital Outlays	11,872
Depreciation expense	(17,648)
In the statement of activities, certain operating expenses - compensated absences (vacations) and termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	
	(374)
Change in net assets of governmental activities	<u><u>\$ (3,910)</u></u>

VILLAGE OF ENCINO, NEW MEXICO

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Local Effort	\$ 12,855	\$ 12,855	\$ 7,035	\$ (5,820)
State Shared	22,028	45,135	29,095	(16,040)
Licenses and Permits	325	325	295	(30)
Intergovernmental	39,615	39,615	35,000	(4,615)
Charges for Services	340	340	26,524	26,184
Fines and Forfeitures	-	-	-	-
Interest	-	-	-	-
Miscellaneous	2,000	2,000	-	(2,000)
Total revenues	<u>77,163</u>	<u>100,270</u>	<u>97,949</u>	<u>(2,321)</u>
Expenditures				
Current				
General Government	70,584	98,140	93,072	(5,068)
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Highway and Streets	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>\$ 70,584</u>	<u>\$ 98,140</u>	93,072.24	<u>\$ (5,068)</u>
Excess (deficiency) of revenues over expenditures			4,877	
Other Financing Sources (Uses):				
Transfers In			-	
Transfers (Out)			-	
Total other financing sources (uses)			-	
Net change in fund balance			4,877	
Fund balance, June 30, 2004			11,371	
Restatements			-	
Restated Fund Balance, June 30, 2004			11,371	
Fund balance, June 30, 2005			<u>\$ 16,248</u>	

The accompanying notes are an integral part of these financial statements

VILLAGE OF ENCINO, NEW MEXICO

FIRE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Local Effort	\$ -	\$ -	\$ -	\$ -
State Shared	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	32,502	32,502	32,502	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>32,502</u>	<u>32,502</u>	<u>32,502</u>	<u>-</u>
Expenditures:				
Current				
General Government	-	-	-	-
Public Safety	32,430	41,198	35,532	(5,666)
Culture and Recreation	-	-	-	-
Highway and Streets	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>32,430</u>	<u>41,198</u>	<u>35,532</u>	<u>(5,666)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 72</u>	<u>\$ (8,696)</u>	<u>(3,030.23)</u>	<u>\$ (5,666)</u>
Other Financing Sources (Uses):				
Transfers In			-	
Transfers (Out)			-	
Total other financing sources (uses)			-	
Net change in fund balance			(3,030)	
Fund balance, June 30, 2004			13,575	
Restatements			-	
Restated Fund Balance, June 30, 2004			13,575	
Fund balance, June 30, 2005			<u>\$ 10,545</u>	

The accompanying notes are an integral part of these financial statements

VILLAGE OF ENCINO, NEW MEXICO

EMS FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Local Effort	\$ -	\$ -	\$ -	\$ -
State Shared	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current				
General Government	-	-	-	-
Public Safety	2,450	2,450	1,182	(1,268)
Culture and Recreation	-	-	-	-
Highway and Streets	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>\$ 2,450</u>	<u>\$ 2,450</u>	1,182.09	<u>\$ (1,268)</u>
Excess (deficiency) of revenues over expenditures			(1,182)	
Other Financing Sources (Uses):				
Transfers In			-	
Transfers (Out)			-	
Total other financing sources (uses)			-	
Net change in fund balance			(1,182)	
Fund balance, June 30, 2004			4,475	
Restatements			-	
Restated Fund Balance, June 30, 2004			4,475	
Fund balance, June 30, 2005			<u>\$ 3,293</u>	

The accompanying notes are an integral part of these financial statements

VILLAGE OF ENCINO, NEW MEXICO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS - WATER
 JUNE 30, 2005

	2005
ASSETS	
Cash	\$ 2,389
Investment - Current	
Accounts Receivable	-
Interest Receivable	-
Due from Other Funds	2,838
Total Current Assets	<u>5,227</u>
Non-Current Assets	
Customer Deposits	696
Non-current Assets	<u>696</u>
Capital Assets:	
Land	-
Infrastructure	538,741
Buildings and Improvements	169,000
Vehicles	21,874
Accumulated Depreciation	(99,180)
Total Capital Assets	<u>630,435</u>
Total Assets	<u>\$ 636,359</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Current Liabilities	
Accounts Payable	\$ 1,162
Accrued Liabilities	2,533
Due from other funds	-
Total Current Liabilities	<u>3,695</u>
Non-Current Liabilities	
Compensated Absences Payable	-
Customer Deposits	696
Deferred Revenues	-
Total Non-Current Liabilities	<u>696</u>
Total Liabilities	<u>4,391</u>
Net Assets	
Invested in Capital Assets	630,435
Unrestricted	837
Restricted for Customer Deposits	696
Total Net Assets	<u>631,968</u>
Total Liabilities and Net Assets	<u>\$ 636,359</u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF ENCINO, NEW MEXICO

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND - WATER
FOR THE YEAR ENDED JUNE 30, 2005

	2005
Operating Revenues:	
Charges for services	35,935
Other Revenue	-
Total operating revenues	<u>35,935</u>
Operating Expenses	
Salaries and Wages	13,473
Materials and Supplies	15,302
Insurance Expense	-
Utilities Expense	1,658
Repairs & Maintenance	4,705
Other Operating Expenses	2,034
Depreciation	10,000
Total operating expenses	<u>47,172</u>
Change in Net Assets	(11,237)
Total Net Assets, June 30, 2004	643,205
Restatements	-
Total Net Assets, June 30, 2004 - restated	<u>643,205</u>
Total Net Assets - June 30, 2005	<u><u>\$ 631,968</u></u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF ENCINO, NEW MEXICO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND - WATER
 FOR THE YEAR ENDED JUNE 30, 2005

Cash flows from operating activities:	
Cash received from customers	\$ 35,935
Cash payments to suppliers for goods and services	(14,194)
Cash payments to employees for services	(11,944)
Cash payments from other funds	-
Cash payments for Other Operating Expenses	(8,397)
	<u>1,400</u>
Net cash provided by operating activities	
Cash Flows from Investing Activities:	
None	<u>-</u>
Net cash (used) from Investing Activities:	
Cash Flows from Capital and related Financing Activities:	
None	<u>-</u>
Net cash (used) by capital and related financing activities	
	<u>1,400</u>
Net increase in cash	
	<u>1,989</u>
Balances - June 30, 2004	1,989
	<u>\$ 3,389</u>
Balances - June 30 2005	<u>3,389</u>
Presented as :	
Cash	2,389
Restricted Cash	<u>-</u>
	<u>\$ 2,389</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) operating activities:	
Operating (loss)	\$ (11,237)
Adjustment to reconcile operating income to net cash provided by (used for) operating activities:	
Adjustments to reconcile the change in net assets to net cash provided by operating activities:	
Depreciation expense	10,000
Changes in curren assets and current liabilities:	
(Increase)/Decrease in accounts receivable	-
(Increase)/Decrease in from other funds	980
(Increase)/Decrease in customer deposits	-
Increase/(Decrease) in accounts payable	128
Increase/(Decrease) in accrued liabilities	1,529
Increase/(Decrease) in compensated absences	-
	<u>12,637</u>
Total Adjustments	<u>12,637</u>
	<u>\$ 1,400</u>
Net cash provided by operating activities	<u>1,400</u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF ENCINO, NEW MEXICO

WATER FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Local Effort	\$ -	\$ -	\$ -	\$ -
State Shared	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	34,015	37,106	35,935	(1,171)
Fines and Forfeitures	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>34,015</u>	<u>37,106</u>	<u>35,935</u>	<u>(1,171)</u>
Expenditures:				
Current				
General Government				
Public Safety				
Culture and Recreation				
Highway and Streets	33,676	36,350	47,172	10,822
Capital Outlay				
Debt Service				
Principal				
Interest				
Total expenditures	<u>33,676</u>	<u>36,350</u>	<u>47,172</u>	<u>10,822</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 339</u>	<u>\$ 756</u>	<u>(11,236.85)</u>	<u>\$ 9,651</u>
Other Financing Sources (Uses):				
Transfers In				
Transfers (Out)				
Total other financing sources (uses)			-	
Net change in fund balance			(11,237)	
Fund balance, June 30, 2004			643,205	
Restatements			-	
Restated Fund Balance, June 30, 2004			643,205	
Fund balance, June 30, 2005			<u>\$ 631,968</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Encino (Village) was incorporated under the laws of the State of New Mexico and operates under the direction of a Mayor-Trustees form of government. The Village provides the following services: emergency medical services, street maintenance, fire protection, planning and zoning and general and administrative services. The village also provides water services for the community. The Village is dependent upon revenues.

The financial statements of the Village have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The Village Board of Trustees (the "Board") is a body public, elected by its citizens and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the Village is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

The Village's basic financial statements include all activities and accounts of the Village's "financial reporting entity."

The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the liabilities of the organization.

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Village as a whole and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component unit. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function of business-type activity) is normally covered by general revenues (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.).

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Major governmental funds are the general fund and the fire fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

Governmental fund level 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 60 days after the end of the fiscal period. The grant revenue availability period is generally considered to be one year. 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.

Ad valorem, franchise and sales tax revenues in the general fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Earnings from bank certificates of deposit are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Village; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's water, sewer, and sanitary landfill funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

All governmental and business-type activities and enterprise funds of the Village follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this limitation. The government has elected not to follow subsequent private-sector guidance.

The Village reports the following major governmental funds:

1. The General Fund - The general fund is the Village's primary operating fund. It accounts for all the financial resources except those required to be accounted for in another fund.
2. Fire Fund - To account for the operations and maintenance of fire equipment. Financing is provided by a state allotment. Authority - NMSA 59A-53-1.
3. EMS Fund - To account for the operations of emergency medical services.
4. Gas Road Tax Fund - to account for construction and repairs to the Village's streets.

The Village reports the following major enterprise fund:

1. Water Fund - To account for income and expenses in providing water and sewer services to the Village.

Additionally, the Village reports the following fund type(s):

Governmental Funds:

1. Special Revenue Funds - The Village accounts for resources restricted to, or designated for, specific purposes by the Village or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified projected periods.

Proprietary Funds:

1. Enterprise Funds - The Village's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The Village has no non-major enterprise funds.

D. Budgetary Data

The Village Council adopts an "appropriated budget" for the General Fund, Special Revenue Fund and the Enterprise fund. The Village is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The Village compares the final amended budget to actual revenues and expenditures.

STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

The following procedures are followed in establishing the budgetary data reflected in the general purpose financial statements:

1. The Village submits a proposed operating budget for the fiscal year commencing July 1, prior to June 30. The operating budget includes proposed expenditures and the means of financing them. A budget is proposed for the General, Special Revenue and Proprietary Funds.
2. Public hearings are conducted to obtain taxpayer comments. The budgets are then submitted to the Department of Finance and Administration for review, adjustment and approval.
3. Prior to June 30, the budget is legally enacted through passage of a resolution. The Village Council is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the Department of Finance and Administration, Local Government Division.
4. Budgets for budgeted funds are adopted on the cash basis which is not consistent with generally accepted accounting principles. Budgetary comparisons have been presented in this report in the basis of the legally adopted budget.
5. Appropriation lapse at year end with any unspent cash balance being available for expenditures and appropriation in the subsequent year's budget.
6. The level of classification detail in which expenditures may not legally exceed appropriations or each budget is in fund total. A reconciliation of fund balances for both appropriated budget and on appropriated budget special revenue funds is as follows

E. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

For purposes of the statement of cash flows for proprietary funds, the Village considers highly liquid investments to be cash and cash equivalents if they have a maturity of three months or less when purchased [GASB 2300.106a(6) and 2459.106-108].

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as inter-fund balances. Long term advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Accrued liabilities consist of payroll liabilities due to amounts collected from employees and when these liabilities are due the various state and federal government taxing authorities.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

Certain long-term assets in the proprietary funds are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as "deposits held in trust for others."

1. Cash held in the Enterprise fund for customer deposits is restricted.
2. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose or use. Designations of fund balance represent tentative management plans that are subject to change [GASB 2300.107 and 1800.125].
3. When the Village incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

Inter-fund Activity

Inter-fund activity is reported as loans, services provided reimbursements or transfers. Loans are reported as inter-fund balance as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Inventory

The Village reports inventories of supplies at cost including consumable maintenance and office items. Supplies are recorded as expenditures when they are consumed. [G60.125].

Accrued Liabilities

The Village accrues for its payroll liabilities at the end of the fiscal year and in 2005 they were \$1,783, of which \$464 was for Salaries and \$1,144 was for Payroll taxes, the remainder of which was for other accrued liabilities in the amount of \$175.

Long-Term Obligations

None.

Compensated Absences

It is the Village's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary financial statements.

STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on capital assets of \$1,000 or more is calculated on the straight-line basis over the following estimated useful lives:

STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	40
Buildings	30
Building Improvements	15
Equipment	7
Vehicles	5

F. Implementation of New Accounting Principles

GASB Statement 34

The Village has adopted the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.

This statement affects the manner in which the Village records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions. This is the second year of this comprehensive implementation.

The Village has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

GASB Statement 37

The Village adopted the provisions of GASB Statement No. 37, Basic Financial Statement-Management's Discussion and Analysis-for Local and Government: Omnibus. This statement amends GASB Statement No. 34 to either (1) clarify certain provisions or (2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the Village considered the effect of this statement when adopting the provisions of GASB Statement No. 34 as previously described.

GASB Statement 38

The Village adopted the provisions of GASB Statement No. 38, Certain Financial Statement Note Disclosures. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, footnote disclosures have been revised to conform to the provisions of GASB No. 38.

GASB Statement 39

The Village adopted the provisions of GASB Statement No. 39, *Determining whether certain Organizations are Component Units*. The purpose of the statement is to amend GASB Statement No. 14, (1) to provide additional criteria to determine whether certain organizations for which the

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government and (2) to clarify reporting requirements for those organizations.

GASB Statement 40

The Village adopted the provisions of GASB Statement No. 40, Deposit and Investment Risk. Paragraph 8 requires that deposits that are exposed to custodial credit risk and not covered by depository insurance are uncollateralized, and shall be disclosed in the notes: the amount of the bank balances, the fact that the balances are uninsured, and whether the balances are exposed as to the particular collateral that is pledged by the financial institution (or the trust department of the financial institution).

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

The Village maintains cash in one financial institution, Wells Fargo Bank. The Village's deposits consist of demand deposits. The Federal Depository Insurance Corporation (FDIC) insures the cash accounts.

As of June 30, 2005, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Account Type	Bank Balance	Reconciling Items	Book Balance
Checking Accounts:				
General Fund	Checking	28,876	8,156	20,720
Gas Road Tax	Checking	-	-	-
Fire Fund	Checking	7,858	771	7,087
Rescue Fund	Checking	1,293	-	1,293
Water Fund	Checking	3,027	638	2,389
Meter Deposit Trust Fund	Checking	746	-	746
Total Wells Fargo		41,800	9,566	32,235

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Village. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Village carrying value of the deposits (demand and certificates of deposit).

CUSTODIAL CREDIT RISK: Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a policy for custodial credit risk. As of June 30, 2005, 0% (or none) of the Village's bank balance of \$41,800 was exposed to custodial credit risk.

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

The Village's deposits are categorized to give an indication of the level of risk assumed by the Village at the fiscal year-end. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

Category 1- Uncollateralized Deposits

Category 2 -Collateralized with securities held by the pledging financial institution.

Category 3 -Collateralized with securities held by the pledging institution's trust department or agent but not in the depositor-government's name.

	Book Value	Wells Fargo Bank
Checking accounts	\$32,235	\$41,800
Total deposits	32,235	41,800
Less FDIC Insurance	\$32,235	\$41,800
Uninsured and uncollateralized deposits	0	0
Collateral (Category 2)	0	0
Uncollateralized (Category 1)	0	0
Total Custodial Credit Risk	\$0	\$0

Cash Reconciled to Financial Statements

The amounts reported as cash for the primary government within the financial statements is composed of the following amounts.

Cash balances held at financial institutions	\$32,235
Total reconciled cash balance	\$32,235
Statement of Net Assets:	
Cash	31,539
Restricted cash	696
Total cash reported on financial statements	\$32,235

5. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2005 consisted of the following:

None.

STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

6. TAXES RECEIVABLE

Amounts due from local effort and state shared taxes at June 30, 2005, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Property taxes	\$ 0	\$ 0
Local Effort Sales taxes	0	0
State Shared taxes	0	0
Total Taxes Receivable	<u>\$ 0</u>	<u>\$ 0</u>

7. PROPERTY TAX

The County collects the Village's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent by the County Treasurer to property owners by November 1 of each year to be paid in whole or in two installments by November 10 and April 10 of the following year. The County collects such taxes and distributes them to the Village on a monthly basis. The Village accounts for its share of property taxes in the General Fund. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60 day period after the close of the fiscal year.

8. DELINQUENT TAXES RECIEVABLE

Allowances for uncollectible tax receivable within the General Fund are based on historical experience in collecting property taxes. The Village is prohibited from writing off real property taxes.

None.

9. INTERFUND LOANS AND TRANSFERS

Interfund loans: These balances resulted from the time lag between the dates transactions are recorded in the accounting system, and payments between funds are made.

Due From/To	General Fund	Water Fund	Fire Fund	EMS Fund	Meter Deposits Fund	Gas Tax Fund	Total
General Fund		1,992	3,608	2,000	1,000	-	\$ 8,600
Water	(8,600)						\$(8,600)
Fire							\$ -
EMS							\$ -
Meter deposits							\$ -
Gas Tax							\$ -

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

Total	<u>(\$8,600)</u>	<u>\$1,992</u>	<u>\$3,608</u>	<u>\$2,000</u>	<u>\$1,000</u>	<u>\$0</u>	<u>\$0</u>
-------	------------------	----------------	----------------	----------------	----------------	------------	------------

Interfund Transfers: Transfers are used to move revenues from the fund that statute or budget requires charge them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers In/Out	General Fund
General Fund	\$ 0
Water	
Fire	
EMS	
Gas Tax	
Total	<u>\$ 0</u>

10. CAPITAL ASSET ACTIVITY

Capital assets for the fiscal year ended June 30, 2005 are as follows:

	Beginning Balance	Additions	Adjustments	Retirements	Ending Balance
GOVERNMENTAL ACTIVITIES					
Non-depreciable assets:					
Land	\$ 8,985	\$ -		\$ -	\$ 8,985
Total non-depreciable assets	<u>8,985</u>	<u>-</u>		<u>-</u>	<u>8,985</u>
Depreciable Assets					
Vehicles	105,242	-		-	105,242
Equipment	1,841	11,872		-	13,713
Buildings & Improvements	1,048,990	-		-	1,048,990
Total depreciable assets	<u>1,156,073</u>	<u>11,872</u>		<u>-</u>	<u>1,167,945</u>
Accumulated Depreciation					
Vehicles	105,242	-		-	105,242
Equipment	1,841	981		-	2,822
Buildings & Improvements	865,657	16,667		-	882,234
Total Accumulated Depreciation	<u>972,740</u>	<u>17,648</u>		<u>-</u>	<u>990,388</u>

**STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

Net Book Value of Depreciable Assets	183,333	(5,776)			177,557
Total capital assets	\$192,318	\$ (5,776)	\$ -	\$ -	\$186,542
	Beginning Balance	Additions	Adjustments	Retirements	Ending Balance
BUSINESS-TYPE ACTIVITIES					
Non-Depreciable Assets					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciable Assets					
Vehicles	21,874	-	-	-	21,874
Buildings	169,000	-	-	-	169,000
Infrastructure	538,741	-	-	-	538,741
Total depreciable assets	729,615	-	-	-	729,615
Accumulated Depreciation					
Vehicles	21,874	-	-	-	21,874
Buildings	23,567	6,667	-	-	30,234
Infrastructure - Water System	43,739	3,333	-	-	47,072
Total Accumulated Depreciation	89,180	10,000	-	-	99,180
Total Depreciable Assets	640,435	10,000	-	-	630,435
Total capital assets	\$640,435	\$ 10,000	\$ -	\$ -	\$630,435

Depreciation expense was charged to functions (programs) as follows:

Government-type Activities	
General Government	\$17,648
Public Safety	
Parks and Recreation	
Total Governmental	<u>\$ 0</u>
Business-type Activities	

STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

Water Utilities	\$10,000
Total Business-type	<u>\$10,000</u>

STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

11. LONG-TERM DEBT

Compensated Absences

Upon retirement or death of certain employees, the Village pays any accrued sick leave and vacation leave in a lump sum cash payment to such employee or his/her estate. A summary of changes in the accumulated sick leave and vacation leave liability is as follows:

	Beginning Balance June 30, 2004	Additions	Deletions	Ending Balance June 30, 2005	Amounts due within one year
Compensated Absences	\$ 346	\$ 1,197	\$ 823	\$ 720	\$ -
Total	\$ 346	\$ 1,197	\$ 823	\$ 720	\$ -

12. DEFINED BENEFIT PENSION PLAN

The Village has elected not to participate in Public Employees Retirement Association or Retiree Health Care Authority of New Mexico Retirement System

13. DEFERRED REVENUE

Deferred revenue at year-end was \$0.

14. LITIGATION

The Village is not involved in any pending litigation

15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The Village has no significant commitments or contingencies.

16. SUBSEQUENT EVENTS

There are no known subsequent events.

17. Restatements

STATE OF NEW MEXICO
VILLAGE OF ENCINO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

	June 30, 2004	June 30, 2004 Restatements	June 30, 2004 Restated Balance
Net Assets- Governmental Activities	\$ 221,030	\$171	\$ 221,201
Net Assets - Business Type Activities	643,206	-	643,206
Total Government Wide	<u>\$ 864,236</u>	<u>\$ 171</u>	<u>\$ 864,407</u>
Total Governmental Funds	<u>\$ 31,468</u>	<u>\$0</u>	<u>\$ 31,468</u>

	Restatements
Government-Type	
1. Insertion of prior year fund not previously disclosed	<u>\$ 171</u>
Net Adjustments	<u>\$ 171</u>
Business-Type	-
Fund Restatements	
General	\$ -
Fire	-
EMS	-
Water	-
Meter Deposit Trust Fund	<u>171</u>
Total Fund Restatements	<u>\$ 171</u>

VILLAGE OF ENCINO, NEW MEXICO

COMBINING BALANCE SHEET -
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Gas Road Tax Fund	Meter Deposit Trust Fund	Total Non Major Governmental Funds
ASSETS			
Cash	\$ -	\$ 746	\$ 746
Investments	-	-	-
Taxes Receivable	-	-	-
Interest Receivable	-	-	-
Due from Other Funds	-	1,000	\$ 1,000
Total Assets	<u>\$ -</u>	<u>\$ 1,746</u>	<u>\$ 1,746</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 222	\$ -	\$ 222
Accrued Labializes Payable	142	-	142
Deferred Revenues	-	-	-
Total Liabilities	<u>\$ 364</u>	<u>\$ -</u>	<u>\$ 364</u>
 FUND BALANCE			
Unreserved	<u>(364)</u>	<u>1,746</u>	<u>\$ 1,382</u>
Total Liabilities and Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ 1,746</u></u>	<u><u>\$ 1,746</u></u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF ENCINO, NEW MEXICO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Gas Road Tax Fund	Meter Deposit Trust Fund	Total Non Major Governmental Funds
Revenues:			
Local effort taxes	\$ -	\$ -	\$ -
State Shared taxes	-	1,575	1,575
Licenses and Permits	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and Forfeitures	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ 1,575</u>	<u>\$ 1,575</u>
Expenditures			
Current:			
General government	-	-	-
Public Safety	-	-	-
Culture and Recreation	-	-	-
Highway and Streets	-	-	-
Capital Outlay	-	-	-
Debt Service	-	-	-
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	1,575	1,575
Other Financing Sources (Uses):			
Transfers In	-	-	-
Transfers (Out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,575</u>	<u>\$ 1,575</u>
Fund balance, June 30, 2004	(364)	-	(364)
Restatements	-	171	170.71
Restated Fund Balance, June 30, 2004	(364)	171	(193)
Fund balance, June 30, 2005	<u>\$ (364)</u>	<u>\$ 1,746</u>	<u>\$ 1,382</u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF ENCINO, NEW MEXICO

GAS ROAD TAX
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Local Effort	\$ -	\$ -	\$ -	\$ -
State Shared	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	60	140	-	(140)
Fines and Forfeitures	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>60</u>	<u>140</u>	<u>-</u>	<u>(140)</u>
Expenditures:				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Highway and Streets	60	90	-	(90)
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>\$ 60</u>	<u>\$ 90</u>	<u>\$ -</u>	<u>\$ (90)</u>
Excess (deficiency) of revenues over expenditures				-
Other Financing Sources (Uses):				
Transfers In				-
Transfers (Out)				-
Total other financing sources (uses)				<u>-</u>
Net change in fund balance				-
Fund balance, June 20, 2004				(364)
Restatements				-
Restated Fund Balance, June 30, 2004				(364)
Fund balance, June 30, 2005			<u>\$</u>	<u>(364)</u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF ENCINO, NEW MEXICO

METER DEPOSIT TRUST FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Local Effort	\$ -	\$ -	\$ -	\$ -
State Shared	-	-	1,575	1,575
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>1,575</u>	<u>1,575</u>
Expenditures:				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Highway and Streets	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	1,575.00	<u>\$ 1,575</u>
Other Financing Sources (Uses):				
Transfers In			-	
Transfers (Out)			-	
Total other financing sources (uses)			-	
Net change in fund balance			1,575	
Fund balance, June 30, 2004			-	
Restatements			171	
Restated Fund Balance, June 30, 2004			171	
Fund balance, June 30, 2005			<u>\$ 1,746</u>	

The accompanying notes are an integral part of these financial statements

VILLAGE OF ENCINO, NEW MEXICO

SCHEDULE OF CASH ACCOUNTS

JUNE 30, 2005

Wells Fargo Bank, New Mexico

	Account Type	Bank Balance	Reconciling Items	Book Balance
Checking Accounts:				
General Fund	Checking	28,876	8,156	20,720
Gas Road Tax	Checking	-	-	-
Fire Fund	Checking	7,858	771	7,087
Rescue Fund	Checking	1,293	-	1,293
Water Fund	Checking	3,027	638	2,389
Meter Deposit Trust Fund	Checking	746	-	746
<u>Total Wells Fargo</u>		<u>41,800</u>	<u>9,566</u>	<u>32,235</u>

The accompanying notes are an integral part of the basic financial statements

Report on Internal Control over Financial Reporting
And on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards*

To: Hector H. Balderas, New Mexico State Auditor

To: Mayor and Board of Trustees Village of Encino, New Mexico

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparison statement for the general fund and major special revenue funds and the combining and individual funds presented as supplemental information of Village of Encino, as of and for the year ended June 30, 2005, and have issued our report dated July 30, 2008. I conducted the audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, I considered the Village of Encino's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing the opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Encino's internal control over financial reporting. Accordingly, I do not express opinions on the effectiveness of the Entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

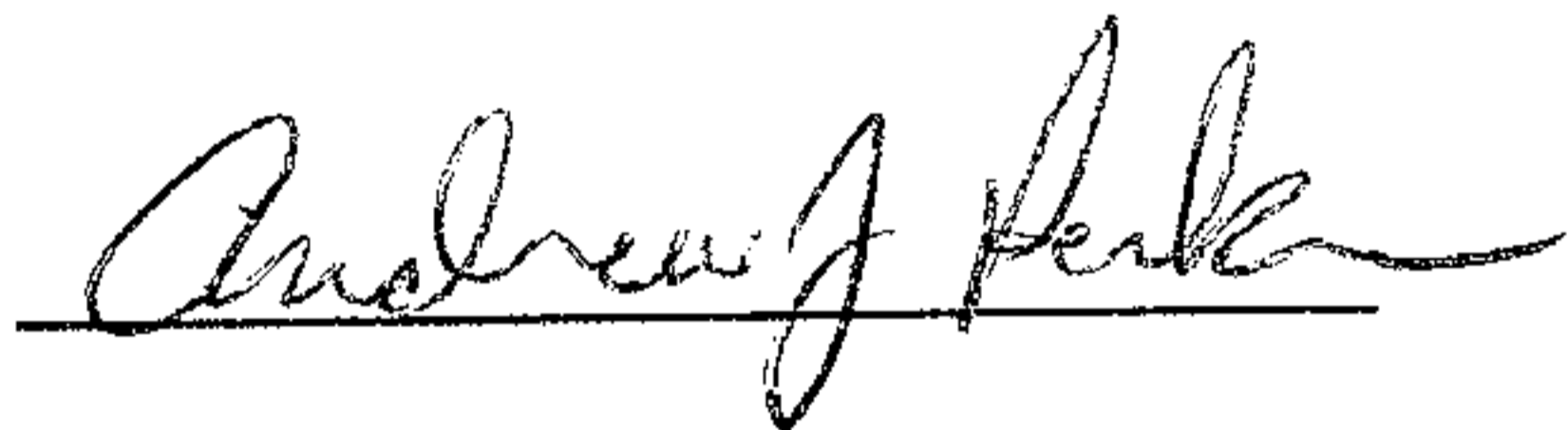
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Encino's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion.

The results of our tests disclosed two instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2004-01 through 2004-02.

This report is intended solely for the information and use of the Board of Trustees, management, the Office of the State Auditor, the New Mexico State Legislature audit committees, New Mexico Department of Finance and Administration - Local Government Division and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Andrew J. Perka", written over a horizontal line.

Santa Fe, New Mexico

July 30, 2008

**VILLAGE OF ENCINO
NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2005**

Findings - Financial Statements

A. REPORTABLE CONDITIONS

None.

B. NON COMPLIANCE AND OTHER MATTERS

Item 2005-01- Audit Report Submission to the New Mexico State Auditor

Statement of Condition - The required submission date of the audit report for the fiscal year ended June 30, 2005 to the New Mexico State Auditor was December 1, 2004. The Village did not submit the report until June 3, 2008.

Criteria - New Mexico State Statute's Section 12-6-12 requires the state auditor to promulgate reasonable regulations necessary to carry out the duties of the office. New Mexico Administrative Code Title 2, Chapter 2, Part 2, Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies requires that the municipalities submit their audit report by December 1st following the end of each fiscal year at June 30th.

Effect - Delays in submission of the audit report affect the reporting of financial information to other state agencies and local governments.

Cause - The Village did not secure an Auditor until July 31, 2008.

Recommendation -The Village needs to engage an auditing firm on a timely basis as required by the New Mexico State Auditor's Office.

Response from the Villages' officials - When I started in 2003 there was not a set of books to be found in the Village. As soon as I was able, I did get a set of books started and worked in the years that were missing.

Item 2005-02 The Water Fund exceeded its budgeted expenditures for the fiscal year as follows:

	Budget	Actual	Variance
Primary Government			
Water Fund	\$36,350	\$56,038	\$10,822

**VILLAGE OF ENCINO
NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2005**

Total	\$36,350	\$56,038	\$10,822

Statement of Condition - The expenditure section of the budget, once adopted, is legally binding on the Village.

Criteria - - Violation of Section 6-6-6 NMSA 1978, "When any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof...).

Effect - The overall effect of overspending demonstrates and control environment that has a weakness and budget discipline needs to be advocated by management.

Cause - The lack of fiscal discipline is the primary cause

Recommendation - A monthly budget review with the Clerk/Treasurer, with all department heads with spending authority should be initiated and practiced regularly.

Response from the Villages' officials - Our source for water raised their rates unexpectedly and it took time for the Village of Encino to adjust our rates to compensate.

**VILLAGE OF ENCINO
NEW MEXICO
PRIOR YEAR AUDIT FINDINGS AND
EXIT CONFERENCE AND OTHER INFORMATION
JUNE 30, 2005**

SCHEDULE OF PRIOR YEAR FINDINGS

2004-01 - Audit Report Submission to the New Mexico State Auditor

Repeated

2004-02 - The Primary Government funds, which include the General Fund and the Water fund have exceeded their budget expenditures.

Repeated

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2005, was discussed during the exit conference held on July 30, 2008. Present for the Village were, Mayor John G. Phillips III and Juanita S. Barnes, Clerk-Treasurer. Present for the auditing firm was Andrew J. Perkins, CPA.

FINANCIAL STATEMENT PREPARATION

The auditing firm of A.J. Perkins, Certified Public Accountant, prepared the financial statements of the Village of Encino as of June 30, 2005. The Village's upper management has reviewed and approved the financial statements and related notes, and they believe that the Village's books and records adequately support them.