

**State of New Mexico
Village of Encino**

**Annual Financial Report
For The Year Ended June 30, 2007**

(With Independent Auditor's Report Thereon)

State of New Mexico
Village of Encino

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Village of Encino

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INTRODUCTORY SECTION

**State of New Mexico
Village of Encino**

**Official Roster
June 30, 2007**

Name

Title

John G Phillips, III
A W Dolman
William Murphy
Isabel Alarid
Dolores Larranaga

Mayor
Trustee
Trustee
Trustee
Trustee

Administration

Juanita Barnes

Clerk/Treasurer

Garcia and Associates, CPA, LLC

Certified Public Accountant and Business Consultants

Raymond J. Garcia, CPA
Partner

Paul Lucero, MBA
Partner

2060 Main Street NE, Suite C
Los Lunas, NM 87031
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INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas
New Mexico State Auditor, and
The Board of Trustees
Village of Encino
Encino, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and major special revenue funds, and the aggregate remaining fund information of the Village of Encino (the Village), as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Village's non major governmental funds and all budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007 as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and with standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we 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, evidence 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Village, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non major governmental fund of the Village as of June 30, 2007, and respective changes in financial position thereof, and the budgetary comparisons for the non major governmental funds and enterprise fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

Mr. Hector H. Balderas
New Mexico State Auditor, and
The Board of Trustees
Village of Encino
Encino, New Mexico

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In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2010 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our 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 over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with Government Auditing Standards and should be considered in assessing the result of our audit.

For the year ended June 30, 2007, the Village of Encino has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basis financial statements.

Our audit was conducted for the purposes of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The accompanying schedule of changes in assets and liabilities of agency fund is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedure applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Garcia and Associates, CPA, LLC
Los Lunas, New Mexico
November 23, 2010

**State of New Mexico
Village of Encino
Statement of Net Assets
June 30, 2007**

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 14,612	\$ 3,666	\$ 18,278
Taxes receivable	7,189	-	7,189
Intergovernmental receivable	-	-	-
Interfund receivable	-	1,400	1,400
Accounts receivable (net)	-	3,089	3,089
Total current assets	<u>21,801</u>	<u>8,155</u>	<u>29,956</u>
Restricted assets:			
Cash and cash equivalents	-	-	-
Total restricted assets	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets:			
Capital assets not being depreciated:			
Land	8,985	-	8,985
Capital assets being depreciated:			
Distribution system	-	538,741	538,741
Buildings and improvements	1,058,392	169,000	1,227,392
Furniture, fixtures and equipment	13,713	21,874	35,587
Vehicles	105,242	-	105,242
Less accumulated depreciation	<u>(1,095,833)</u>	<u>(132,568)</u>	<u>(1,228,401)</u>
Total capital assets	<u>90,499</u>	<u>597,047</u>	<u>687,546</u>
Total assets	<u>112,300</u>	<u>605,202</u>	<u>717,502</u>
LIABILITIES			
Accounts payable	3,008	1,725	4,733
Accrued payroll	1,312	584	1,896
Accrued taxes payable	100	-	100
Compensated absences payable	1,741	-	1,741
Interfund payable	1,400	-	1,400
Deposits held for others	-	2,120	2,120
Total liabilities	<u>7,561</u>	<u>4,429</u>	<u>11,990</u>
NET ASSETS			
Invested in capital assets	90,499	597,047	687,546
Restricted for:			
Customer meter deposits	-	2,120	2,120
Unrestricted	14,242	1,605	15,847
Total net assets	<u>\$ 104,741</u>	<u>\$ 600,772</u>	<u>\$ 705,513</u>

**State of New Mexico
Village of Encino
Statement of Activities
June 30, 2007**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services		Primary Government		Total
		Operating	Capital	Governmental	Business-type	
Primary Government						
Governmental activities:						
General government	\$ 133,585	\$ 1,850	\$ -	\$ (131,735)	\$ -	(131,735)
Public safety	45,811	1,181	-	(44,630)	-	(44,630)
Public works	4,665	-	-	(4,665)	-	(4,665)
Public health	4,506	-	5,080	574	-	574
Total governmental activities	188,567	3,031	5,080	(180,456)	-	(180,456)
Business-type activities:						
Water	61,517	33,941	-	-	(27,576)	(27,576)
Total business-type activities	61,517	33,941	-	-	(27,576)	(27,576)
Total primary government	\$ 250,084	\$ 36,972	\$ 5,080	\$ (180,456)	\$ (27,576)	(208,032)
General revenues:						
Taxes						
Property taxes, levied for general purposes				1,464	-	1,464
Gross receipts taxes				11,634	-	11,634
Other taxes				54,839	-	54,839
Grants and contributions unrestricted				50,767	-	50,767
Transfers				(835)	835	-
Total general revenues				117,869	835	118,704
Changes in net assets				(62,587)	(26,741)	(89,328)
Net assets, beginning of year				168,628	617,763	786,391
Restatement				(1,300)	9,750	8,450
Net assets, beginning of year (restated)				167,328	627,513	794,841
Net assets, end of year				\$ 104,741	\$ 600,772	\$ 705,513

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

State of New Mexico
Village of Encino
Balance Sheet
Governmental Funds
June 30, 2007

	General Fund	Fire Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,145	\$ 4,517	\$ 950	\$ 14,612
Taxes receivable	7,189	-	-	7,189
Intergovernmental receivables	-	-	-	-
Inventories	-	-	-	-
Total assets	<u>\$ 16,334</u>	<u>\$ 4,517</u>	<u>\$ 950</u>	<u>\$ 21,801</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,123	\$ 885	\$ -	\$ 3,008
Accrued payroll	1,312	-	-	1,312
Accrued taxes payable	100	-	-	100
Due to utility fund	1,400	-	-	1,400
Total liabilities	<u>4,935</u>	<u>885</u>	<u>-</u>	<u>5,820</u>
Fund balances:				
Reserved for:				
Capital projects	-	-	-	-
Unreserved reported in:				
General fund	11,399	-	-	11,399
Special revenue funds	-	3,632	950	4,582
Total fund balances	<u>11,399</u>	<u>3,632</u>	<u>950</u>	<u>15,981</u>
Total liabilities and fund balances	<u>\$ 16,334</u>	<u>\$ 4,517</u>	<u>\$ 950</u>	<u>\$ 21,801</u>

State of New Mexico
Village of Encino
Reconciliation of the Governmental Fund Balance Sheet to the
Statement of Net Assets
June 30, 2007

Total Fund balance for governmental funds	\$	15,981
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Total net assets reported for governmental activities in the statement of net assets is different because:

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

Governmental capital assets	\$ 1,186,332		
Less accumulated depreciation	<u>(1,095,833)</u>		90,499

Long-term and short-term liabilities applicable to the Village governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in statement of net assets

Compensated absences payable	\$ (1,741)		
	<u> </u>		<u>(1,741)</u>

Total net assets of governmental activities	\$	<u>104,741</u>
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State of New Mexico
Village of Encino
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	General Fund	Fire Fund	Other Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 1,464	\$ -	\$ -	\$ 1,464
Gross receipts tax	11,634	-	-	11,634
Franchise tax	-	-	-	-
Other taxes	-	-	-	-
Licenses and permits	325	-	-	325
Intergovernmental revenue and grants	49,780	-	10,139	59,919
Charges for service	1,525	-	-	1,525
Other revenues	50,767	1,181	-	51,948
Total revenues	115,494	1,181	10,139	126,814
EXPENDITURES:				
Current -				
General government	114,441	-	-	114,441
Public safety	-	45,811	-	45,811
Public works	-	-	4,665	4,665
Public health	-	-	4,506	4,506
Capital outlay	9,410	-	-	9,410
Capital outlay	-	-	-	-
Total expenditures	123,850	45,811	9,171	178,832
Excess (deficiency) of revenues over expenditures	(8,356)	(44,629)	968	(52,018)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(835)	(835)
Total other financing sources (uses)	-	-	(835)	(835)
Net changes in fund balances	(8,356)	(44,629)	133	(52,853)
Fund balances - July 1 (Beginning)	21,155	48,262	717	70,134
Restatement	(1,400)	-	100	(1,300)
Fund balances - July 1 (Restated)	19,755	48,262	817	68,834
Fund balances, end of year	\$ 11,399	\$ 3,632	\$ 950	\$ 15,981

State of New Mexico
Village of Encino
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund
Balances to Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Net changes in fund balances - total governmental funds \$ (52,853)

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 as depreciation expense.

Expenditures for capital assets	9,402	
Less current year depreciation	<u>(19,034)</u>	(9,632)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	<u>(103)</u>	(103)
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Change in net assets of governmental activities		<u><u>\$ (62,587)</u></u>

State of New Mexico
Village of Encino
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,369	\$ 1,419	\$ 1,418	\$ (1)
Gross receipts taxes	8,000	9,985	9,985	(0)
Licenses and permits	355	325	325	-
Intergovernmental revenue and grants	46,505	47,725	47,725	0
Charges for services	-	-	1,525	1,525
Other revenues	12,570	48,843	47,327	(1,516)
Total revenues	68,799	108,297	108,305	8
EXPENDITURES:				
General government	69,098	120,578	121,639	(1,061)
Capital outlay	-	-	9,402	(9,402)
Total expenditures	69,098	120,578	131,041	(10,463)
Excess (deficiency) of revenues over expenditures	(299)	(12,281)	(22,736)	(10,455)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(299)	(12,281)	(22,736)	(10,455)
Cash carryover	299	12,281	22,736	0
	\$ -	\$ (0)	\$ (0)	\$ (10,455)
Budgetary - GAAP Reporting Reconciliation:				
Excess (deficiency) of revenues over expenditures and other financing sources (uses)			\$ (22,736)	
Adjustments for revenue accruals			7,189	
Adjustment for expenditures accruals			7,191	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)			\$ (8,356)	

State of New Mexico
Village of Encino
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
Fire Protection Fund
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Intergovernmental revenue and grants	\$ 39,058	\$ 40,773	\$ -	\$ (40,773)
Other	400	400	1,181	781
Investment earnings	-	-	-	-
Total revenues	<u>39,458</u>	<u>41,173</u>	<u>1,181</u>	<u>(39,992)</u>
EXPENDITURES:				
Public safety	39,420	46,670	44,957	1,713
Capital outlay	-	-	-	-
Total expenditures	<u>39,420</u>	<u>46,670</u>	<u>44,957</u>	<u>1,713</u>
Excess (deficiency) of revenues over expenditures	38	(5,497)	(43,776)	(38,279)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	38	(5,497)	(43,776)	(38,279)
Cash carryover	<u>-</u>	<u>5,497</u>	<u>43,776</u>	<u>-</u>
	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ (38,279)</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ (43,776)
Adjustments for revenue accruals	-
Adjustment for expenditures accruals	<u>(853)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ (44,629)</u>

**State of New Mexico
Village of Encino
Statement of Net Assets
Proprietary Funds
June 30, 2007**

	Water
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 3,666
Accounts receivable	3,089
Total current assets	6,755
Noncurrent assets:	
Due from general fund	1,400
Land	-
Distribution system	538,741
Buildings and improvements	169,000
Vehicles, furniture and equipment	21,874
Accumulated depreciation	(132,568)
Total noncurrent assets	598,447
Total assets	605,202
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	1,725
Accrued payroll	584
Deposits held for others	2,120
Total current liabilities	4,429
Noncurrent liabilities:	
Revenue bonds payable	-
Total non-current liabilities	-
Total liabilities	4,429
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	597,047
Restricted for:	
Deposits held for others	2,120
Unrestricted	1,605
Total net assets	\$ 600,772

State of New Mexico
Village of Encino
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2007

	Water
Operating revenues:	
Charges for services	\$ 33,941
Other revenues	-
Total operating revenues	33,941
Operating expenses:	
Salaries	7,457
Other operating expenses	34,958
Depreciation	19,102
Total operating expenses	61,517
Operating income	(27,576)
<u>Nonoperating revenues (expenses):</u>	
Interest expense	-
Interest income	-
Transfers in (out)	835
Total nonoperating revenues (expenses)	835
Changes in net assets	(26,741)
Total net assets, beginning of year	617,763
Restatement	9,750
Total net assets restated, beginning of year	627,513
Total net assets, end of year	\$ 600,772

State of New Mexico
Village of Encino
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2007

<u>Increase (Decrease) In Cash and Cash Equivalents</u>	<u>Water</u>
Cash flows from operating activities:	
Cash received from customers	\$ 41,509
Other receipts	-
Cash payments to employees	(7,937)
Cash payments to suppliers for goods and services	(30,273)
Cash payments for other operating expenses	(2,666)
Net cash provided by (used for) operating activities	633
Cash flows from noncapital financing activities:	
Transfers from other funds	835
Net cash provided by (used for) noncapital and related financing activities	835
Cash flows from capital and related financing activities:	
Proceeds from state grant	-
Net cash provided by (used for) capital and related financing activities	-
Cash flows from investing activities:	
Investment income	-
Net cash provided by investing Activities	-
Net increase (decrease) in cash and cash equivalents	1,468
Cash and cash equivalents, beginning of year	2,198
Cash and cash equivalents, end of year	\$ 3,666

Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities

Operating income	\$ (27,576)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	19,102
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable - utilities	7,381
Increase (decrease) in accounts payable - operations	1,725
Increase (decrease) in deposits held for others	-
Total adjustments	28,208
Net cash provided by (used for) operating activities	\$ 632

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

State of New Mexico
Village of Encino
Notes to The Financial Statements
June 30, 2007

History, Mission and Organization

The Village of Encino was incorporated under the laws of the State of New Mexico in the early 1900's. The Village operates under a Council-Mayor form of government, providing services as authorized by its charter: public safety fire, streets, sanitation, health and welfare, culture and recreation, public improvements, and general administrative services

1) Summary of Significant Accounting Policies

The Village's financial statements are prepared using the accrual basis of accounting, in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standard Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB approved Statement #34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Government." In June 2001, the GAAP approved Statement No. 37 "Basic Financial Statements and Management Discussion and Analysis for State and Local Government: Omnibus" and Statement No. 38 "Certain Financial Statement Note Disclosures". Statement No. 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies establishes and rescinds certain financial statement disclosure requirements. The Village of Encino implemented the provisions of the above statements effective July 1, 2003.

A. Financial Reporting Entity

The Village Council (the "Council") is elected by the public and it has authority to make decisions, appoint administrators and managers, and significantly influence operations. It also holds 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." The Village is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Even though, the Village has decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The Village does not have any component units; therefore, component units are not represented in the financial statements.

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Village of Encino non-fiduciary activities with most of the inter fund activities removed. Governmental activities include programs supported primarily by taxes, state funds, grants and other intergovernmental revenues. Business-type activities include operations that rely on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the Village operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the Village. Examples include user charges at

State of New Mexico
Village of Encino
Notes to The Financial Statements
June 30, 2007

1. Summary of Significant Accounting Policies – (Continued)

recreation facilities and for health care services. The "grants and contributions" column includes amounts paid by organizations outside the Village to help meet the operational or capital requirements of a given function. Examples include grants under Housing and Urban Development's Community Development Block Grants. If revenue is not program revenue, it is general revenue used to support all of the Village's functions. Taxes are always general revenues.

Inter fund activities between governmental funds and between governmental funds and proprietary funds] appear as due to/due from on the Governmental Fund Balance Sheet [and Proprietary Fund Statement of Net Assets} and as other resource and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance (and on the Proprietary Fund Statement of Revenues, Expenses and Charges in Fund Net Assets).

The fund financial statements provide reports on the financial condition and results of operations for two fund categories -governmental and proprietary. The village considers some governmental (and enterprise) funds major and reports their financial condition and results of operations in a separate column The fund financial statements exclude the portion of these non exchange transaction revenues that are not available.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

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

The government-wide financial statements use the economic resource measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenue, expenses, gains, losses, assets, and liabilities resulting from exchange transactions, derived tax revenues such as gross receipt taxes, and exchange-like transactions should be recognized when the exchange takes places. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied, net of estimated refunds and uncollectible amounts. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increase and decrease in current assets (i .e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and

State of New Mexico
Village of Encino
Notes to The Financial Statements
June 30, 2007

1. Summary of Significant Accounting Policies – (Continued)

principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The Village considers all revenues available if they are collectable within 60 days after year end. Property taxes are considered revenue when they are levied, even if enforceable legal claims arise or the due date for payment occurs in a different period.

Revenues from local sources consist primarily of property, franchise, and gross receipts taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The Village considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the grant provisions. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the Village to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and recognized that become measurable. The Village applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. Fund Accounting

The Village reports the following major governmental funds:

1. **General Fund** --The General Fund is the Village's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Fire Protection Fund** To account for the operations and maintenance of fire equipment. Financing is provided by a State allotment. Authority - NMSA 59A-53-1.

State of New Mexico
Village of Encino
Notes to The Financial Statements
June 30, 2007

1. Summary of Significant Accounting Policies – (Continued)

The Village reports the following major enterprise funds:

- **Utility Fund** - Water funds are used to account for the provision of water services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund including administration, operations billing and maintenance.

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

Governmental Funds:

- **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 project periods.

Proprietary Funds:

- **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.

E. Other Accounting Policies:

1. For purposes of the statement of cash flows for proprietary funds, the Village considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The Village reports inventories of supplies at cost including consumable maintenance and office items. Supplies are recorded as expenditures when they are consumed.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

State of New Mexico
Village of Encino
Notes to The Financial Statements
June 30, 2007

4. It is the Village's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. All sick pay and vacation pay is accrued when incurred in the government - wide, proprietary, and fiduciary fund financial statements.
5. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the governmental-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 two years. Such 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. Interest expense during construction is not capitalized except in enterprise funds. Computer software costing more than \$5,000 is depreciated. For the fiscal year 2006, the State's capitalization policy of capital assets are defined by the Village as an asset with an initial individual cost of more than \$5,000 and estimated useful life in excess of one year.

Buildings, furniture and equipment of the Village are depreciated using the straight line method of the following estimated useful lives:

Buildings and Improvements	40 years
Sewer plants	40 years
Infrastructure	10-20 years
Machinery & Equipment	10-20 years
Vehicles	5-10 years
Computer Equipment & Software	5-10 years

6. 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 use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
7. 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.

State of New Mexico
Village of Encino
Notes to The Financial Statements
June 30, 2007

2. Stewardship, Compliance, and Accountability

A. Budgetary Data

The Village Council adopts an "appropriated budget" for the General Fund, Special Revenue Funds 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 budgetary comparison is prepared on the cash basis of accounting.

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 on the basis of the legally adopted budget.
5. Appropriations 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 for each budget is in fund total.

B. Deposit and Investments

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2007 \$0 of the government's bank balance of \$18,842 was exposed to custodial credit risk as follow:

**State of New Mexico
Village of Encino
Notes to The Financial Statements
June 30, 2007**

2. Stewardship, Compliance, and Accountability (Continued)

	<u>Bank Balance</u>
	\$ 18,842
Total deposits as of June 30, 2007	\$ 18,842

The following is the investment at the Financial Institution:

	<u>Wells Fargo Bank</u>
Balance per bank	\$ 18,842
Demand deposits:	
General funds	\$ 15,176
Utility funds	3,666
Total deposits	18,842
Less: FDIC coverage	(18,842)
Uninsured public funds	-

State of New Mexico
Village of Encino
Notes to The Financial Statements
June 30, 2007

2. Stewardship, Compliance, and Accountability (Continued)

Following is a reconciliation of the Village's cash and investment balances as of June 30, 2007:

Name of Depository	Account Name	Type of Account	Interest Bearing	Bank balance at June 30, 2007	(Outstanding item)	Reconciled Balance at June 30, 2007
Wells Fargo Bank NA	Village of Encino	Checking	Yes	\$ 4,530	\$ (13)	\$ 4,517
Wells Fargo Bank NA	Village of Encino	Checking	Yes	10,078	(1,002)	9,076
Wells Fargo Bank NA	Village of Encino	Savings	Yes	835	-	835
Wells Fargo Bank NA	Village of Encino	Checking	Yes	2,159	671	2,830
Wells Fargo Bank NA	Village of Encino	Checking	Yes	761	-	761
Wells Fargo Bank NA	Village of Encino	Checking	Yes	478	(290)	189
	Balance per bank			18,842		
	Outstanding item			-	<u>(634)</u>	
Petty cash	Village of Encino			70		70
	Cash balances as of June 30, 2007			<u>\$ 70</u>		<u>\$ 18,278</u>
Cash reconciliation to Fund type:						
	Total cash for Government Funds					\$ 14,612
	Total cash for Sewer Fund					3,666
						-
	Cash balances as of June 30, 2007					<u>\$ 18,278</u>

**State of New Mexico
Village of Encino
Notes to The Financial Statements
June 30, 2007**

2. Stewardship, Compliance, and Accountability (Continued)

C. Property Taxes

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 two installments by December 10 and May 10 of the following year. The County collects such taxes and distributes 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 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 Village fiscal year.

D. Accounts Receivables

Accounts receivables at June 30, 2007, consisted of the following:

	Governmental Activities	Business-Type Activities
Municipal Taxes	\$ 1,949	\$ -
State Shared Taxes	106	-
Intergovernmental receivables	5,135	-
Other accounts receivable	-	3,089
Net Receivables	\$ 7,189	\$ 3,089

The above governmental and business-type receivables are deemed 100% collectible.

No allowances for uncollectible property taxes receivables, either current or delinquent, are included within the Village's funds because the information is unavailable from the County. The Village is prohibited from writing off real property taxes.

E. Interfund Balances and Activity

Transfer to/from other funds at June 30, 2007, consist of the following

Due From	Due To	Amount	Reason
General Fund	Utility Fund	\$ 1,400	Reimburse for operating expense

State of New Mexico
Village of Encino
Notes to The Financial Statements
June 30, 2007

2. Stewardship, Compliance, and Accountability (Continued)

F. Capital Asset Activity

The changes in capital assets for the year ended June 30, 2007 is as follows:

Governmental - Type Activities:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets not being depreciated				
Land	8,985	\$ -	\$ -	\$ -
	<u>8,985</u>	<u>-</u>	<u>-</u>	<u>8,985</u>
Land	8,985	-	-	8,985
	<u>8,985</u>	<u>-</u>	<u>-</u>	<u>8,985</u>
Other capital assets				
Vehicles	105,242	-	-	105,242
Equipment	13,713	-	-	13,713
Buildings	798,990	-	-	798,990
Building Improvements	250,000	9,402	-	259,402
Total governmental capital assets	<u>1,167,945</u>	<u>9,402</u>	<u>-</u>	<u>1,177,347</u>
Less accumulated depreciation				
Vehicles	(105,242)	-	-	(105,242)
Equipment	(5,901)	(1,741)	-	(7,642)
Buildings	(166,666)	(17,293)	-	(183,959)
Building Improvements	(798,990)	-	-	(798,990)
	<u>(1,076,799)</u>	<u>(19,034)</u>	<u>-</u>	<u>(1,095,833)</u>
Net Assets	<u>\$ 100,131</u>	<u>\$ (9,632)</u>	<u>\$ -</u>	<u>\$ 90,499</u>

Business Type Activities

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Vehicles	21,874	-	-	21,874
Buildings	169,000	-	-	169,000
Infrastructure - Water System	538,741	-	-	538,741
	<u>\$ 729,615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 729,615</u>
Less accumulated depreciation				
Vehicles	(21,874)	-	-	(21,874)
Buildings	(30,983)	(5,633.00)	-	(36,616)
Infrastructure - Water System	(60,608)	(13,469.00)	-	(74,077)
	<u>(113,465)</u>	<u>(19,102)</u>	<u>-</u>	<u>(132,568)</u>
Net Assets	<u>\$ 616,150</u>	<u>\$ (19,102)</u>	<u>\$ -</u>	<u>\$ 597,047</u>

**State of New Mexico
Village of Encino
Notes to The Financial Statements
June 30, 2007**

2. Stewardship, Compliance, and Accountability (Continued)

Depreciation expense was charged to governmental functions as follows:

Financial administration	17,605
Total general government	17,605
Public safety	
Fire protection	1,429
Total public safety	1,429
	\$ 19,034

3. Revenues -Charge For Services And Fees

Charge for services and fees composed of rental income and permits.

	General Fund
Rental income	\$ 1,525
Fines	-
Licenses and permits	325
Local corrections fee	-
Total charges for services and fees	\$ 1,850

4. Account Payable

Accounts payable represent expenditures for goods and services prior to June 30, 2007.

5. Invested In Capital Assets (Net Related Debt)

Invested in capital assets (net related debt) - is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated un-amortized cost.

State of New Mexico
Village of Encino
Notes to The Financial Statements
June 30, 2007

6. Restricted Assets

Restricted Assets are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitation on their use.

7. Unrestricted Assets

Unrestricted assets represent unrestricted liquid assets.

8. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

9. Compensation Absences Payable

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

	Vacation Leave
Balance June 30, 2006	\$ 1,638
Additions	5,047
(Deductions)	<u>(4,944)</u>
Balance June 30, 2007	<u>\$ 1,741</u>

The compensation absences payable is due within one year for the amount of \$1,741.

All amounts are classified as current liabilities. The General have been used to liquidate amounts in the past.

10. Defined Benefit Pension Plan

The Village has elected not to participate in the Public Employees Retirement System Association.

11. Post-Employment Benefits

The Retiree Health Care Act (Act) (Chapter 10, Article 7C, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. As authorized under Section 90 of Chapter 6, Law of 1990, the City has elected not to participate in the program by adoption of an ordinance.

State of New Mexico
Village of Encino
Notes to The Financial Statements
June 30, 2007

12. Participation In Public Entity Risk Pool

The Village is a member of the New Mexico Self-Insurers' Fund (the "Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for insurance coverage and develop a comprehensive loss control program. The Village pays an annual premium to the Fund for its workers' compensation liability, general liability, auto liability, auto physical damage and property coverage. The Village's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide through commercial companies reinsurance contracts, individual stop loss coverage for member cities. The Village paid premiums of \$37,279 for the year ended June 30, 2007.

13. Prior Period Adjustments

During the current year, it was determined that accounts receivable from customers in the Utility Fund had not been accrued in the previous year's financial statements. An adjustment was made in the amount of \$9,750 to the accounts receivable account and net assets account.

An amount due to the Utility Fund from the General Fund for operating expenditures incurred, and not recorded in prior years. The amount of this adjustment was \$1,400.

The Gas Fund had a deposit in transit in the amount of \$100 which was not included in the prior year's financial statements. An adjustment was made for this amount to net assets.

14. Excess Expenditures Over Appropriations

New Mexico State Statues restricts all officials and governing authorities from approving claims in excess of the approved budget. The Village exceeded its authorized authority by \$11,194 as follows:

Fund	Budgeted Expenses	Actual Expenses	Difference
General	\$ 120,578	\$ 131,041	\$ (10,463)
Emergency Medical Services	3,775	4,506	(731)
Totals	<u>\$ 124,353</u>	<u>\$ 135,547</u>	<u>\$ (11,194)</u>

15. Significant Commitments and Contingencies

The Village has no significant future commitments and contingencies.

State of New Mexico
Village of Encino
June 30, 2007

Special Revenue Funds

Major Funds

Fire Protection Fund - To account for the operations and maintenance of fire equipment. Financing is provided by a state allotment. Authority - NMSA 59A-53-1.

Non-Major Funds

Emergency Medical Services Fund - To account for state and county proceeds provided for operations of the Village's emergency medical services. Authority -NMSA 24-10A-1 to 10.

Gas Fund - To account for the receipts and expenditures for special gasoline tax, is restricted for use in repairing and maintaining roads and streets within the municipality. The fund was created by state statute, NMSA 7-1-6.9 and 7-13-1 to 18.

State of New Mexico
Village of Encino
Combining Balance Sheet
Non Major Governmental Funds
June 30, 2007

	EMS Fund	Gas Fund	Meter Fund	Total
ASSETS				
Cash and cash equivalents	\$ 761	\$ 189	\$ -	\$ 950
Taxes receivable	-	-	-	-
Intergovernmental receivables	-	-	-	-
Total assets	\$ 761	\$ 189	\$ -	\$ 950
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Reserved	-	-	-	-
Unreserved	761	189	-	950
Total fund balances	761	189	-	950
Total liabilities and fund balances	\$ 761	\$ 189	\$ -	\$ 950

State of New Mexico
Village of Encino
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Non Major Governmental Funds
Year Ended June 30, 2007

	EMS Fund	Gas Fund	Meter Fund	Total
REVENUES:				
Taxes:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue and grants	5,080	5,059	-	10,139
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>5,080</u>	<u>5,059</u>	<u>-</u>	<u>10,139</u>
EXPENDITURES:				
Public safety	-	-	-	-
Public works	-	4,605	60	4,665
Health	4,506	-	-	4,506
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>4,506</u>	<u>4,605</u>	<u>60</u>	<u>9,171</u>
Excess (deficiency) of revenues over expenditures	<u>574</u>	<u>453</u>	<u>(60)</u>	<u>968</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(835)	(835)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(835)</u>	<u>(835)</u>
Net changes in fund balances	<u>574</u>	<u>453</u>	<u>(895)</u>	<u>133</u>
Fund balances - July 1 (Beginning)	186	(364)	895	717
Restatement	-	100	-	100
Fund balances - July 1 (Restated)	<u>186</u>	<u>(264)</u>	<u>895</u>	<u>817</u>
Fund balances - June 30 (Ending)	<u>\$ 760</u>	<u>\$ 189</u>	<u>\$ 0</u>	<u>\$ 950</u>

State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
Emergency Medical Services Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental revenue and grants	\$ 4,000	\$ 5,080	\$ 5,080	\$ -
Other	-	-	-	-
Total revenues	<u>4,000</u>	<u>5,080</u>	<u>5,080</u>	<u>-</u>
EXPENDITURES:				
Health	3,575	3,775	4,506	(731)
Capital Outlay	-	-	-	-
Total expenditures	<u>3,575</u>	<u>3,775</u>	<u>4,506</u>	<u>(731)</u>
Excess (deficiency) of revenues over expenditures	425	1,305	574	(731)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	425	1,305	574	(731)
Cash carryover	-	-	-	-
	<u>\$ 425</u>	<u>\$ 1,305</u>	<u>\$ 574</u>	<u>\$ (731)</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 574
Adjustments for revenue accruals	-
Adjustment for expenditures accruals	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ 574</u>

State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
Gas Tax Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental revenue and grants	\$ 5,004	\$ 5,004	\$ 5,059	\$ 55
Total revenues	<u>5,004</u>	<u>5,004</u>	<u>5,059</u>	<u>55</u>
EXPENDITURES:				
Public Works	5,000	5,000	4,969	31
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>4,969</u>	<u>31</u>
Excess (deficiency) of revenues over expenditures	4	4	89	85
Cash carryover	-	-	-	0
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89</u>	<u>\$ 85</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 89
Adjustments for revenue accruals	-
Adjustment for expenditures accruals	<u>364</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ 453</u>

**State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
Meter Fund
For the Fiscal Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental revenue and grants	\$ -	\$ 340	\$ -	\$ -
Other	-	-	-	-
Total revenues	-	340	-	-
EXPENDITURES:				
Public works	-	340	60	280
Total expenditures	-	340	60	280
Excess (deficiency) of revenues over expenditures	-	-	(60)	280
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(835)	(835)	-
Total other financing sources (uses)	-	(835)	(835)	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	(835)	(895)	280
Cash carryover	-	-	895	-
	\$ -	\$ (835)	\$ -	\$ 280

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ -
Adjustments for revenue accruals	-
Adjustment for expenditures accruals	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$ -

State of New Mexico
Village of Encino
June 30, 2007

Proprietary Fund Types

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges.

State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
Utility Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Charges for services	\$ 29,400	\$ 42,307	\$ 41,508	\$ (799)
Total revenues	<u>29,400</u>	<u>42,307</u>	<u>41,508</u>	<u>(799)</u>
EXPENDITURES:				
Repairs and maintenance	29,316	42,200	40,876	1,324
Depreciation	-	-	-	-
Total expenditures	<u>29,316</u>	<u>42,200</u>	<u>40,876</u>	<u>1,324</u>
Excess (deficiency) of revenues over expenditures	84	107	632	525
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	835	835
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>835</u>	<u>835</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	84	107	1,467	1,360
Cash carryover	-	-	-	0
	<u>\$ 84</u>	<u>\$ 107</u>	<u>\$ 1,467</u>	<u>\$ 1,360</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 1,467
Adjustments for revenue accruals	(7,567)
Adjustment for expenditures accruals	<u>(20,641)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ (26,741)</u>

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Independent Auditor's 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

Mr. Hector H. Balderas
New Mexico State Auditor, and
The Board of Trustees
Village of Encino
Encino, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and respective budgetary comparison, and the aggregate remaining fund information of the Village of Encino (the Village), as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated November 23, 2010. We have also audited the financial statements of each of the Village's non-major governmental funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007 as listed in the table of contents. We conducted our 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 the audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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.

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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 agency's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-01, 2007-02 and 2005-01 to be significant deficiencies in internal control over financial reporting.

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 Village's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-01, 2005-01 and 2005-02 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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, we do not express such an opinion. The results of our tests disclosed 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 item 2007-02, 2005-01 and 2005-02.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the Village, the audit committee, the State Auditor, the New Mexico Legislature, New Mexico Department of Finance Administration and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Garcia and Associates, CPA, LLC
Los Lunas, New Mexico
November 23, 2010

**State of New Mexico
Village of Encino
Schedule of Findings and Responses
For The Year Ended June 30, 2007**

Summary Schedule of Prior Year Audit Findings

Findings for Fiscal Year 2006

Current Status

2005-1 Failure to submit audit report on time.

Repeated in current year

2005-2 Budgeted expenditures exceeded

Repeated in current year

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For The Year Ended June 30, 2007**

Current Year Audit Findings

2007-1 Account posting errors

Statement of Condition:

Four expense items were improperly posted to revenue accounts during the year. For example, on July 17, 2006 there was an expenditure for \$9,401 posted to a revenue account.

Criteria:

Section 12-6-5, NMSA 1978, states that any violation of law or good accounting practices should be communicated with the Villages management.

Cause:

Personnel assigned posting duties lacked adequate training with account coding requirements.

Effect:

Account balances can be understated and misstated.

Recommendation:

We recommend that the Village personnel receive adequate training.

Management's Response:

Village personnel will continue to take training. Management is in agreement that is important to further the education of the Village staff.

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2007-2 Quarterly report preparation

Statement of Condition:

The quarterly report for the year- end was not in agreement with the trial balance at year end.

Criteria:

Section 12-6-5, NMSA 1978, states that any violation of law or good accounting practices should be communicated with the Villages management.

Cause:

Personnel assigned report preparation duties lacked adequate training with account requirements.

Effect:

Account balances can be misstated.

Recommendation:

We recommend that the Village personnel receive adequate training.

Management's Response:

Village personnel will continue to take training. Management is in agreement that is important to further the education of the Village staff.

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2005-1 Budgeted expenditures exceeded

Statement of Condition:

The Village exceeded its budgets in the General Fund (by \$10,463) Emergency Medical Services Fund (by \$731).

Criteria:

The budget provisions as stated in 6-3-1 to 6-325 NMSA 1978 require that expenditures at the fund level cannot exceed budget expenditures.

Cause:

The Village did not review and amend the budget as necessary at year end.

Effect:

Noncompliance with New Mexico budgeting statues.

Recommendation:

The Village should adopt budgets and monitor and amend those budgets in accordance with New Mexico State Statues.

Management's Response:

The Village will review and make year- end budget adjustments in order to be in compliance.

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2005-2 Failure to submit audit report on time

Statement of Condition:

The village did not submit the audit report on time for the year ended June 30, 2007.

Criteria:

Per SAO Rule 2.2.2.9 A. (1), (d), The audit report for municipalities must be submitted by December 1, 2007.

Cause:

The contract was not acquired in time to allow completion of the audit by the required deadline.

Effect:

An audit report not issued in a timely manner may adversely affect management's decision making.

Recommendation:

The contract auditor should complete the audit by the required deadline.

Management's Response:

The Villages 2006 audit report was released until January 26, 2010 and the audit for 2007 could not start until after that date.

**State of New Mexico
Village of Encino
Schedule of Findings and Responses
For The Year Ended June 30, 2007**

Exit Conference

This report was discussed with the following individuals at an exit conference held on November 23, 2010.

Village of Encino

John G. Phillips III, Mayor
Loretta Chavez, Clerk/Treasurer

Audit Firm

Raymond J. Garcia, CPA
Garcia and Associates, CPA, LLC

Financial Statement Audit

Preparation of the Financial Statements

The basic financial statements and notes to the financial statements for the year ended June 30, 2007, were substantially prepared by the independent certified public accountant performing the audit; however, maintaining the audited entity's books and records is the responsibility of its management. Accordingly, management is responsible for ensuring that these books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance.