

Village of Floyd
State of New Mexico

Audited Financial Statements
and Supplemental Information

June 30, 2007

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**State of New Mexico
Village of Floyd**

**Official Roster
June 30, 2007**

Village Council

James Whitecotton

Mayor

Kenneth Whitecotton

Member

Colin Chandler

Member

Paul Benoit

Member

Administrative Officials

Toni Whitecotton

Clerk/Treasurer

FINANCIAL SECTION

JW Anderson & Associates, PC

Certified Public Accountants

Coppertree Office Park
4412 74th Street, Suite F-101
PO Box 6785
Lubbock, Texas 79493-6785
Office (806) 771-4000
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INDEPENDENT AUDITORS' REPORT

Hector Balderas, State Auditor
State of New Mexico, and
Village Council
Village of Floyd
PO Box 69
Floyd, NM 88118

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

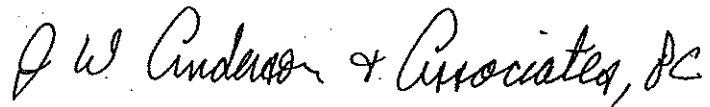
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that 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, and each major fund, and the aggregate remaining fund information of the Village of Floyd 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 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 nonmajor governmental fund of the Village of Floyd as of June 30, 2007, and the respective changes in financial position thereof, and budgetary comparisons of the nonmajor governmental funds and enterprise funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Village of Floyd 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 a part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2009 on our consideration of Floyd's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The Schedule of Deposits and Temporary Investments and Schedule of Collateral Pledged by Depository are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and , in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "J W Anderson & Associates, PC". The signature is written in dark ink and is positioned to the right of the typed company name.

JW ANDERSON & ASSOCIATES, PC
A Professional Corporation
Lubbock, Texas
February 13, 2009

BASIC FINANCIAL STATEMENTS

VILLAGE OF FLOYD, STATE OF NEW MEXICO
 GOVERNMENT-WIDE STATEMENT OF NET ASSETS
 June 30, 2007

ASSETS	Primary Government			Total 2007
	Governmental Activities	Business-Type Activities	Eliminations	
ASSETS				
Current Assets				
Pooled Cash and Cash Equivalents	\$ 272,754	\$ 14,062	\$ -	\$ 286,816
Certificates of Deposit	38,429	-	-	38,429
Due from Other Funds	27,120	-	(27,120)	-
Accounts Receivable, Net	-	1,541	-	1,541
Grant Receivable	-	24,958	-	24,958
Gross Receipts Taxes Receivable	6,649	-	-	6,649
Reimbursements Receivable	11,454	-	-	11,454
Total Current Assets	356,406	40,561	(27,120)	369,847
Capital Assets:				
Non-Depreciable Land	-	500	-	500
Buildings and Improvements, Net	183,800	64,400	-	248,200
Machinery and Equipment, Net	26,102	520,810	-	546,912
Vehicles, Net	308,740	-	-	308,740
Net Capital Assets	518,642	585,710	-	1,104,352
Total Assets	\$ 875,048	\$ 626,271	\$ (27,120)	\$ 1,474,199
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 1,129	\$ 25,482	\$ -	\$ 26,611
Due to Other Funds	27,120	-	(27,120)	-
Total Current Liabilities	28,249	25,482	(27,120)	26,611
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	518,642	585,710	-	1,104,352
Unrestricted	328,157	15,079	-	343,236
Total Net Assets	846,799	600,789	-	1,447,588
Total Liabilities and Net Assets	\$ 875,048	\$ 626,271	\$ (27,120)	\$ 1,474,199

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VILLAGE OF FLOYD, STATE OF NEW MEXICO
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2007

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 62,834	\$ -	\$ 38,108	\$ -
Public Safety	36,686	-	59,585	-
Culture and Recreation	11,034	-	15,513	-
Public Works	2,947	-	-	-
Depreciation - Unallocated	47,985	-	-	-
Interest on Long Term Debt	1,749	-	-	-
Total Governmental Activities	163,235	-	113,206	-
Business Type Activities				
Water	41,252	18,539	47,040	-
Total Business Type Activities	41,252	18,539	47,040	-
Total Primary Government	\$ 204,487	\$ 18,539	\$ 160,246	\$ -

General Revenues:

Taxes:

- Gross Receipts
- Property Tax
- Cigarette
- Gasoline

Interest Income

License, Fees, and Registrations

Rental

Transfers, Net

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Prior Period Adjustment

Net Assets - Beginning of Year as Adjusted

Net Assets - End of Year

**Net (Expenses) Revenue and
Changes in Net Assets
Primary Government**

Governmental Activities	Business-Type Activities	Total
\$ (24,726)	\$ -	\$ (24,726)
22,899	-	22,899
4,479	-	4,479
(2,947)	-	(2,947)
(47,985)	-	(47,985)
(1,749)	-	(1,749)
<u>(50,029)</u>	<u>-</u>	<u>(50,029)</u>
-	24,327	24,327
<u>-</u>	<u>24,327</u>	<u>24,327</u>
<u>(50,029)</u>	<u>24,327</u>	<u>(25,702)</u>
40,134	-	40,134
397	-	397
4	-	4
5,251	-	5,251
2,748	87	2,835
215	-	215
125	-	125
<u>14,522</u>	<u>(14,522)</u>	<u>-</u>
<u>63,396</u>	<u>(14,435)</u>	<u>48,961</u>
13,367	9,892	23,259
837,202	113,944	951,146
<u>(3,770)</u>	<u>476,953</u>	<u>473,183</u>
<u>833,432</u>	<u>590,897</u>	<u>1,424,329</u>
<u>\$ 846,799</u>	<u>\$ 600,789</u>	<u>\$ 1,447,588</u>

VILLAGE OF FLOYD, STATE OF NEW MEXICO
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2007

	General Fund	Fire	Other Funds	Total Governmental Funds
ASSETS				
ASSETS				
Pooled Cash and Cash Equivalents	\$ 227,536	\$ 14,554	\$ 30,664	\$ 272,754
Certificates of Deposit	38,429	-	-	38,429
Due from Other Funds	27,120	-	-	27,120
Gross Receipts Taxes Receivable	6,649	-	-	6,649
Reimbursements Receivable	-	11,454	-	11,454
Total Assets	<u>\$ 299,734</u>	<u>\$ 26,008</u>	<u>\$ 30,664</u>	<u>\$ 356,406</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 1,129	\$ -	\$ -	\$ 1,129
Due to Other Funds	-	-	27,120	27,120
Total Liabilities	1,129	-	27,120	28,249
FUND BALANCES				
Unreserved - Reported in Special Revenue Funds	-	-	3,544	3,544
Unreserved	298,605	26,008	-	324,613
Total Fund Balances	<u>298,605</u>	<u>26,008</u>	<u>3,544</u>	<u>328,157</u>
Total Liabilities and Fund Balances	<u>\$ 299,734</u>	<u>\$ 26,008</u>	<u>\$ 30,664</u>	<u>\$ 356,406</u>

VILLAGE OF FLOYD, STATE OF NEW MEXICO
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total Fund Balance - Governmental Funds \$ 328,157

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds 518,642

Net Assets of Governmental Activities \$ 846,799

VILLAGE OF FLOYD, STATE OF NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	General Fund	Fire	Other Funds	Total Governmental Funds
REVENUES				
Taxes				
Gross Receipts	\$ 40,134	\$ -	\$ -	\$ 40,134
Property	397	-	-	397
Cigarette	-	-	4	4
Gasoline	-	-	5,251	5,251
License, Fees, and Registrations	215	-	-	215
Grants and Contributions	38,108	52,785	22,313	113,206
Rental	125	-	-	125
Interest Income	2,576	33	139	2,748
	<u>81,555</u>	<u>52,818</u>	<u>27,707</u>	<u>162,080</u>
Total Revenues				
EXPENDITURES				
<i>Current:</i>				
General Government	62,834	-	-	62,834
Public Safety	-	32,832	3,854	36,686
Culture and Recreation	-	-	11,034	11,034
Public Works	-	-	2,947	2,947
<i>Debt Service</i>	-	56,315	-	56,315
<i>Capital Outlay</i>	-	15,984	-	15,984
	<u>62,834</u>	<u>105,131</u>	<u>17,835</u>	<u>185,800</u>
Total Expenditures				
Excess (Deficit) of Revenues over Expenditures	18,721	(52,313)	9,872	(23,720)
OTHER FINANCING SOURCES (USES)				
Transfers In	48,044	26,790	-	74,834
Transfers Out	(26,790)	-	(33,522)	(60,312)
Total Other Financing Sources (Uses)	<u>21,254</u>	<u>26,790</u>	<u>(33,522)</u>	<u>14,522</u>
Net Change in Fund Balance	39,975	(25,523)	(23,650)	(9,198)
Fund Balance, Beginning of Year, As Previously Stated	248,633	51,531	27,194	327,358
Prior Period Adjustment	<u>9,997</u>	<u>-</u>	<u>-</u>	<u>9,997</u>
Fund Balance, Beginning of Year - As Restated	<u>258,630</u>	<u>51,531</u>	<u>27,194</u>	<u>337,355</u>
Fund Balance, End of Year	<u>\$ 298,605</u>	<u>\$ 26,008</u>	<u>\$ 3,544</u>	<u>\$ 328,157</u>

VILLAGE OF FLOYD, STATE OF NEW MEXICO
 RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2007

Net Changes in Fund Balance - Governmental Funds \$ (9,198)

Amounts reported for governmental activities in the Statement of Activities
 are different because:

Governmental Funds to Statement of Activities Adjustments:

Governmental funds report capital outlays as expenditures. In the
 Statement of Activities, the cost of assets are allocated over their
 estimated useful lives in the form of depreciation 15,984

Debt service is an expenditure for governmental funds consisting
 of both interest expense (\$1,749) and principal (\$54,566) for the
 Notes Payable. The principal portion reduces Notes Payable
 on the Governmental Activities Balance Sheet and is not an
 expense on the Statement of Activities 54,566

Statement of Activities to Governmental Funds Adjustments:

Depreciation is recognized on the Statement of Activities as
 allocating the cost of the assets over their estimated useful lives (47,985)

Change in Net Assets of Governmental Activities \$ 13,367

VILLAGE OF FLOYD, STATE OF NEW MEXICO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes				
Gross Receipts	\$ 12,000	\$ 12,000	\$ 33,485	\$ 21,485
Property	944	944	397	(547)
License, Fees, and Registrations	200	200	215	15
Grants and Contributions	8,000	8,000	38,108	30,108
Rental	-	-	125	125
Interest Income	-	-	2,576	2,576
Total Revenues	21,144	21,144	74,906	53,762
EXPENDITURES				
<i>Current</i>				
General Government				
Personnel	22,608	22,608	23,841	(1,233)
Employee Benefits	20,468	20,468	9,054	11,414
Travel and Training	600	600	611	(11)
Purchased Property Services	1,900	1,900	-	1,900
Contractual Services	8,000	8,000	6,506	1,494
Supplies	6,000	6,000	7,206	(1,206)
Other Operating Costs	114,030	114,030	14,487	99,543
Total Operating Expenses	173,606	173,606	61,705	111,901
Operating Income (Loss)	(152,462)	(152,462)	13,201	165,663
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	(5,866)	(5,866)
Total Other Financing Sources (Uses)	-	-	(5,866)	(5,866)
Net Change in Fund Balance	(152,462)	(152,462)	7,335	159,797
Cash Balance, Beginning of Year , As Previously Stated	248,633	248,633	248,633	-
Prior Period Cash Adjustment	9,997	9,997	9,997	-
Cash Balance, Beginning of Year , As Restated	258,630	258,630	258,630	-
Fund Balance, End of Year	\$ 106,168	\$ 106,168	\$ 265,965	\$ 159,797
Reconciliation of Cash to General Fund Balance Sheet				
Pooled Cash and Cash Equivalents			\$ 227,536	
Certificates of Deposit			38,429	
Total Cash and Cash Equivalents			\$ 265,965	
Reconciliation of Budgetary Basis to Financial Statement Basis				
Total Revenues - Budgetary Basis			\$ 74,906	
Add Current Year Gross Receipts Tax Receivable			6,649	
Total Revenues - Financial Statement Basis			\$ 81,555	
Total Expenditures - Budgetary Basis			\$ 61,705	
Add Current Year Accounts Payable			1,129	
Total Expenditures - Financial Statement Basis			\$ 62,834	
Total Transfers - Budgetary Basis			\$ (5,866)	
Add Current Year Due From Other Funds			27,120	
Total Expenditures - Financial Statement Basis			\$ 21,254	

VILLAGE OF FLOYD, STATE OF NEW MEXICO
 FIRE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 (NON-GAAP BUDGETARY BASIS)
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Operating Contributions and Grants	\$ -	\$ -	\$ 9,209	\$ 9,209
State Forestry	-	-	2,803	2,803
State Fire Allotment	40,773	40,773	40,773	-
Interest Income	-	-	33	33
Total Revenues	40,773	40,773	52,818	12,045
EXPENDITURES				
<i>Current</i>				
Public Safety				
Personnel	-	-	1,605	(1,605)
Employee Benefits	-	-	1,521	(1,521)
Travel and Training	5,000	5,000	-	5,000
Insurance	-	-	1,355	(1,355)
Purchased Property Services	5,749	5,749	1,629	4,120
Contractual Services	6,000	6,000	2,776	3,224
Supplies	6,000	6,000	2,110	3,890
Other Operating Costs	6,000	6,000	33,290	(27,290)
<i>Debt Service</i>	-	-	56,315	(56,315)
<i>Capital Outlay</i>	12,024	13,535	15,984	(2,449)
Total Operating Expenses	40,773	42,284	116,585	(74,301)
Operating Income (Loss)	-	(1,511)	(63,767)	(62,256)
OTHER FINANCING SOURCES				
Transfers In	-	-	26,790	26,790
Total Other Financing Sources	-	-	26,790	26,790
Net Change in Cash Balance	(40,773)	(42,284)	(36,977)	5,307
Cash Balance, Beginning of Year	51,531	51,531	51,531	-
Cash Balance, End of Year	\$ 10,758	\$ 9,247	\$ 14,554	\$ 5,307

Reconciliation of Budgetary Basis to Financial Statement Basis

Total Expenditures - Budgetary Basis	\$ 116,585
Less Current Year Reimbursements Receivable	(11,454)
Total Expenditures - Financial Statement Basis	\$ 105,131

VILLAGE OF FLOYD, STATE OF NEW MEXICO
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2007

ASSETS	Water
ASSETS	
Current Assets	
Pooled Cash and Cash Equivalents	\$ 14,062
Accounts Receivable, Net	1,541
Grant Receivable	<u>24,958</u>
Total Current Assets	40,561
Capital Assets, Net	<u>585,710</u>
Total Assets	<u><u>\$ 626,271</u></u>
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	<u>\$ 25,482</u>
Total Current Liabilities	25,482
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	585,710
Unrestricted	<u>15,079</u>
Total Net Assets	<u>600,789</u>
Total Liabilities and Net Assets	<u><u>\$ 626,271</u></u>

VILLAGE OF FLOYD, STATE OF NEW MEXICO
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Water
OPERATING REVENUES	
Water and Trash Revenue	<u>\$ 18,539</u>
Total Revenues	18,539
OPERATING EXPENDITURES	
Personnel	1,023
Employee Benefits	7
Purchased Property Services	3,665
Contractual Services	6,013
Supplies	982
Other Operating	10,329
Depreciation	<u>19,233</u>
Total Operating Expenses	<u>41,252</u>
Operating Loss	(22,713)
NONOPERATING REVENUES (EXPENSES)	
Grants and Contributions	47,040
Interest Income	<u>87</u>
Total Nonoperating Revenues (Expenses)	<u>47,127</u>
Net Income Before Transfers	24,414
Transfers Out	<u>(14,522)</u>
Net Transfers	<u>(14,522)</u>
Net Income After Transfers	9,892
Net Assets, Beginning of Year, As Previously Stated	113,944
Prior Period Adjustment	<u>476,953</u>
Net Assets, Beginning of Year, As Restated	<u>590,897</u>
Net Assets, End of Year	<u><u>\$ 600,789</u></u>

VILLAGE OF FLOYD, STATE OF NEW MEXICO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Water
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 16,998
Payments to Suppliers and Contractors	(20,989)
Payments to and On Behalf of Employees	<u>(1,030)</u>
Net Cash Provided by Operating Activities	(5,021)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Grants and Contributions	22,082
Transfers, Net	<u>(14,522)</u>
Net Cash Provided by Non-Capital Financing Activities	7,560
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Capital Assets	(10,366)
Interest Income	<u>87</u>
Net Cash Used By Investing Activities	<u>(10,279)</u>
Net Decrease in Cash and Cash Equivalents	(7,740)
Cash and Cash Equivalents at Beginning of Year, As Restated	<u>21,802</u>
Cash and Cash Equivalents at End of Year	<u>\$ 14,062</u>
Reconciliation of Cash and Cash Equivalents	
Pooled Cash and Cash Equivalents	<u>\$ 14,062</u>
Total Cash and Cash Equivalents	<u>\$ 14,062</u>
Reconciliation of Operating Loss to Net Cash Flows	
Provided by Operating Activities	
Operating Loss	\$ (22,713)
Adjustments to Reconcile Operating Loss to Net Cash	
Flows Provided by Operating Activities	
Depreciation	19,233
Changes in	
Accounts Receivable	<u>(1,541)</u>
Net Cash Provided by Operating Activities	<u>(5,021)</u>

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Floyd (Floyd) was incorporated under the laws of the State of New Mexico. Floyd operates under a Council - Mayor form of government, providing services as authorized by its charter: public safety, public works, culture and recreation, public improvements, and general administrative services.

The financial statements of the Village of Floyd 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. In June 1999, GASB approved Statement No. 34 "*Basic Financial Statements and Management Discussion and Analysis for State and Local Government.*" In June 2001, the GASB approved Statement No. 37, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: 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.

Reporting Entity - The Village Council (the Council) is elected by the public 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 of Floyd 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 as defined by Statement No. 14.

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 Floyd nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, State funds, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the Village of Floyd 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 of Floyd. Examples include user charges at recreation facilities, municipal court fines, licenses and fees and other administrative related items. The "*operating grants and contributions*" and "*capital grants and contributions*" columns include amounts paid by organizations outside 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 or contributions from the State of New Mexico. If a revenue receipt is not considered program revenue, it is considered general revenue used to support all of the Village of Floyd's functions. Taxes are always considered general revenues.

Interfund activities between governmental funds or between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and/or the Proprietary Fund Statement of Net Assets if any pending transfers exist at the end of the fiscal year, and as transfers in/transfers out on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and/or on the Proprietary Fund Statement of Revenues, Expenses and Changes 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 of Floyd considers some governmental funds major and their financial condition and results of operations are reported in separate columns from the non-major governmental funds.

VILLAGE OF FLOYD, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. Revenues are recorded when earned and expense are recorded when a liability is incurred, regardless of the timing of the related cash flows. 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 increases and decreases 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 unmatured interest and 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 of Floyd considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property, franchise, and gross receipts taxes. Non-exchange transactions, in which the Village of Floyd gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts and property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from gross receipts taxes are recognized when the underlying transaction takes place. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Miscellaneous revenues are recorded as revenue when received because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Any non-exchange transactions which can not be reasonably estimated are not recognized nor included in the accompanying financial statements.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. 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 may require the Village of Floyd to refund all or part of the unused amount.

The Proprietary Fund Types 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 become measurable. The Village of Floyd 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. As allowed by GASB Statement 20, The Village of Floyd has elected not to apply FASB pronouncements issued after November 30, 1989. 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The government-wide and business-type activities fund statements utilize a net asset presentation. Net assets are categorized as follows:

Investment in Capital Assets, Net of Related Debt - This category reflects the portion of net assets that are associated with capital assets less any outstanding capital asset related debt.

Restricted Net Assets - Restricted net assets result from constraints placed on the use of net assets when externally imposed by creditors, grantors, laws and regulations of other governments, and imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This category reflects net assets of the Village, not restricted for any project or other purpose.

Fund Accounting - The Village of Floyd used funds to report its financial position and results of its operations. Fund accounting segregates funds according to their intended purpose and is designated to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which include assets, liabilities, fund balance/net assets, revenues and expenditures/expenses.

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. The Village records reserves to indicate that a portion of fund balance is legally restricted for a specific future use or is not available for appropriation and/or expenditure.

Governmental Funds are those through which most of the governmental functions of the Village of Floyd are financed. The Village of Floyd reports the following major governmental funds:

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

Fire Fund - The Fire Fund accounts for the receipts and expenditures of a special State grant related to rescue operations and for the operation and maintenance of the fire equipment.

Enterprise Funds are used for operations: (1) 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; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Village of Floyd reports the following major enterprise funds:

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Additionally, the Village of Floyd reports the following non-major funds:

Governmental Funds:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than special assessments or major capital outlays) that are restricted to expenditures for specified purposes.

Other Accounting Policies

Cash Flows - For purposes of the statement of cash flows for proprietary funds, the Village of Floyd considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories - The Village of Floyd reports inventories of supplies at cost including consumable maintenance and office items. Supplies are recorded as expenditures when they are consumed.

Long Term Debt - 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 in 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.

Compensated Absences - It is the Village of Floyd's policy to not permit employees to accumulate earned but unused vacation and sick pay benefits.

Utilities Receivables - The Village extends credit to its utilities customers without collateral during the month through the utilities billings. Management has not established an allowance for bad debts because the receivables reported at the end of the fiscal year are considered to be fully collectible.

Capital Assets - 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 government-wide financial statements. Capital assets are defined by the Village of Floyd 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 capitalized in enterprise funds but not in governmental funds. Library books are not capitalized.

VILLAGE OF FLOYD, STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	50
Water System	30-50
Machinery and Equipment	3-15

Use of Restricted Cash - When the Village of Floyd 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.

Risk Management - The Village is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Any settled claims have not exceeded this commercial coverage in any preceding years.

NOTE B - PRIOR PERIOD ADJUSTMENTS

Below details the prior period adjustment and its cumulative effect on government-wide net assets and fund balances.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Statement of Net Assets	Fund Balance	Statement of Net Assets	Fund Balance
Balance June 30, 2006				
– As Previously Stated	\$ 837,202	\$ 248,633	\$ 113,944	\$ 113,944
Correct Capital Asset Balances	(13,767)	-	475,220	475,220
Correct General Fund Cash Balance for Omitted Certificate of Deposit	9,997	9,997	-	-
Adjust for Prior Year Accounts Receivable	-	-	1,733	1,733
Total Adjustments	(3,770)	9,997	476,953	476,953
Balance June 30, 2006 – As Adjusted	<u>\$ 833,432</u>	<u>\$ 258,630</u>	<u>\$ 590,897</u>	<u>\$ 590,897</u>

NOTE C - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data – The Village Council adopts an approved budget for the General Fund, Special Revenue Funds and the Enterprise Fund. The Village of Floyd 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.

VILLAGE OF FLOYD, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2007

NOTE C - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

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

1. The Village of Floyd 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 and the council is authorized to transfer budgeted amounts between departments with 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.

NOTE D - CASH DEPOSITS AND INVESTMENTS

State statutes authorize the investment of the Village of Floyd's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All of the Village of Floyd's invested funds properly follow State deposit and investment requirements as of June 30, 2007.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more financial institution. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

VILLAGE OF FLOYD, STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2007

NOTE D - CASH DEPOSITS AND INVESTMENTS - Continued

Custodial Credit Risk - 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 Village of Floyd does not have a formal deposit policy for custodial credit risk other than following the state statutes as put forth in the Public Money Act (Sec. 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2007, the carrying values of the Village of Floyd's deposits were \$325,245. The total cash balance in financial institutions of \$325,407 at June 30, 2007 consisted of non-interest bearing demand deposits of \$286,816 and \$38,429 in time deposits.

In accordance with FDIC, public unit deposits are funds owned by the Village of Floyd. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution. Of the Village of Floyd's funds on deposit, \$138,429 was covered by federal depository insurance, with an additional \$145,000 covered by the collateral pledged by the financial institution in the Village of Floyd's name. As of June 30, 2007, the Village of Floyd had \$41,868 in bank deposits subject to custodial credit risk.

Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village of Floyd for at least one half of the amount on deposit with the institution. The types of collateral an institution is permitted to use as pledged securities are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of New Mexico.

	Portales National Bank	
Total Amount of Cash Deposits	\$ 325,407	
FDIC Coverage	<u>(138,429)</u>	
Total Public Funds to be Collateralized	\$ 186,978	
50% Collateral Requirement		\$ 93,489
Securities Pledged by the Financial Institution in the Village of Floyd's Name	<u>145,000</u>	<u>145,000</u>
Under (Over) Collateralized	<u>\$ 41,978</u>	<u>\$ (51,511)</u>

NOTE E - INTERFUND BALANCES AND TRANSFERS

Cash is transferred between funds throughout the year to assist in the operations of each fund. Below is the amount of outstanding transfers as of June 30, 2007:

<u>Transfer Description</u>	<u>Amount</u>	<u>Due From</u>	<u>Due To</u>
Expenses Reimbursement	\$ <u>27,120</u>	EMS Fund	General Fund

VILLAGE OF FLOYD, STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2007

NOTE E - INTERFUND BALANCES AND TRANSFERS - Continued

Interfund transfers are made for various purposes throughout the year. Transfers made by the Village of Floyd during the fiscal year ended June 30, 2007 are listed below:

<u>Transfer Description</u>	<u>Amount</u>	<u>From</u>	<u>To</u>
Subsidize General Fund Operations	\$ 33,522	Special Revenue Funds	General Fund
Subsidize General Fund Operations	14,522	Enterprise Fund	General Fund
Subsidize Fire Fund Operations	<u>26,790</u>	General Fund	Fire Fund
Total Transfers	<u>\$ 74,834</u>		

NOTE F - CAPITAL ASSET ACTIVITY

Capital asset activity for the Village of Floyd for the year ended June 30, 2007, was as follows:

	<u>Balance</u>		<u>Additions and</u>	<u>Deletions and</u>	<u>Balance</u>
Governmental Activities:	<u>June 30, 2006</u>	<u>Adjustments</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>June 30, 2007</u>
Depreciable Assets:					
Buildings and Improvements	\$ 255,000	\$ 85,000	\$ -	\$ -	\$ 340,000
Vehicles	-	734,925	-	-	734,925
Machinery & Equipment	<u>725,671</u>	<u>(670,609)</u>	<u>15,984</u>	<u>-</u>	<u>71,046</u>
Total Depreciable Assets	980,671	149,316	15,984	-	1,145,971
Accumulated Depreciation:					
Buildings and Improvements	(55,705)	(94,295)	(6,200)	-	(156,200)
Vehicles	-	(390,657)	(35,528)	-	(426,185)
Machinery & Equipment	<u>(360,556)</u>	<u>321,869</u>	<u>(6,257)</u>	<u>-</u>	<u>(44,944)</u>
Total Accumulated Depreciation	<u>(416,261)</u>	<u>(163,083)</u>	<u>(47,985)</u>	<u>-</u>	<u>(672,329)</u>
Net Governmental Capital Assets	<u>\$ 564,410</u>	<u>\$ (13,767)</u>	<u>\$ (32,001)</u>	<u>\$ -</u>	<u>\$ 518,642</u>
Business-Type Activities:					
Assets Not Depreciated:					
Land	\$ 500	\$ -	\$ -	\$ -	\$ 500
Depreciable Assets:					
Infrastructure and Equipment	174,714	381,581	35,848	-	592,143
Buildings	<u>-</u>	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>70,000</u>
Total Depreciable Assets	174,714	451,581	35,848	-	662,143
Accumulated Depreciation:					
Infrastructure and Equipment	(81,339)	27,839	(17,833)	-	(71,333)
Buildings	<u>-</u>	<u>(4,200)</u>	<u>(1,400)</u>	<u>-</u>	<u>(5,600)</u>
Total Accumulated Depreciation	<u>(81,339)</u>	<u>23,639</u>	<u>(19,233)</u>	<u>-</u>	<u>(76,933)</u>
Net Depreciable Assets	<u>93,375</u>	<u>475,220</u>	<u>16,615</u>	<u>-</u>	<u>585,210</u>
Net Business-type Capital Assets	<u>\$ 93,875</u>	<u>\$ 475,220</u>	<u>\$ 16,615</u>	<u>\$ -</u>	<u>\$ 585,710</u>

VILLAGE OF FLOYD, STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2007

NOTE F - CAPITAL ASSET ACTIVITY - Continued

Depreciation expense for the year ended June 30, 2007 for the Water fund is \$19,233. The Village of Floyd reported \$47,985 of depreciation in general fixed assets in use by governmental funds on the Government-Wide Statement of Activities. The Village of Floyd did not allocate the depreciation to the various governmental functions, instead presenting the amount separately from the functions on the statement.

NOTE G - NOTES PAYABLE

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2007</u>
General Debt:				
Fire Truck	\$ 54,566	\$ -	\$ 54,566	\$ -

In November of 2001 the Village of Floyd entered into a loan agreement with New Mexico Finance Authority to purchase a fire truck, financing \$100,000. This loan was due in annual installments at a variable interest rate ranging from 3.02% to 4.15%. The fire truck was general long-term debt of the Village of Floyd.

NOTE H - PROPERTY TAXES

The County collects the Village of Floyd'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 of Floyd 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 school fiscal year.

NOTE I - COMMITMENTS

The Village was awarded a \$300,000 CDBG grant for water system improvements. In September 2007, the Village accepted a bid to begin improvements to the water system. Progress reports are due to the New Mexico Department of Finance and Administration in November and May of each year until the project is complete.

NOTE J - POST EMPLOYMENT BENEFITS

The Village has elected not to participate in the Retiree Health Care Act of New Mexico's retiree health care program or in the State of New Mexico's PERA retirement program.

COMBINING FUND STATEMENTS AND SCHEDULES

SPECIAL REVENUE FUNDS

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts and major capital projects) that are legally restricted to expenditures for specified purposes.

Recreation Fund - Accounts for operations and maintenance of recreation facilities. Financing is provided by a specific tax on cigarette sales. (Section 5-4-1 NMSA 1978)

Emergency Medical Services Fund - Accounts for operation and maintenance of the EMS department. Financing is provided by a portion of the motor vehicle registration fee. (Section 24-10A-6, NMSA 1978)

Senior Citizens Fund - Accounts for operation of the senior citizens activities. (Section 28-4-1, NMSA 1978/Older Americans Act of 1965, 42 USA 3001 as amended)

Municipal Street / Road Fund - Accounts for the maintenance of roads within the Village. Financing is provided by a special tax on gasoline sold within the Village boundaries. (Section 7-1-6.9 NMSA 1978).

VILLAGE OF FLOYD, STATE OF NEW MEXICO
 COMBINING BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2007

ASSETS	EMS	Recreation	Senior Citizens	Municipal Street / Road	Total Governmental Funds
ASSETS					
Pooled Cash and Cash Equivalents	<u>\$ 53</u>	<u>\$ 80</u>	<u>\$ 1,411</u>	<u>\$ 29,120</u>	<u>\$ 30,664</u>
Total Assets	<u><u>\$ 53</u></u>	<u><u>\$ 80</u></u>	<u><u>\$ 1,411</u></u>	<u><u>\$ 29,120</u></u>	<u><u>\$ 30,664</u></u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Due to Other Funds	<u>\$ 27,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,120</u>
Total Liabilities	27,120	-	-	-	27,120
FUND BALANCES					
Unreserved - Undesignated	<u>(27,067)</u>	<u>80</u>	<u>1,411</u>	<u>29,120</u>	<u>3,544</u>
Total Fund Balances	<u>(27,067)</u>	<u>80</u>	<u>1,411</u>	<u>29,120</u>	<u>3,544</u>
Total Liabilities and Fund Balances	<u><u>\$ 53</u></u>	<u><u>\$ 80</u></u>	<u><u>\$ 1,411</u></u>	<u><u>\$ 29,120</u></u>	<u><u>\$ 30,664</u></u>

VILLAGE OF FLOYD, STATE OF NEW MEXICO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2007

	EMS	Recreation	Senior Citizens	Municipal Street / Road	Total Governmental Funds
REVENUES					
Operating Contributions and Grants	\$ 6,800	\$ -	\$ 15,513	\$ -	\$ 22,313
Cigarette Tax	-	4	-	-	4
Gasoline Tax	-	-	-	5,251	5,251
Interest Income	105	-	34	-	139
Total Revenues	<u>6,905</u>	<u>4</u>	<u>15,547</u>	<u>5,251</u>	<u>27,707</u>
EXPENDITURES					
<i>Current</i>					
Public Safety	3,854	-	-	-	3,854
Culture and Recreation	-	-	11,034	-	11,034
Public Works	-	-	-	2,947	2,947
Total Expenditures	<u>3,854</u>	<u>-</u>	<u>11,034</u>	<u>2,947</u>	<u>17,835</u>
Excess of Revenues over Expenditures	3,051	4	4,513	2,304	9,872
OTHER FINANCING SOURCES (USES)					
Transfers Out	(30,118)	-	(768)	(2,636)	(33,522)
Total Other Financing Uses	<u>(30,118)</u>	<u>-</u>	<u>(768)</u>	<u>(2,636)</u>	<u>(33,522)</u>
Net Change in Fund Balance	(27,067)	4	3,745	(332)	(23,650)
Fund Balance, Beginning of Year	-	76	(2,334)	29,452	27,194
Fund Balance, End of Year	<u>\$ (27,067)</u>	<u>\$ 80</u>	<u>\$ 1,411</u>	<u>\$ 29,120</u>	<u>\$ 3,544</u>

VILLAGE OF FLOYD, STATE OF NEW MEXICO
 EMS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 (NON-GAAP BUDGETARY BASIS)
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Operating Contributions and Grants	\$ 7,000	\$ 7,000	\$ 6,800	\$ (200)
Interest Income	<u>-</u>	<u>-</u>	<u>105</u>	<u>105</u>
Total Revenues	7,000	7,000	6,905	(95)
EXPENDITURES				
<i>Public Safety</i>				
Travel and Training	1,500	1,500	578	922
Purchased Property Services	1,500	1,500	-	1,500
Contractual Services	1,500	1,500	1,325	175
Supplies	1,500	1,500	1,167	333
Other Operating Costs	<u>1,000</u>	<u>1,000</u>	<u>784</u>	<u>216</u>
Total Operating Expenses	<u>7,000</u>	<u>7,000</u>	<u>3,854</u>	<u>3,146</u>
Operating Income (Loss)	-	-	3,051	(3,241)
OTHER FINANCING USES				
Transfers Out	<u>-</u>	<u>-</u>	<u>(2,998)</u>	<u>2,998</u>
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(2,998)</u>	<u>(2,998)</u>
Net Change in Cash Balance	-	-	53	53
Cash Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53</u>	<u>\$ 53</u>

Reconciliation of Budgetary Basis to Financial Statement Basis

Total Transfers - Budgetary Basis	\$ 2,998
Current Year Due to General Fund	<u>27,120</u>
Total Expenditures - Financial Statement Basis	<u>\$ 30,118</u>

VILLAGE OF FLOYD, STATE OF NEW MEXICO
 RECREATION FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 (NON-GAAP BUDGETARY BASIS)
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Cigarette Tax	\$ -	\$ -	\$ 4	\$ 4
Total Revenues	-	-	4	4
EXPENDITURES				
<i>Culture and Recreation</i>				
Supplies	-	-	-	-
Total Operating Expenses	-	-	-	-
Net Change in Cash Balance	-	-	4	4
Cash Balance, Beginning of Year	76	76	76	-
Cash Balance, End of Year	<u>\$ 76</u>	<u>\$ 76</u>	<u>\$ 80</u>	<u>\$ 4</u>

VILLAGE OF FLOYD, STATE OF NEW MEXICO
 SENIOR CITIZENS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 (NON-GAAP BUDGETARY BASIS)
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Grants and Contributions	\$ 13,257	\$ 13,257	\$ 15,513	\$ 2,256
Interest Income	-	-	34	34
Total Revenues	<u>13,257</u>	<u>13,257</u>	<u>15,547</u>	<u>2,290</u>
EXPENDITURES				
<i>Culture and Recreation</i>				
Personnel	2,500	2,500	2,324	176
Employee Benefits	-	-	-	-
Travel	800	800	139	661
Contractual Services	2,250	2,250	2,695	(445)
Supplies	750	750	496	254
Other Operating Costs	4,623	4,623	5,380	(757)
Total Operating Expenses	<u>10,923</u>	<u>10,923</u>	<u>11,034</u>	<u>(111)</u>
Operating Income	2,334	2,334	4,513	2,401
OTHER FINANCING USES				
Transfers Out	-	-	(768)	768
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(768)</u>	<u>(768)</u>
Net Change in Cash Balance	2,334	2,334	3,745	1,411
Cash Balance, Beginning of Year	<u>(2,334)</u>	<u>(2,334)</u>	<u>(2,334)</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,411</u>	<u>\$ 1,411</u>

VILLAGE OF FLOYD, STATE OF NEW MEXICO
MUNICIPAL STREET / ROAD FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Gasonline Tax	\$ 5,104	\$ 5,104	\$ 5,251	\$ 147
Total Revenues	5,104	5,104	5,251	147
EXPENDITURES				
Public Works				
Personnel	500	500	718	(218)
Employee Benefits	50	50	72	(22)
Contractual Services	951	951	150	801
Other Operating Costs	<u>30,000</u>	<u>30,000</u>	<u>2,007</u>	<u>27,993</u>
Total Operating Expenses	<u>31,501</u>	<u>31,501</u>	<u>2,947</u>	<u>28,554</u>
Operating Income (Loss)	(26,397)	(26,397)	2,304	(28,407)
OTHER FINANCING USES				
Transfers Out	<u>-</u>	<u>-</u>	<u>(2,636)</u>	<u>2,636</u>
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(2,636)</u>	<u>(2,636)</u>
Net Change in Cash Balance	(26,397)	(26,397)	(332)	26,065
Cash Balance, Beginning of Year	<u>29,452</u>	<u>29,452</u>	<u>29,452</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 3,055</u>	<u>\$ 3,055</u>	<u>\$ 29,120</u>	<u>\$ 26,065</u>

**ENTERPRISE FUNDS
BUDGET VS. ACTUAL**

Water Fund – The Water Fund is used to account for the provision of water services to the residents of the Village of Floyd. All activities necessary to provide such services are accounted for in this fund including administration, operations and maintenance, and billing and collection.

VILLAGE OF FLOYD, STATE OF NEW MEXICO
WATER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Water and Trash Revenue	\$ 17,000	\$ 17,000	\$ 16,998	\$ (2)
Total Revenues	17,000	17,000	16,998	(2)
OPERATING EXPENDITURES				
<i>Current</i>				
Personnel	1,000	1,000	1,023	(23)
Employee Benefits	400	400	7	393
Purchased Property Services	600	600	3,665	(3,065)
Contractual Services	5,000	5,000	6,013	(1,013)
Supplies	1,000	1,000	982	18
Other Operating	4,000	29,200	(15,153)	44,353
<i>Capital Outlay</i>	-	-	35,848	(35,848)
Total Operating Expenses	12,000	37,200	32,385	4,815
Operating Income	5,000	(20,200)	(15,387)	4,813
NONOPERATING REVENUE (EXPENSES)				
Grants and Contributions	-	-	22,082	22,082
Interest Income	-	-	87	87
Total Nonoperating Revenues (Expenses)	-	-	22,169	22,169
Net Income (Loss) Before Transfers	5,000	(20,200)	6,782	26,982
Transfers, Net	-	-	(14,522)	(14,522)
Net Income (Loss) After Transfers	5,000	(20,200)	(7,740)	12,460
Cash Balance, Beginning of Year	21,802	21,802	21,802	-
Cash Balance, End of Year	<u>\$ 26,802</u>	<u>\$ 1,602</u>	<u>\$ 14,062</u>	<u>\$ 12,460</u>

**Reconciliation of Net Loss for Budgetary Basis to
Statement of Activities for Proprietary Funds**

Net Income After Transfers - Budgetary Basis \$ (7,740)

Amounts reported in the Statement of Activities differ because:

Current year accounts receivable is reported on the Statement of Net Assets and is not a budgeted item	1,541
Current year grant receivable is reported on the Statement of Net Assets and is not a budgeted item	24,958
Current year accounts payable is reported on the Statement of Net Assets and is not a budgeted expenditure item	(25,482)
Capital Outlay is a budget expenditure but is reported on the Proprietary Funds Statement of Net Assets	35,848
Depreciation is reported in the Proprietary Funds Statement of Activities but is not a budget expenditure item	(19,233)

Net Income After Transfers - Financial Statement Basis \$ 9,892

SUPPLEMENTAL INFORMATION

VILLAGE OF FLOYD, NEW MEXICO
 SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS
 BY DEPOSITORY FOR PUBLIC FUNDS
 ALL FUNDS
 Year Ending June 30, 2007

<u>Account Description</u>	<u>Account Number</u>	<u>Account Type</u>	<u>Fund Type</u>	<u>Bank Balance June 30, 2007</u>	<u>Net Reconciling Items</u>	<u>Reconciled Balance June 30, 2007</u>
Portales National Bank						
Pooled Cash	24244	Checking	Various	\$ 286,969	\$ (162)	\$ 286,807
CDBG Account	10766	Checking	Business-type	9	-	9
			Total Checking	<u>286,978</u>	<u>(162)</u>	<u>286,816</u>
General Fund	5332	CD	Governmental	<u>38,429</u>	-	<u>38,429</u>
			Total CD	<u>38,429</u>	-	<u>38,429</u>
			Total Deposits	<u>\$ 325,407</u>	<u>\$ (162)</u>	<u>\$ 325,245</u>

Reconciliation of Accounts to Government-wide Balance Sheet

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total 2007</u>
Cash and Cash Equivalents	\$ 272,754	\$ 14,062	\$ 286,816
Certificates of Deposit	<u>38,429</u>	-	<u>38,429</u>
	<u>\$ 311,183</u>	<u>\$ 14,062</u>	<u>\$ 325,245</u>

VILLAGE OF FLOYD, NEW MEXICO
 SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
 FOR PUBLIC FUNDS
 Year Ending June 30, 2007

<u>Name of Depository</u>	<u>Pledged Collateral</u>	<u>CUSIP</u>	<u>Name and Location of Custodian</u>	<u>Fair Market Value June 30, 2007</u>	<u>Par Value June 30, 2007</u>
Portales National Bank	Logan SD NonCall Matures 7/1/2009	541066AS5	Texas Independent Bankers Dallas, TX	<u>\$ 145,110</u>	<u>\$ 145,000</u>
				<u>\$ 145,110</u>	<u>\$ 145,000</u>

COMPLIANCE

JW Anderson & Associates, PC

Certified Public Accountants

Coppertree Office Park
4412 74th Street, Suite F-101
PO Box 6785
Lubbock, Texas 79493-6785
Office (806) 771-4000
Fax (806) 771-4005

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*

Hector Balderas, State Auditor
State of New Mexico, and
Village Council
Village of Floyd
PO Box 69
Floyd, NM 88118

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, budgetary comparisons for the general fund and the major special revenue funds, and the aggregate remaining fund information of the Village of Floyd (Floyd), as of and for the year ended June 30, 2007, which collectively comprise Floyd's basic financial statements as listed in the table of contents. We have also audited the financial statements and budgetary comparisons of each of Floyd'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, 2007 as listed in the table of contents, and have issued our report thereon dated February 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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, we considered the Village of Floyd'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 of Floyd's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Floyd'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 Village of Floyd'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 Village of Floyd's financial statements that is more than inconsequential will not be prevented or detected by the Village of Floyd'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 Village of Floyd'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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

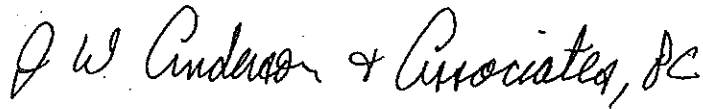
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Floyd's financial statements are free of material misstatement, we 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, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16 and Section 12-6-5 NMSA 1978 which are described in the accompanying Schedule of Audit Findings as 2007-1, 2007-2 and 2006-1.

The Village of Floyd's response to the findings identified in our audit is described in the accompanying schedule of findings. 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 Village Council and management, the Office of the State Auditor, the New Mexico Legislature, New Mexico Department of Finance and Administration – Local Government Division and applicable state and federal awarding agencies and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.



JW Anderson & Associates, PC
Certified Public Accountants
Lubbock, Texas
February 13, 2009

VILLAGE OF FLOYD, STATE OF NEW MEXICO
SCHEDULE OF AUDIT FINDINGS
For the Year Ended June 30, 2007

Prior Year

<u>Finding</u>	<u>Description</u>	<u>Status</u>
2006-01	Expenditures Exceed Budget	Repeated
2006-02	Capital Asset	Resolved
2006-03	Accounting Records	Resolved
2006-04	Negative Cash Balance	Resolved
2006-05	Budget Late	Resolved
2006-06	Statement of Activities Depreciation Expense	Resolved

VILLAGE OF FLOYD, STATE OF NEW MEXICO
SCHEDULE OF AUDIT FINDINGS
For the Year Ended June 30, 2007

Current Year

2006-1 Expenditures Exceeded Budget

CONDITION - The Village of Floyd's expenditures exceeded budgeted amounts in the Fire Fund by \$74,301 and the Senior Citizens Fund by \$111. The Village is out of compliance with Section 6-6-1, NMSA 1978.

CRITERIA - The Village is required to make rules and regulations relating to budgets. All local governments are required to operate within those approved budgets and if needed submit to LGD for approval all needed increases and transfers from one budget to another.

CAUSE - The Village management did not amend the above mentioned budgets as needed during the fiscal year.

EFFECT - The Village over expended in the fund, causing the Village to draw from other sources to compensate.

RECOMMENDATION - We recommend the Village management amend the budget as necessary during the fiscal year.

MANAGEMENT'S RESPONSE - Management will review the budget on a regular basis to avoid exceeding the budget.

VILLAGE OF FLOYD, STATE OF NEW MEXICO
SCHEDULE OF AUDIT FINDINGS
For the Year Ended June 30, 2007

Current Year

2007-1 Incorrect Calculation on Quarterly Payroll Reports

CONDITION - The Village of Floyd's quarterly payroll reports were not being calculated correctly.

CRITERIA - The Village maintains a Section 125 plan for the Village clerk, which reduces wages subject to income tax withholding. However, the quarterly reports did not reflect the difference in taxable wages.

CAUSE - The Village management was not aware of the issue for quarterly payroll reports.

EFFECT - The Village miscalculated withholding on quarterly payroll reports, causing the Village to remit an excess amount of payroll taxes.

RECOMMENDATION - We recommend the Village management review the quarterly reports and compare to the payroll records prior to filing with the IRS.

MANAGEMENT'S RESPONSE - Management will review the quarterly payroll reports and compare to payroll records prior to filing with the IRS.

VILLAGE OF FLOYD, STATE OF NEW MEXICO
SCHEDULE OF AUDIT FINDINGS
For the Year Ended June 30, 2007

Current Year -

2007-2 Late Audit Report

CONDITION - The audit report for fiscal year 2007 was not submitted by December 1, 2007, causing Village to be out of compliance with New Mexico State Auditor Rule 2.2.2.9A (1).

CRITERIA - New Mexico State Auditor Rule 2.2.2.9A (1) requires audit reports for municipalities to be submitted by December 1st following the end of the fiscal year.

CAUSE – The Independent Public Accountant incurred an involuntary reduction in audit personnel specializing in GASB 34 audit preparation, causing significant delays in submission.

EFFECT – The Village's financial status and other information is not available to the public and various state agencies in a timely manner.

RECOMMENDATION - The Village was not at fault with the late submission. No recommendation is necessary at this time.

MANAGEMENT'S RESPONSE - The Village has contracted with another Independent Public Accountant for the fiscal year 2008 and will proactively work with the new Independent Public Accountants to expedite the preparation of current and future financial statement audits.

VILLAGE OF FLOYD, STATE OF NEW MEXICO
EXIT CONFERENCE
For the Year Ended June 30, 2007

The contents of this report were discussed with the Village of Floyd on September 14, 2007. The following individuals were available for the conference:

Village of Floyd

James Whitecotton, Mayor
Toni Whitecotton, Clerk / Treasurer

J.W. Anderson & Associates, PC

Larry Anderson, President
Scott Northam, Audit Manager

The financial statements of the Village of Floyd were prepared from original books and records provided by and with assistance from the management of the Village and J.W. Anderson & Associates, PC.

Although Statement of Auditing Standards No. 112 - *Communicating Internal Control Related Matters Identified in an Audit* strongly emphasizes that the Village of Floyd prepare its own financial statements, the consensus between the Village management and the auditors was that it would be more time and cost efficient for the auditors to prepare the financial statements and the related notes. Accordingly, the Village has designated a competent management-level individual to oversee the auditors' services and have made all management decisions and performed all management functions. The Village has reviewed, approved, and accepted responsibility for the accompanying financial statements and related notes, and for ensuring that the underlying accounting records adequately support the preparation of the financial statements in accordance with generally accepted accounting principles and that the records are current and in balance.

JW Anderson & Associates, PC

Certified Public Accountants

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Hector Balderas, State Auditor
State of New Mexico, and
Village Council
Village of Floyd
PO Box 69
Floyd, NM 88118

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, budgetary comparisons for the general fund and the major special revenue funds, and the aggregate remaining fund information of the Village of Floyd (Floyd), as of and for the year ended June 30, 2007, which collectively comprise Floyd's basic financial statements as listed in the table of contents and have issued our report thereon dated February 13, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated September 12, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As such, there is a risk that material misstatements may exist and not be detected by us. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

As part of our audit, we considered the internal control of the Village. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management regarding the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2007. We noted no transactions entered into by the Village during the year that were both significant and unusual, and of which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of the allowances for doubtful accounts, which is based on a historical average of bad debt write-offs, and depreciation, based on the useful lives and cost of capital assets. We evaluated the key factors and assumptions used to develop the allowances for doubtful accounts depreciation and in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Professional standards define an audit adjustment as a proposed correction to the financial statements that, in our judgment, may not have been detected except through auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Village's financial reporting process. In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by management, either individually or in the aggregate, indicate matters that could have a significant effect on the Village's financial reporting process.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 13, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

J W Anderson & Associates, PC

JW Anderson & Associates, PC
Certified Public Accountants
Lubbock, Texas
February 13, 2009