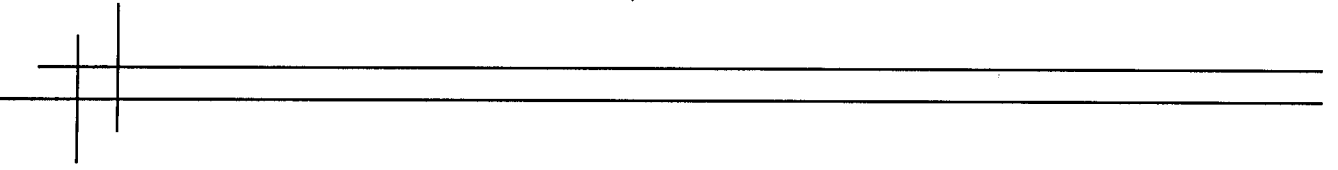




STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**

**ANNUAL FINANCIAL REPORT**  
June 30, 2005

**De'Aun Willoughby CPA, PC**  
Certified Public Accountant  
Melrose, New Mexico



STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
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 For the Year Ended June 30, 2005

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**VILLAGE OF GRENVILLE**  
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STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
Official Roster  
June 30, 2005

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**BOARD OF TRUSTEES**

Mignon Saddoris	Mayor
Judy Jacobs	Trustee
Irene Earle	Trustee
Katheren Sink	Trustee
Bonnie Donnelly	Trustee

**ADMINISTRATIVE OFFICIAL**

Lynn Wiseman	Clerk/Treasurer
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De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(505) 253-4313

Independent Auditor's Report

Mr. Hector Balderas  
State Auditor of the State of New Mexico  
Board Members of the VILLAGE OF GRENVILLE

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the respective budgetary comparison of the VILLAGE OF GRENVILLE, (Village), as of and for the year ended June 30, 2005, which collectively comprise the Village's financial statements 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 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. 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, business-type activities, each major fund of the Village as of June 30, 2005, and the respective changes in financial position, and cash flows where applicable thereof and the respective budgetary comparison for the General Fund, EMS Fund and Streets Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the respective budgetary comparison for the enterprise fund presents fairly, in all material respects, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 22, 2008, on our consideration of the Village's internal control over financial reporting and on 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 an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Village of GRENVILLE 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 and the combining and individual financial statements and budgetary comparisons presented as supplemental information.

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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*De'Ann Willoughby CPA PC*

September 22, 2008

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
Statement of Net Assets  
June 30, 2005

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 35,249	\$ 2,342	\$ 37,591
Receivable (net)	723	38	761
Total Current Assets	<u>35,972</u>	<u>2,380</u>	<u>38,352</u>
Noncurrent Assets			
Restricted Cash	0	510	510
Capital Assets	149,429	266,000	415,429
Less: Accumulated Depreciation	(52,151)	(108,885)	(161,036)
Total Noncurrent Assets	<u>97,278</u>	<u>157,625</u>	<u>254,903</u>
Total Assets	<u>133,250</u>	<u>160,005</u>	<u>293,255</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	189	455	644
Accrued Interest	2,020	0	2,020
Current Portion of Long-Term Debt	9,844	0	9,844
Total Current Liabilities	<u>12,053</u>	<u>455</u>	<u>12,508</u>
Noncurrent Liabilities			
Loans and Notes, Net	21,189	0	21,189
Customer Deposits	0	510	510
Total Noncurrent Liabilities	<u>21,189</u>	<u>510</u>	<u>21,699</u>
Total Liabilities	<u>33,242</u>	<u>965</u>	<u>34,207</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	64,225	157,115	221,340
Unrestricted	35,783	1,925	37,708
Total Net Assets	<u>\$ 100,008</u>	<u>\$ 159,040</u>	<u>\$ 259,048</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
Statement of Activities  
For the Year Ended June 30, 2005

Functions/Programs	Program Revenues			Net(Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total Net Expenses
<b>Governmental Activities</b>						
General	\$ 46,955	\$ 0	\$ 35,000	\$ (11,955)	\$ 0	\$ (11,955)
Public Safety	9,199	0	7,000	(2,199)	0	(2,199)
Interest on Long-Term Obligations	4,041	0	0	(4,041)	0	(4,041)
<b>Total Governmental Activities</b>	<b>\$ 60,195</b>	<b>\$ 0</b>	<b>\$ 42,000</b>	<b>\$ (18,195)</b>	<b>\$ 0</b>	<b>\$ (18,195)</b>
<b>Business-type Activities</b>						
Public Works	11,389	4,329	0	0	(7,060)	(7,060)
<b>Total Business-type Activities</b>	<b>11,389</b>	<b>4,329</b>	<b>0</b>	<b>0</b>	<b>(7,060)</b>	<b>(7,060)</b>
<b>General Revenues</b>						
Taxes						
Gross Receipts				\$ 1,467	\$ 0	\$ 1,467
Property Taxes				2,258	0	2,258
Gas Taxes				4,587	0	4,587
Interest and investment earnings				436	23	459
Miscellaneous				3,432	0	3,432
<b>Total General Revenues</b>				<b>12,180</b>	<b>23</b>	<b>12,203</b>
Transfers				3,500	(3,500)	0
Change in Net Assets				(2,515)	(10,537)	(13,052)
Net Assets - beginning				102,523	169,577	272,100
Net Assets - ending				\$ 100,008	\$ 159,040	\$ 259,048

The notes to the financial statements are an integral part of this statement.



STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
 GOVERNMENTAL FUNDS  
 Balance Sheet  
 June 30, 2005

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	<u>General Fund</u>	<u>EMS Fund</u>	<u>Streets Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 27,219	\$ 43	\$ 7,987	\$ 35,249
Receivables (Net of Allowance for Uncollectible if Applicable):				
Taxes	306	0	417	723
<b>Total Assets</b>	<b><u>\$ 27,525</u></b>	<b><u>\$ 43</u></b>	<b><u>\$ 8,404</u></b>	<b><u>\$ 35,972</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 189	\$ 0	\$ 0	\$ 189
<b>Total Liabilities</b>	<b><u>189</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>189</u></b>
 <b>Fund Balances</b>				
<b>Unreserved Reported In:</b>				
General Fund	27,336	0	0	27,336
Special Revenue Fund	0	43	8,404	8,447
<b>Total Fund Balances</b>	<b><u>27,336</u></b>	<b><u>43</u></b>	<b><u>8,404</u></b>	<b><u>35,783</u></b>
 <b>Total Liabilities and Fund Balances</b>	<b><u>\$ 27,525</u></b>	<b><u>\$ 43</u></b>	<b><u>\$ 8,404</u></b>	<b><u>\$ 35,972</u></b>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Assets  
 June 30, 2005

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

Total Fund Balance - Governmental Funds	\$	35,783
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of capital assets	\$	149,429	
Accumulated depreciation is		<u>(52,151)</u>	97,278

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Loan Payable	(31,033)	
Accrued interest on bonds	<u>(2,020)</u>	<u>(33,053)</u>

Total net assets - governmental activities	\$	<u><u>100,008</u></u>
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The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2005

	General Fund	EMS Fund	Streets Fund	Total Governmental Funds
<b>Revenues</b>				
Taxes				
Gross Receipt Taxes	\$ 1,467	\$ 0	\$ 0	\$ 1,467
Property Taxes	2,258	0	0	2,258
Gasoline Taxes	0	0	4,587	4,587
License & Permits	174	0	0	174
Intergovernmental	35,000	7,000	0	42,000
Interest Income	325	0	111	436
Miscellaneous	3,258	0	0	3,258
Total Revenues	<u>42,482</u>	<u>7,000</u>	<u>4,698</u>	<u>54,180</u>
<b>Expenditures</b>				
Current				
Executive	1,869	0	0	1,869
Financial Department	45,086	0	0	45,086
Public Safety	2,077	0	0	2,077
Debt Service				
Principal	0	9,374	0	9,374
Interest	0	2,021	0	2,021
Total Expenditures	<u>49,032</u>	<u>11,395</u>	<u>0</u>	<u>60,427</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,550)</u>	<u>(4,395)</u>	<u>4,698</u>	<u>(6,247)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In Utility	3,500	0	0	3,500
Transfers In	5,000	4,395	0	9,395
Transfers Out	(4,395)	0	(5,000)	(9,395)
Total Other Sources (Uses)	<u>4,105</u>	<u>4,395</u>	<u>(5,000)</u>	<u>3,500</u>
Net Change in Fund Balance	(2,445)	0	(302)	(2,747)
Fund Balances at Beginning of Year	<u>29,781</u>	<u>43</u>	<u>8,706</u>	<u>38,530</u>
Fund Balance End of Year	<u>\$ 27,336</u>	<u>\$ 43</u>	<u>\$ 8,404</u>	<u>\$ 35,783</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 To the Statement of Activities  
 June 30, 2005

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Net Change in Fund Balance-Governmental Funds \$ (2,747)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (7,123)	
Capital Outlays	<u>0</u>	(7,123)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 9,374

In the Statement of Activities, interest is accrued on outstanding loan, whereas in governmental funds, an interest expenditure is reported when due. (2,019)

Changes in Net Assets of Governmental Activities \$ (2,515)

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
GENERAL FUND  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget (Budgetary Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>Municipal Taxes</b>				
Gross Receipts	\$ 1,150	\$ 1,150	\$ 774	\$ (376)
Total Municipal Taxes	<u>1,150</u>	<u>1,150</u>	<u>774</u>	<u>(376)</u>
<b>Licenses &amp; Permits</b>				
Other License & Permits	30	30	15	(15)
Total License & Permits	<u>30</u>	<u>30</u>	<u>15</u>	<u>(15)</u>
<b>State Shared Taxes</b>				
Gross Receipts Tax	1,100	1,100	745	(355)
Total State Shared Taxes	<u>1,100</u>	<u>1,100</u>	<u>745</u>	<u>(355)</u>
<b>Fines and Forfeitures</b>				
MVD Administration	165	165	159	(6)
Total Fines and Forfeitures	<u>165</u>	<u>165</u>	<u>159</u>	<u>(6)</u>
<b>Miscellaneous</b>				
Interest Income	175	332	325	(7)
Property	1,960	2,130	2,127	(3)
Charge for Services	150	150	0	(150)
Union County	3,000	3,000	3,000	0
Other	580	580	258	(322)
Total Miscellaneous	<u>5,865</u>	<u>6,192</u>	<u>5,710</u>	<u>(482)</u>
<b>Grants</b>				
Small City Assistance	35,000	35,000	35,000	0
Total Grants	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>0</u>
Total Revenues	<u>43,310</u>	<u>43,637</u>	<u>42,403</u>	<u>(1,234)</u>
<b>Expenditures</b>				
<b>Executive</b>				
Salaries	3,070	3,070	1,736	1,334
Employee Benefits	254	254	133	121
Total Executive/Legislative	<u>\$ 3,324</u>	<u>\$ 3,324</u>	<u>\$ 1,869</u>	<u>\$ 1,455</u>

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget (Budgetary Basis) and Actual  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Financial Department</b>				
Salaries	17,161	22,056	21,861	195
Employee Benefits	3,230	4,041	3,749	292
Travel & Fuel	2,000	2,000	1,104	896
Maintenance	2,250	2,480	2,364	116
Contract Services	3,500	5,301	5,301	0
Supplies	850	1,730	1,704	26
Insurance	4,500	4,500	4,484	16
Postage	250	250	252	(2)
Dues & Subscriptions	1,500	1,500	950	550
Telephone	1,200	1,212	1,212	0
Utilities	1,800	2,046	2,046	0
<b>Total Financial Department</b>	<b>38,241</b>	<b>47,116</b>	<b>45,027</b>	<b>2,089</b>
<b>Public Safety</b>				
Supplies	1,600	1,791	1,529	262
Training	750	750	419	331
<b>Total Public Safety</b>	<b>2,350</b>	<b>2,541</b>	<b>1,948</b>	<b>593</b>
<b>Total Expenditures</b>	<b>43,915</b>	<b>52,981</b>	<b>48,844</b>	<b>4,137</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(605)</b>	<b>(9,344)</b>	<b>(6,441)</b>	<b>2,903</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In Utility	0	3,500	3,500	0
Transfers In Streets	5,000	5,000	5,000	0
Transfers Out-EMS	(4,395)	(4,395)	(4,395)	0
<b>Total Other Sources (Uses)</b>	<b>605</b>	<b>4,105</b>	<b>4,105</b>	<b>0</b>
<b>Net Change in Cash Balance</b>	<b>0</b>	<b>(5,239)</b>	<b>(2,336)</b>	<b>2,903</b>
<b>Cash Balance Beginning of Year</b>	<b>29,555</b>	<b>29,555</b>	<b>29,555</b>	<b>0</b>
<b>Cash Balance End of Year</b>	<b>\$ 29,555</b>	<b>\$ 24,316</b>	<b>\$ 27,219</b>	<b>\$ 2,903</b>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (2,336)	
Increase (Decrease):				
Taxes Receivable			79	
Accounts Payable			(188)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ (2,445)	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
SPECIAL REVENUE FUND-EMS FUND  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 7,000	\$ 7,000	\$ 7,000	\$ 0
Total Revenues	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>0</u>
<b>Expenditures</b>				
Principal	11,395	11,395	9,374	2,021
Interest	0	0	2,021	(2,021)
Total Expenditures	<u>11,395</u>	<u>11,395</u>	<u>11,395</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,395)</u>	<u>(4,395)</u>	<u>(4,395)</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In/Out	4,395	4,395	4,395	0
Total Other Sources (Uses)	<u>4,395</u>	<u>4,395</u>	<u>4,395</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	0	0	0
Cash Balance Beginning of Year	<u>43</u>	<u>43</u>	<u>43</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 43</u>	<u>\$ 43</u>	<u>\$ 43</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Increase (Decrease):				
Due from Grantor			0	
Accounts Payable			0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
SPECIAL REVENUE FUND-STREETS  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Gasoline Tax	\$ 5,005	\$ 5,005	\$ 5,004	\$ (1)
Interest	150	150	111	(39)
Total Revenues	<u>5,155</u>	<u>5,155</u>	<u>5,115</u>	<u>(40)</u>
<b>Expenditures</b>				
Public Safety	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,155</u>	<u>5,155</u>	<u>5,115</u>	<u>(40)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In/Out	(5,000)	(5,000)	(5,000)	0
Total Other Sources (Uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	155	155	115	(40)
Cash Balance Beginning of Year	<u>7,872</u>	<u>7,872</u>	<u>7,872</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 8,027</u>	<u>\$ 8,027</u>	<u>\$ 7,987</u>	<u>\$ (40)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 115	
Increase (Decrease):				
Due from Grantor			0	
Accounts Payable			0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 115</u>	

The notes to the financial statements are an integral part of this statement.



STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
 PROPRIETARY FUND  
 Statement of Net Assets  
 June 30, 2005

---

<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 2,342
Receivables (net of allowance for uncollectible accounts)	
Accounts	38
Total Current Assets	<u>2,380</u>
Restricted Assets	
Restricted Cash	510
Total Restricted Assets	<u>510</u>
Noncurrent Assets	
Capital Assets	266,000
Less: Accumulated Depreciation	(108,885)
Total Noncurrent Assets	<u>157,115</u>
Total Assets	<u>160,005</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	455
Total Current Liabilities	<u>455</u>
Noncurrent Liabilities	
Customer Deposits	510
Total Noncurrent Liabilities	<u>510</u>
Total Liabilities	<u>965</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	157,115
Unrestricted	1,925
Total Net Assets	<u>\$ 159,040</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
 PROPRIETARY FUND  
 Statement of Revenue, Expenses and Changes in Net Assets  
 For the Year Ended June 30, 2005

---

Operating Revenues	
Sales & Service	\$ 3,974
Connection Fees	311
Miscellaneous	44
Total Operating Revenues	<u>4,329</u>
Operating Expenses	
Travel	729
Contract Services	2,524
Dues & Subscriptions	263
Supplies	484
Training	177
Utilities	1,738
Depreciation	5,474
Total Operating Expenses	<u>11,389</u>
Operating Income (Loss)	<u>(7,060)</u>
Nonoperating Revenue (Expenses)	
Interest Income	23
Transfer Out	<u>(3,500)</u>
Total Nonoperating Revenue (Expense)	<u>(3,477)</u>
Change in Net Assets	(10,537)
Total Net Assets - Beginning	<u>169,577</u>
Total Net Assets - Ending	<u>\$ 159,040</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
 PROPRIETARY FUND  
 Statement of Cash Flows  
 For the Year Ending June 30, 2005

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Cash Flows from Operating Activities	
Cash Received From Customers	\$ 4,825
Cash Paid to Suppliers and Employees	<u>(5,567)</u>
Net Cash Provided by Operating Activities	<u>(742)</u>
Cash Flows from Capital & Related Financing Activities	
Transfer out to General	(3,500)
Net Cash Provided by Capital & Related Financing Activities	<u>(3,500)</u>
Cash Flows from Investing Activities	
Interest Received	<u>23</u>
Net Cash Provided by Investing Activities	<u>23</u>
Net Increase (Decrease) in Cash	(4,219)
Cash, July 1, 2004	<u>6,561</u>
Cash, June 30, 2005	<u>\$ 2,342</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (7,060)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	5,474
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	389
Increase (Decrease) in Accounts Payable	455
Net Cash Provided by Operating Activities	<u>\$ (742)</u>

The notes to the financial statements are an integral part of this statement.

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the VILLAGE OF GRENVILLE (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 that do not conflict with or contradict GASB pronouncements as required by GASB 20. The more significant of the Village's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*. Some of the significant changes in the Statement include the following:

- Financial Statements prepared using full-accrual accounting for all the Village's activities.
- A change in fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements) as of June 30, 2005.

In addition, in June 2001, the GASB issued Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus* - an amendment of GASB Statement No. 21 and No. 34 and Statement No. 38, *Certain Financial Note Disclosures*. These two statements clarify, modify, establish and rescind certain disclosure requirements under GASB No. 34. Both statements are being implemented in conjunction with GASB Statement No. 34. These statements do not have an impact on the results of operations or the financial position of the Village.

**Financial Reporting Entity**

The VILLAGE OF GRENVILLE was incorporated under the Sections 3-1-1 through 3-1-6 and 3-2-1 through 3-2-0 NMSA 1978 Compilation. The Village operates under Mayor - Board of Trustees form of government and provides services as authorized by its charter: public safety (fire), highways and streets, sanitation, health and welfare, culture and recreation, public improvements, planning and zoning, and general administrative services.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The Village has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected Village members are financially accountable. There are no other primary governments with which the Village Board Members are financially accountable. There are no other primary governments with which the Village has a significant relationship.

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the Village are classified into three categories: governmental and proprietary. In turn, each category is divided into separate fund types.

### **Measurement Focus and Basis of Accounting**

#### ***Government-Wide Financial Statements (GWFS)***

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Village. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Amounts reported as program revenue in the government-wide financial statements include: (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. The Village's operating grants include the Small Cities Assistance Grant and the EMS grant.

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

The specific revenue recognition policy for property taxes are recognized when levied, derived tax revenue (such as gross receipts tax) are recognized when the underlying transaction takes place, and grants are recognized when all of the eligibility requirements have been met.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

#### **Proprietary Fund Financial Statements**

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Village has presented the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the Village and accounts for all revenues and expenditures of the Village not encompassed within other funds.

#### **Major Special Revenue Funds**

##### **EMS Fund**

To account for operation and maintenance of the EMS Department. Financing is provided by the motor vehicle registration fee of one dollar. Funding is provided under State Statute 24-10A-1 NMSA, 1978 Compilation. Required to be accounted for as a separate fund by New Mexico Department of Health regulation.

##### **Municipal Street Fund**

This fund accounts for the maintenance of roads within the Village. Financing is provided by a special two cent per gallon of gasoline sold within the Village boundaries. Financing is provided under State Statute 7-1-6.9 and 7-13-1 through 7-3-18, NMSA, 1978 Compilation

**Proprietary Funds** are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The Village has presented the following major proprietary funds:

**Utility Fund**-The Water Fund is used to account for the provision of water services to the residents of the Village. Activities of the fund include administration, operations and maintenance of the water system and billing and collection activities. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

#### **Measurement Focus and Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
Notes to the Financial Statements  
June 30, 2005

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The Government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resource measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes as available if they are collected within 30 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The specific revenue recognition policy for property taxes are recognized when levied, derived tax revenue (such as gross receipts tax) are recognized when the underlying transaction takes place, and grants are recognized when all of the eligibility requirements have been met.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Under the terms of grant agreement, the Village funds certain programs by a combination of specific cost reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to financial the program. It is the Village's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**Budgetary Control**

1. Prior to June 1, the Village's Clerk-Treasurer submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration.
3. The Village treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Trustees and the State Department of Finance and Administration.

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
Notes to the Financial Statements  
June 30, 2005

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4. Formal budgetary integration is employed as a management control device during the year for all funds.
5. The level of budget authority is at the fund level.
6. The cash basis is used to present the budgetary comparisons.

The Proprietary Funds group accounts for funds received in the course of the operation of self-supporting functions which receive their revenues from providing goods or services to internal or external customers. The two types of funds that make up this category are:

1. Enterprise Funds. Enterprise Funds account for operations carried out and financed like a business operation, usually designated to be self-supporting through fees for services and generating revenues from outside sources. The Village of Logan has two of these funds , including the Water and Sewer Fund as well as the Landfill Fund. Enterprise Funds are budgeted as separate cost centers but as integral parts of the work programs.
2. Internal Service Fund (ISF). An ISF accounts for financing goods or services provided by an organizational unit of the Village to other units of the Village, on a self-liquidating, fee-for-service basis. The Village of Grenville does not have an ISF Fund.

Cash and Cash Equivalents

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Village is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the Village may be invested in :

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or Village which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.



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VILLAGE OF GRENVILLE  
Notes to the Financial Statements  
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(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Prepaid Items

Prepaid balances are for payments made by the Village in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reports as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental fund to indicate that they are not available for appropriation and are not expendable available for financial resources.

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to uncollectible. For the year ended June 30, 2005 all governmental receivables are considered to be collectible.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th of the following year. Property taxes uncollected after November 10th and April 10th are considered delinquent. The taxes attach as an enforceable lien on property as of January 1st.

Capital Assets

Capital assets, which includes property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

STATE OF NEW MEXICO  
VILLAGE OF GRENVILLE  
Notes to the Financial Statements  
June 30, 2005

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Estimated useful life is management's estimate of how long the asset is expected to meet service

Buildings	50 Years
Equipment	20 Years
Water System	50 Years

Revenue

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

Compensated Absences

There is no liability for unpaid accumulated annual leave since the Village does not have a policy to pay any amounts when employees separate from service with the Village.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments.

Net assets should be reported as restricted when constraints placed on net asset use are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments
- b. Imposed by law through constitutional provisions or enabling legislation. However for the current year the Village does not have net assets that are restricted by enabling legislation.

**NOTE B: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS**

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
Notes to the Financial Statements  
June 30, 2005

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Reconciliations are located at the bottom of each budget actual.

**NOTE C: CASH AND INVESTMENTS**

The Village is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following

<u>Name of Account</u>	<u>Balance Per Bank 06-30-05</u>	<u>Reconciled Balance</u>	<u>Type</u>
General Fund	\$ 28,295	\$ 27,218	Checking
Gas Fund	7,987	7,987	Checking
EMS Fund	44	44	Checking
Utility Fund	2,852	2,852	Checking
TOTAL Deposited	<u>39,178</u>	<u>\$ 38,101</u>	
Less: FDIC Coverage	<u>(39,178)</u>		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	0		
Over (Under) requirement	<u>\$ 0</u>		

**Custodial Credit Risk-Deposits**

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 39,178
Collateralized:	
Collateral held by the pledging bank in Village's name	0
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 39,178</u>

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, 2005 none of the Village's bank balance of \$39,178, was exposed to custodial credit risk.

**NOTE D: DEFERRED REVENUES**

Revenues are deferred in accordance with the modified accrual basis of accounting for the fund financial statements. There were no deferred revenues for the fiscal year ended June 30, 2005.

**NOTE E: RESTRICTED CASH**

Restricted cash in the water fund is set aside for customer deposits.

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
Notes to the Financial Statements  
June 30, 2005

**NOTE F: CAPITAL ASSETS**

Capital Assets Balances and Activity for the Year Ended June 30, 2005, is as follows:

	Balance 6/30/04	Increases	Decreases	Balance 6/30/05
<b>Governmental Activities</b>				
Capital Assets, not being Depreciated				
Land	\$ 7,600	\$ 0	\$ 0	\$ 7,600
Total Capital Assets, not being Depreciated	7,600	0	0	7,600
Capital Assets, being Depreciated				
Buildings & Improvements	49,990	0	0	49,990
Equipment	91,839	0	0	91,839
Total Capital Assets, being	141,829	0	0	141,829
Total Capital Assets	149,429	0	0	149,429
<b>Less Accumulated Depreciation</b>				
Buildings & Improvements	24,995	1,000	0	25,995
Equipment	20,034	6,123	0	26,157
Total Accumulated Depreciation	45,029	7,123	0	52,152
Capital Assets, net	\$ 104,400	\$ (7,123)	\$ 0	\$ 97,277

Depreciation expense was charged to governmental activities as follows:

Public Safety	\$ 7,123
Total depreciation expenses	\$ 7,123

	Balance 6/30/04	Increases	Decreases	Balance 6/30/05
<b>Utility</b>				
Other Capital Assets				
Land	\$ 100	\$ 0	\$ 0	\$ 100
Water System	265,900	0	0	265,900
Total Capital Assets at Historical Cost	266,000	0	0	266,000
<b>Less Accumulated Depreciation</b>				
Improvements	103,411	5,474	0	108,885
Total Accumulated Depreciation	103,411	5,474	0	108,885
Capital Assets, net	\$ 162,589	\$ (5,474)	\$ 0	\$ 157,115

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
Notes to the Financial Statements  
June 30, 2005

**NOTE G: LONG TERM DEBT**

A summary of activity in the Long-Term Debt is as follows:

	Balance 6/30/04	Additions	Reductions	Balance 6/30/05	Amounts Due Within One Year
<b>Governmental Activities</b>					
Notes Payable					
Capital Credit					
Group	\$ 40,407	\$ 0	\$ 9,374	\$ 31,033	\$ 9,844
Long-Term Liabilities	\$ 40,407	\$ 0	\$ 9,374	\$ 31,033	\$ 9,844
			Principal	Interest	Total
2006			\$ 9,844	\$ 1,550	\$ 11,394
2007			10,336	1,059	11,395
2008			10,853	543	11,396
			\$ 31,033	\$ 3,152	\$ 34,185

The EMS Fund is used to retire the above debt. The purpose of the note was to purchase an ambulance. The interest rate is 5%. The note matures in 2008.

**NOTE H: PROPERTY TAXES**

The County collects the Village's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the Village on a monthly basis. The Village accounts for its share of property taxes in the General, Debt Service and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

**NOTE I: PENSION PLAN**

For the fiscal year ended June 30, 2005, the Village has chosen not to participate in the Public Employees Retirement Act.

**NOTE J: POST-EMPLOYMENT BENEFITS**

For the fiscal year ended June 30, 2005, the Village has chosen not to participate in the Retiree Health Care Act.

**NOTE K: RECEIVABLES**

Receivables as of June 30, 2005, were as follows:

<u>Receivables</u>	General Fund	Streets Fund	Water Receivables	Total
Taxes	\$ 306	\$ 417	\$ 38	\$ 761

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
 Notes to the Financial Statements  
 June 30, 2005

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\$ 306 \$ 417 \$ 38 \$ 761

**NOTE L: INTERFUND TRANSFERS**

Transfers From:		Transfer To:	
Streets	\$ 5,000	General	\$ 5,000
Utility	3,500	General	3,500
General	4,395	EMS	4,395

The transfers were made to cover overdrafts at various times during the fiscal year.

**NOTE M: RISK MANAGEMENT**

The Village participates in the New Mexico Self-Insurers Fund for medical insurance coverage for their employees. Commercial Insurance covers all other losses. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or

**NOTE N: SURETY BOND**

The officials and certain employees of the Village are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

**PROPRIETARY FUND**

**Water**

To account for the provision of water utility service to the residents of the Village. All activities necessary to provide such services are accounted for in these funds, including, but not limited to administration, operations, and maintenance.

STATE OF NEW MEXICO  
**VILLAGE OF GRENVILLE**  
 PROPRIETARY FUND-WATER UTILITY  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Sales & Service	\$ 6,000	\$ 6,000	\$ 4,447	\$ (1,553)
Connection Fees	740	740	311	(429)
Interest	100	100	23	(77)
Other	1,660	1,660	44	(1,616)
Total Revenues	<u>8,500</u>	<u>8,500</u>	<u>4,825</u>	<u>(3,675)</u>
<b>Expenditures</b>				
Travel	1,000	1,000	729	271
Contract Services	3,000	3,000	2,160	840
Dues & Subscriptions	300	300	263	37
Supplies	2,100	2,100	477	1,623
Repairs	350	350	0	350
Training	250	250	177	73
Utilities	1,500	1,738	1,738	0
Total Expenditures	<u>8,500</u>	<u>8,738</u>	<u>5,544</u>	<u>3,194</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>(238)</u>	<u>(719)</u>	<u>(481)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	0	(3,500)	(3,500)	0
Total Other Sources (Uses)	<u>0</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>0</u>
Net Change in Cash Balance	0	(3,738)	(4,219)	(481)
Cash Balance Beginning of Year	<u>6,561</u>	<u>6,561</u>	<u>6,561</u>	<u>0</u>
Cash Balance End of Year	\$ <u>6,561</u>	\$ <u>2,823</u>	\$ <u>2,342</u>	\$ <u>(481)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (4,219)	
Increase (Decrease):				
Accounts Receivable			(389)	
Accounts Payable			(455)	
Depreciation			(5,474)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>(10,537)</u>	

The notes to the financial statements are an integral part of this statement.



De'Aun Willoughby CPA, PC

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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 Balderas  
State Auditor of the State of New Mexico  
Board Members of the VILLAGE OF GRENVILLE

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the respective budgetary comparisons of VILLAGE OF GRENVILLE (Village), as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 22, 2008. 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 our audit, we considered the Village's internal control over financial reporting as a basis for designing the audit procedures for the purpose of expressing 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. A significant deficiency is a control deficiency, a combination of control deficiencies, that adversely affects the Village'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's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies 05-01, 05-02 and 05-03 described in the accompanying schedule of findings and responses 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, we believe that the significant deficiencies described above are not material weaknesses.

#### 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 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 the audit, and that, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as items 05-01, 05-02 and 05-03.

The Village's response to the finding identified in our audit is 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, the New Mexico State Legislature and its committees, the Office of the State Auditor, the New Mexico Department of Finance and Administration-Local Government Division, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

*De'Ann Willoughby CPA PC*

September 22, 2008

**Prior Year Audit Findings**

	<u>Status</u>
<b>04-01</b> Travel Per Diem	Resolved
<b>04-02</b> Unsigned Checks	Resolved
<b>04-03</b> Budget Monitoring	Resolved

**Current Year Audit Findings**

**05-01 Late Audit Report - Compliance**

Condition

The audit report was filed after the due date. The report was submitted on 10/21/08 to the State Auditor's Office.

Criteria

According to the State Auditor Rule 2.2.2.9 (d), the audit report due date for the Village is December 1.

Cause

The Village was unable to contract with an auditor.

Effect

The users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc., do not have timely audit reports and financial statements for their review. Late audit report could have an effect on state and federal funding.

Recommendation

The Village should make every effort to hire an auditor and complete their audit timely.

Response

We will make an effort to solicit an auditor and complete our audit timely.

**05-02 PAYROLL - The clerk was paid in excess of wages earned constituting a criminal act under New Mexico law - Compliance**

Condition

The clerk was responsible for preparing her own time sheet consisting of a list of days worked and hours worked each day. It was discovered that the clerk was claiming up to sixteen consecutive days worked without a break, and prepared paychecks claiming duplicate wages out of both the general fund and the utility fund. There were 18 incidents and an estimated dollar value of \$2,120.

Criteria

"The governing body shall: control the finances and property of the municipality; appropriate money for municipal purposes only; and; provide for payment of debts and expenses of the municipality." Section 3-37-2, NMSA 1978. The governing body is directed by statute to ensure appropriate oversight over the payment of the expenditures of the municipality by dividing the duties of the clerk and the finance officer and providing for appropriate reporting of revenues and expenses to the governing body.

**Cause**

The Village does not maintain set paydays, and different council members were allowed to sign the clerk's paychecks. Therefore, it is unlikely that the council members were even aware that the clerk was being paid for time not worked.

**Effect**

The clerk was paid excess wages resulting in a misuse of public funds and considered a criminal act.

**Recommendation**

A time clock should be used and a set pay day should be implemented. The clerk should pay the Village for excess pay received. The council should provide sufficient oversight over the clerk to assure time records are correct before pay checks are signed.

**Response**

The council members were unaware of problems with the clerk. Clerk will no longer be able to sign her own paycheck, and will have a set pay period for clerk pay date.

**05-03 ERRONEOUS PURCHASES - The clerk received duplicate and undocumented reimbursement for expenses - Compliance**

**Condition**

It was discovered that checks issued to the clerk and to cash to reimburse the clerk for supplies and a Christmas party. There were no receipts documenting the reimbursements. There was a check issued to an optometrist for exam and glasses for both the clerk and her husband. The same receipt was also attached to the clerk's pay stub reimbursing her for her glasses. There were 5 incidents and a dollar value of \$1,300.

**Criteria**

"The governing body shall: control the finances and property of the municipality; appropriate money for municipal purposes only; and; provide for payment of debts and expenses of the municipality." Section 3-37-2, NMSA 1978. The governing body is directed by statute to ensure appropriate oversight over the payment of the expenditures of the municipality by dividing the duties of the clerk and the finance officer and providing for appropriate reporting of revenues and expenses to the governing body.

**Cause**

There is a complete lack of accountability and oversight by the appropriate parties to ensure that such transactions do not occur.

**Effect**

The clerk was reimbursed for undocumented expenses and reimbursed twice for potentially un-reimbursable expenses resulting in a misuse of public funds and is considered a criminal act.

**Recommendation**

The clerk should pay the Village for all undocumented expenditures as well as for the eye exam and glasses for both her and her husband. The council should contact the State Auditor's office and the District Attorney's office.

**Response**

The council members were unaware of problems with the clerk. We were also not aware of miss use of funds. We are aware of the problem now and are addressing this issue.

**Financial Statement Preparation**

The financial statements were prepared by De'Aun Willoughby CPA. However, management is responsible for the contents of the report.

**Exit Conference**

An exit conference was held on September 22, 2008. Those present were Mignon Saddoris-Mayor, Lynn Wiseman-Clerk and De'Aun Willoughby CPA.