

**STATE OF NEW MEXICO
VILLAGE OF GRENVILLE**

ANNUAL FINACIAL REPORT

June 30, 2010

Charles L. Henry
Certified Public Accountant
666 Cook Avenue
Raton, New Mexico

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
 Table of Contents
 For the Year Ended June 30, 2010

	<u>Page</u>
Official Roster	4
Independent Auditor's Report	5 - 6
 <u>FINANCIAL SECTION</u> 	
Government Wide Financial Statements	7
Statement of Net Assets	8
Statement of Activities	8
Fund Financial Statements	9
Governmental Funds - Balance Sheet	9
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	10
Statement of Revenues, Expenditures and Changes in Fund Balances	11
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	12
General Fund Statement of Revenues, Expenditures, and Changes in Cash - Budget and Actual (Non-GAAP Budgetary Basis)	13 - 14
Major Special Revenue Funds	
EMS Fund Statement of Revenues, Expenditures, and Changes in Cash - Budget and Actual (Non-GAAP Budgetary Basis)	15
Municipal Street Fund Statement of Revenues, Expenditures, and Changes in Cash - Budget and Actual (Non-GAAP Budgetary Basis)	16

Proprietary Fund - Water and Trash Removal	
Statement of Net Assets	17
Statement of Revenues, Expenses and Changes in Fund Net Assets	18
Statement of Cash Flows	19
Notes to Financial Statements	20 - 32
Proprietary Fund - Water and Trash Removal	
Statement of Revenues, Expenses and Changes in Cash Balances - Budget and Actual (Non-GAAP Budgetary Basis)	33
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	34 - 35
Schedule of Findings and Responses	36 - 42
Exit Conference	43

BOARD OF TRUSTEES

**Mignon Sadoris
Judy Jacobs
Irene Earl
Sandy Sink
Bonnie Donnelly**

**Mayor
Trustee
Trustee
Trustee
Trustee**

ADMINISTRATIVE OFFICIAL

Lynn Wiseman

Village Clerk

Charles L. Henry

Certified Public Accountant
666 Cook Avenue
Raton, New Mexico 87740
(505) 681-9762

Independent Auditor's Report

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

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Village of Grenville, as of and for the year ended June 30, 2010, which collectively comprise the Village of Grenville's basic financial statements as listed in the table of contents. I have also audited the financial statements of the Village's budgetary comparison for the proprietary fund presented as supplementary information in the accompanying individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Village of Grenville. My responsibility is to express opinions on these statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, I express no such opinion. 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above, present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grenville as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund, EMS Fund, Municipal Street Fund and Proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in my 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 Grenville as of June 30, 2010 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 fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated November 30, 2010 on my consideration of the Village's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Village of Grenville has not presented the Management's Discussion and Analysis required by GASB Statement No. 34 that the governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Charles Henry CPA

November 30, 2010

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 70,496	\$ 7,217	\$ 77,713
Receivables	431	487	918
	<u>70,927</u>	<u>7,704</u>	<u>78,632</u>
Total Current Assets			
Noncurrent Assets			
Restricted Cash	-	655	655
Capital Assets	149,429	266,000	415,429
Less: Accumulated Depreciation	<u>(87,762)</u>	<u>(135,787)</u>	<u>(223,549)</u>
	<u>61,667</u>	<u>130,868</u>	<u>192,535</u>
Total Noncurrent Assets			
	<u>132,594</u>	<u>138,572</u>	<u>271,166</u>
Total Assets			
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 2,524	\$ 443	\$ 2,967
	<u>2,524</u>	<u>443</u>	<u>2,967</u>
Total Current Liabilities			
Noncurrent Liabilities			
Customer Deposits	-	655	655
	<u>-</u>	<u>655</u>	<u>655</u>
Total Noncurrent Liabilities			
	<u>2,524</u>	<u>1,098</u>	<u>3,622</u>
Total Liabilities			
NET ASSETS			
Invested in Capital Assets	61,667	130,213	191,880
Unrestricted	<u>68,404</u>	<u>7,261</u>	<u>75,665</u>
	<u>130,070</u>	<u>137,474</u>	<u>267,545</u>
Total Net Assets			

The notes to the financial statements are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Statement of Activities
For the Year Ended June 30, 2010

Functions / Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General	\$ 55,777	\$ -	\$ 45,830	\$ -	\$ (9,947)	\$ -	\$ (9,947)
Public Safety	12,168	-	-	-	(12,168)	-	(12,168)
Public Works	2,415	-	-	-	(2,415)	-	(2,415)
Total Governmental Activities	<u>\$ 70,360</u>	<u>\$ -</u>	<u>\$ 45,830</u>	<u>\$ -</u>	<u>\$ (24,530)</u>	<u>\$ -</u>	<u>\$ (24,530)</u>
Business-type Activities							
Water & Trash Removal	10,360	5,426	-	-	-	(4,934)	(4,934)
Total Business-type Activities	<u>\$ 10,360</u>	<u>\$ 5,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(4,934)</u>	<u>(4,934)</u>
General Revenues							
Gross Receipts Taxes					10,245	-	10,245
Property Taxes					2,767	-	2,767
Gasoline Taxes					5,567	-	5,567
Interest and Investment Earnings					256	35	291
Miscellaneous					220	268	487
Total General Revenues					19,054	302	19,356
Transfers					-	-	-
Changes in Net Assets					(5,476)	(4,631)	(10,107)
Net Assets - Beginning					135,546	142,105	277,652
Net Assets - Ending					<u>\$ 130,070</u>	<u>\$ 137,474</u>	<u>\$ 267,545</u>

The notes to the financial statements are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Fund Financial Statements
 Governmental Funds - Balance Sheet
 June 30, 2010

	<u>General Fund</u>	<u>EMS Fund</u>	<u>Municipal Streets Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 55,102	\$ (0)	\$ 15,395	\$ 70,496
Receivables: Taxes	<u>14</u>	<u>-</u>	<u>417</u>	<u>431</u>
Total Assets	<u>\$ 55,116</u>	<u>\$ (0)</u>	<u>\$ 15,812</u>	<u>\$ 70,927</u>
LIABILITIES AND FUND BALANCE				
Accounts Payable	<u>\$ 2,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,524</u>
Total Liabilities	<u>2,524</u>	<u>-</u>	<u>-</u>	<u>2,524</u>
Fund Balances				
Unreserved Funds				
General Fund	52,593	-	-	52,593
Special Revenue Fund	<u>-</u>	<u>(0)</u>	<u>15,812</u>	<u>15,811</u>
Total Fund Balances	<u>52,593</u>	<u>(0)</u>	<u>15,812</u>	<u>68,404</u>
Total Liabilities and Fund Balances	<u>\$ 55,116</u>	<u>\$ (0)</u>	<u>\$ 15,812</u>	<u>\$ 70,927</u>

The notes to the financial statements are an integral part of these financial statements

STATE OF NEW MEXICO

VILLAGE OF GRENVILLE

Reconciliation of the Governmental

Fund Balance Sheet to the Statement of Net Assets

June 30, 2010

Some amounts presented for governmental activities in the Statement of Net Assets differ from the presentation of Governmental Funds.

Governmental Funds - Balance Sheet

Cash and Cash Equivalents	\$	70,496
Receivables: Taxes		431
Less - Accounts Payable		<u>(2,524)</u>

Total Fund Balance - Governmental Funds \$ 68,404

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Reconciliation requires adding these capital assets back.

Capital Assets:

The cost of Capital Assets		149,429
Less Accumulated Depreciation		<u>(87,762)</u>

Total Capital Assets 61,667

Total Net Assets - Governmental Activities \$ 130,070

The notes to the financial statements are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended June 30, 2010

	General Fund	EMS Fund	Municipal Street Fund	Total Governmental Fund
Revenues				
Gross Receipts Taxes	\$ 10,245	\$ -	\$ -	\$ 10,245
Property Taxes	2,767	-	-	2,767
Gasoline Taxes	-	-	5,567	5,567
Motor Vehicle Taxes	170	-	-	170
Interest	188	-	68	256
Small City Assistance	35,000	-	-	35,000
State of New Mexico	-	7,330	-	7,330
Miscellaneous	50	-	-	50
Union County	3,500	-	-	3,500
Total Revenues	51,919	7,330	5,635	64,884
Expenditures				
Current				
General	55,777	-	-	55,777
Public Safety	-	5,046	-	5,046
Public Works	-	-	2,415	2,415
Total Expenditures	55,777	5,046	2,415	63,237
Excess (Deficiency) of Revenues Over Expenditures	(3,858)	2,284	3,220	1,647
Other Financing Sources (Uses)				
Transfers In/(Out)	2,416	(2,416)	-	-
Total Other Sources (Uses)	2,416	(2,416)	-	-
Net change in Fund Balances	(1,442)	(132)	3,220	1,647
Fund Balances - Beginning of Year	54,034	132	12,591	66,757
Fund Balances - End of Year	\$ 52,593	\$ -	\$ 15,812	\$ 68,404

The notes to the financial statements are an integral part of these financial statements

STATE OF NEW MEXICO

VILLAGE OF GRENVILLE

Reconciliation of Governmental Funds
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance to the
 Statement of Activities
 June 30, 2010

Fund Balance - Governmental Funds June 30, 2010	\$	68,404	
Fund Balance - Governmental Funds June 30, 2009		<u>66,757</u>	
Net Change in Fund Balance-Government Funds			\$ 1,647
<p>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.</p>			
Depreciation Expense		(7,122)	
Capital Outlays		<u>-</u>	<u>(7,122)</u>
Changes in Net Assets of Governmental Activities			(5,476)
Net Assets - Beginning from Statement of Activities			<u>135,546</u>
Net Assets - Ending from Statement of Activities	\$		<u><u>130,070</u></u>

The notes to the financial statements are an integral part of these financial statements

STATE OF NEW MEXICO

VILLAGE OF GRENVILLE

General Fund

Statement of Revenues, Expenditures, and Changes in
Cash - Budget and Actual (Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2010

<u>Revenues</u>	<u>Budgeted Amount</u>		Actual (Non-GAAP Budgetary) Basis	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
Taxes				
GRT - Infrastructure	\$ 150	\$ 150	\$ 477	\$ 327
GRT - Municipal	2,500	2,500	4,880	2,380
GRT - Environmental	75	75	236	161
Total Taxes	<u>2,725</u>	<u>2,725</u>	<u>5,594</u>	<u>2,869</u>
License & Permits				
Other License & Permits	15	15	-	(15)
Total License & Permits	<u>15</u>	<u>15</u>	<u>-</u>	<u>(15)</u>
State Shared Taxes				
Gross Receipts Tax	2,500	2,500	4,859	2,359
Total State Shared Taxes	<u>2,500</u>	<u>2,500</u>	<u>4,859</u>	<u>2,359</u>
Fines & Forfeitures				
MVD Administration	190	190	173	(17)
Total Fines & Forfeitures	<u>190</u>	<u>190</u>	<u>173</u>	<u>(17)</u>
Miscellaneous				
Interest Income	900	900	223	(677)
Property	2,592	2,592	2,789	197
Union County	3,500	3,500	3,500	-
Other	23,078	23,078	50	(23,028)
Total Miscellaneous	<u>30,070</u>	<u>30,070</u>	<u>6,562</u>	<u>(23,508)</u>
Grants				
Small City Assistance	35,000	35,000	35,000	-
Local Grant	-	-	-	-
Total Grants	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Total Revenues	<u>70,500</u>	<u>70,500</u>	<u>52,189</u>	<u>(18,311)</u>
Expenditures				
Executive				
Salaries	5,541	5,541	5,354	187
Employee Benefits	459	459	313	146
Total Executive	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 5,667</u>	<u>\$ 333</u>

The notes to the financial statements are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
 General Fund

Statement of Revenues, Expenditures, and Changes in Cash - Budget and Actual (Non-GAAP Budgetary Basis)		Actual (Non-GAAP Budgetary) Basis	Variance with Final Budget Over (Under)	
For the Year Ended June 30, 2010				
		Budgeted Amount		
		Original	Final	
Financial				
Salaries	\$ 24,196	\$ 24,196	\$ 28,211	\$ (4,016)
Employee Benefits	4,467	4,467	3,558	910
Audit	5,500	5,500	-	5,500
Travel & Fuel	1,750	1,750	909	841
Maintenance & Equipment Rental	9,312	9,312	5,244	4,068
Contract Services	750	750	1,567	(817)
Supplies	1,025	1,025	1,165	(140)
Insurance	5,000	5,000	4,242	758
Postage	200	200	152	48
Dues & Subscriptions	1,000	1,000	1,608	(608)
Telephone	2,000	2,000	1,773	227
Utilities	4,300	4,300	2,984	1,316
Total Financial	<u>59,500</u>	<u>59,500</u>	<u>51,412</u>	<u>8,088</u>
Public Safety				
Supplies	-	-	-	-
Training	-	-	-	-
Total Public Safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>65,500</u>	<u>65,500</u>	<u>57,079</u>	<u>8,421</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,000</u>	<u>5,000</u>	<u>(4,891)</u>	<u>(9,891)</u>
Other Financing Sources (Uses)				
Transfers Out - Transfers Out - EMS	<u>(5,000)</u>	<u>2,416</u>	<u>2,416</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>2,416</u>	<u>2,416</u>	<u>-</u>
Net Change in Cash Balance	-	7,416	(2,474)	(9,891)
Cash Balance Beginning of Year	57,577	57,577	57,577	-
Cash Balance End of Year	<u>\$ 57,577</u>	<u>\$ 64,993</u>	<u>\$ 55,102</u>	<u>\$ (9,891)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures - Cash Basis			\$ (2,474)	
Increase (Decrease) In				
Taxes Receivable			(270)	
Accounts Payable			1,302	
Net Change in Fund Balances - GAAP Basis			<u>\$ (1,442)</u>	

The notes to the financial statements are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
SPECIAL REVENUE FUND - EMS FUND

Statement of Revenues, Expenditures, and Changes in Cash - Budget and Actual (Non-GAAP Budgetary Basis)		Actual (Non-GAAP Budgetary) Basis		Variance with Final Budget Over (Under)
For the Year Ended June 30, 2010		<u>Budgeted Amount</u>		
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues				
State Grant	\$ 21,000	\$ 21,000	\$ 7,330	\$ (13,670)
Total Revenue	<u>21,000</u>	<u>21,000</u>	<u>7,330</u>	<u>(13,670)</u>
Expenditures				
Operating Costs	2,000	2,000	1,837	163
Equipment Costs	12,000	12,000	2,735	9,265
Supplies	7,000	7,000	474	6,526
Total Expenditures	<u>21,000</u>	<u>21,000</u>	<u>5,046</u>	<u>15,954</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>2,284</u>	<u>2,284</u>
Other Financing Sources (Uses)				
Transfers In / (Out)	<u>-</u>	<u>-</u>	<u>(2,416)</u>	<u>(2,416)</u>
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>(2,416)</u>	<u>(2,416)</u>
Net Change in Cash Balance	-	-	(132)	(132)
Cash Balance Beginning of Year	<u>132</u>	<u>132</u>	<u>132</u>	<u>-</u>
Cash Balance End of Year	<u>\$ 132</u>	<u>\$ 132</u>	<u>\$ -</u>	<u>\$ (132)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (132)	
Increase (Decrease) In				
Due from Grantor			-	
Accounts Payable			-	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (132)</u>	

The notes to the financial statements are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
SPECIAL REVENUE FUND - MUNICIPAL STREET FUND

Statement of Revenues, Expenditures, and Changes in Cash - Budget and Actual (Non-GAAP Budgetary Basis) For the Year Ended June 30, 2010		Budgeted Amount		Actual (Non-GAAP Budgetary) Basis	Variance with Final Budget Over (Under)			
		Original	Final					
Revenues								
Gasoline Tax	\$	5,004	\$	5,004	\$	5,150	\$	146
Interest		300		300		68		(232)
Total Revenues		<u>5,304</u>		<u>5,304</u>		<u>5,218</u>		<u>(86)</u>
Expenditures								
Operating Costs		4,504		4,504		1,750		2,754
Supplies		800		800		665		135
Total Expenditures		<u>5,304</u>		<u>5,304</u>		<u>2,415</u>		<u>2,889</u>
Excess (Deficiency) of Revenues Over Expenditures		<u>-</u>		<u>-</u>		<u>2,803</u>		<u>2,803</u>
Other Financing Sources (Uses) Transfers In/(Out) Total Other Sources (Uses)		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>
Net Change in Cash Balance		-		-		2,803		2,803
Cash Balance Beginning of Year		<u>12,591</u>		<u>12,591</u>		<u>12,591</u>		<u>-</u>
Cash Balance End of Year	\$	<u><u>12,591</u></u>	\$	<u><u>12,591</u></u>	\$	<u><u>15,395</u></u>	\$	<u><u>2,803</u></u>
Reconciliation of Budgetary Basis to GAAP Basis								
Excess (Deficiency) of Revenues Over Expenditures - Cash Basis					\$	2,803		
Increase (Decrease) In Taxes Receivable						417		
Accounts Payable						-		
Excess (Deficiency) of Revenues Over Expenditures - GAAP Basis					\$	<u><u>3,220</u></u>		

The notes to the financial statements are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
 PROPRIETARY FUND - WATER AND TRASH REMOVAL
 Statement of Net Assets
 June 30, 2010

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 7,217
Receivables	487
Total Current Assets	<u>7,704</u>

Restricted Assets

Restricted Cash	655
Total Restricted Assets	<u>655</u>

Noncurrent Assets

Capital Assets	266,000
Less - Accumulated Depreciation	<u>(135,787)</u>
Total Noncurrent Assets	<u>130,213</u>

Total Assets	<u>\$ 138,572</u>
--------------	-------------------

LIABILITIES

Current Liabilities

Accounts Payable	443
Total Current Liabilities	<u>443</u>

Noncurrent Liabilities

Customer Deposits	655
Total Noncurrent Liabilities	<u>655</u>

Total Liabilities	<u>1,098</u>
-------------------	--------------

NET ASSETS

Invested in Capital Assets	130,213
Unrestricted	<u>7,261</u>

Total Net Assets	<u>\$ 137,474</u>
------------------	-------------------

The notes to the financial statements are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
 PROPRIETARY FUND - WATER AND TRASH REMOVAL
 Statement of Revenues, Expenses and Changes in
 Fund Net Assets
 For the Year Ended June 30, 2010

Operating Revenues	
Sales & Services	\$ 5,426
Miscellaneous	268
Total Operating Revenues	<u>5,694</u>
Operating Expenses	
Supplies	57
Operating Costs	4,985
Depreciation	5,318
Total Operating Expenses	<u>10,360</u>
Operating Income (Loss)	<u>(4,666)</u>
Nonoperating Revenue (Expenses)	
Interest	35
Total Nonoperating Revenue (Expenses)	<u>35</u>
Change in Net Assets	(4,631)
Total Net Assets - Beginning	142,105
Total Net Assets - Ending	<u>\$ 137,474</u>

The notes to the financial statements are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
 PROPRIETARY FUND - WATER AND TRASH REMOVAL
 Statement of Cash Flows
 For the Year Ended June 30, 2010

Cash flows from Operating Activities	
Cash Received From Customers	\$ 5,564
Cash Paid to Suppliers and Employees	<u>(4,950)</u>
Net Cash Provided by Operating Activities	<u>615</u>
Cash Flows from Investing Activities	
Interest Received	<u>35</u>
Net Cash Provided by Investing Activities	<u>35</u>
Net Increase (Decrease) in Cash	649
Cash - Beginning of Year	<u>6,568</u>
Cash - End of Year	<u><u>\$ 7,217</u></u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (4,666)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	5,318
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(130)
Increase (Decrease) in Accounts Payable	<u>93</u>
Net Cash Provided by Operating Activities	<u><u>\$ 615</u></u>

The notes to the financial statements are an integral part of these financial statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statements prepared using the full accrual-accounting for 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, 2010.

Financial Reporting Entity

The Village of Grenville is an incorporated municipality under the statutes of New Mexico. The Village operates under Mayor - Board of Trustees form of government and provides services as authorized by its charter. These services address public safety, highways and streets, sanitation, health and welfare, culture and recreation, public improvements, planning and zoning as well as general administrative services.

Governmental Accounting Standards Board Statement No. 14 establishes 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 of Grenville 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 this Statement, fiscally independent means that the Village of Grenville 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Village of Grenville has no component units 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 of Grenville 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 of Grenville are classified into two categories, governmental and proprietary. In turn each category is divided into separate fund types.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all the activities of the Village of Grenville. 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. Fiduciary funds are not included in the government-wide financial statements. Fiduciary Funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

Amounts reported as program revenue in the government-wide financial statements include.

Charges to customers or applicants for goods received, services rendered or privileges provided.

Operating grants and contributions.

Capital grants and contributions.

The Village of Grenville operating grants include the Small Cities Assistance Grant and assistance from Union County.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Village of Grenville 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 transactions takes place, and grants are recognized when all 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.

The Statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Village and for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Indirect expenses allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 expenditures that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Village of Grenville has presented the following major governmental funds.

General Fund

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

Major Special Revenue Funds

EMS Fund

To account for operations and maintenance of the EMS Department. Financing is provided by the motor vehicle registration fee of one dollar. Funding is provided under State Statute and is 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.

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 of Grenville has presented the following major proprietary funds.

Water Fund is a fund 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 funds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net 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 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 of Grenville 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 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 end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 finance 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 a 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 Administration.
3. The Village treasurer is authorized to transfer budget 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.
4. The level of budget authority is at the fund level.
5. 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:

Enterprise Funds.

Enterprise Funds account for operations carried out and financed like a business operation. They are usually designated to be self-supporting through fees for services and generating revenues from outside sources.

Internal Service Funds

Internal Service Funds account for financing goods or services provided by an organizational unit to another organizational unit on a self-liquidating, fee-for-service basis. The Village of Grenville does not have a Internal Service Fund.

Cash and Cash Equivalents

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the Village of Grenville is authorized by statute 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.
- (b) Securities that are issued by the United States government or by its agencies.
- (c) Contracts with banks, savings and loan associations or credit unions. The contract shall be fully secured by obligations of the United States.

Prepaid Items

Prepaid balances are for payments made by the Village in the current year to provide services occurring in the subsequent fiscal year. The reserve for prepaid items represents the services to be provided in the subsequent fiscal year.

Receivables and Payables

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. For the year ended June 30, 2010 all receivables are considered to be collectible.

Property taxes are levied on November 1st 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 December 10th and May 10th are considered delinquent. The taxes attach as an enforceable lien on property that has been delinquent for three years.

Capital Assets

Capital assets, which includes property, plant, equipment, and infrastructure assets reported in the applicable governmental or business-type financial statements. 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 of Grenville 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives.

Buildings	50 Years
Equipment	15 Years
Water System	50 Years

Revenue

The policy for defining the proprietary funds 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.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed by creditors, grantors, laws or regulations of other governments.

Net assets should be reported as restricted when constraints placed on them are either externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation. However for the current year the Village of Grenville does not have net assets that are restricted.

NOTE B: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

Financial information is presented on the budgetary basis to provide a comparison of actual results with the budget. There are two major reason for differences between budgetary basis and GAAP basic statements.

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

NOTE B: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS (CONTINUED)

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 Balances - Budget and Actual (Budgetary Basis).

NOTE C: CASH AND INVESTMENTS

New Mexico State Statute requires the Village funds be 50% collateralized if not covered by coverage provided by the FDIC. The schedule below calculated the coverage requirement.

First National Bank				
<u>Name of Account</u>	<u>Type</u>	<u>Balance Per</u>	<u>Reconciling</u>	<u>Reconciled</u>
		<u>Bank</u>	<u>Differences</u>	<u>Balance</u>
General Fund	Checking	\$ 55,102	\$ -	\$ 55,102
Municipal Street Fund	Checking	15,395	-	15,395
EMS Fund	Checking	35	(35)	-
Proprietary Fund	Checking	7,872	-	7,872
Total Balances		<u>\$ 78,404</u>	<u>\$ (35)</u>	<u>\$ 78,369</u>
 Details of Proprietary Fund as reflected above:				
Unrestricted Funds				\$ 7,217
Restricted Funds				655
				<u>\$ 7,872</u>
 Custodial Credit Risk-Deposits				
Insured		\$ 78,404		
Collateralized:				
Collateralized and held by the pledging bank in the Village's name		-		
Uninsured and uncollateralized		-		
Total Deposits		<u>\$ 78,404</u>		

Custodial credit risk defines the risk of financial loss in the event of bank failure if not insured by the FDIC. The government does not have a deposit policy for custodial credit risk. As of June 30, 2010 none of the funds deposited in the name of the Village of Grenville are exposed to custodial risk.

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
 Notes to Financial Statements
 June 30, 2010

NOTE D: DEFERRED REVENUE

Revenues are deferred in accordance with the modified accrual basis of accounting for the fund financial statements. There were no deferred revenues as of the fiscal year ended June 30, 2010.

NOTE E: RESTRICTED CASH

Restricted cash in the Utility Fund is set aside for customer deposits.

NOTE F: CAPITAL ASSETS

Capital Assets Balances and Activity for the year ended June 30, 2010, are presented below.

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 7,600	\$ -	\$ -	\$ 7,600
Total Capital Assets not being Depreciated	<u>7,600</u>	<u>-</u>	<u>-</u>	<u>7,600</u>
Capital Assets subject to Depreciation				
Buildings & Improvements	49,990	-	-	49,990
Equipment	91,839	-	-	91,839
Total Capital Assets subject to Depreciation	<u>141,829</u>	<u>-</u>	<u>-</u>	<u>141,829</u>
Total Capital Assets	<u>149,429</u>	<u>-</u>	<u>-</u>	<u>149,429</u>
Less Accumulated Depreciation				
Buildings & Improvements	29,994	1,000	-	30,993
Equipment	50,646	6,123	-	56,769
Total Accumulated Depreciation	<u>80,640</u>	<u>7,122</u>	<u>-</u>	<u>87,762</u>
Capital Assets, Net of Depreciation	<u>\$ 68,789</u>	<u>\$ (7,122)</u>	<u>\$ -</u>	<u>\$ 61,667</u>

Depreciation expense was charged to governmental activities as follows:

Public Safety	\$ <u>7,122</u>
Total Depreciation Expense	\$ <u><u>7,122</u></u>

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Notes to Financial Statements
June 30, 2010

NOTE F: CAPITAL ASSETS (CONTINUED)

Business Type Activities	<u>Balance</u> <u>June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
Other Capital Assets				
Land	\$ 100	\$ -	\$ -	\$ 100
Water System	265,900	-	-	265,900
Total Capital Assets at Historical Cost	266,000	-	-	266,000
Less Accumulated Depreciation	130,469	5,318	-	135,787
Total Accumulated Depreciation	130,469	5,318	-	135,787
Capital Assets Net of Depreciation	<u>\$ 135,531</u>	<u>\$ 5,318</u>	<u>\$ -</u>	<u>\$ 130,213</u>

NOTE G: LONG - TERM DEBT

As of June 30, 2010 the Village of Grenville has no long term debt.

NOTE H: PROPERTY TAXES

Union County collects the Village of Grenville's share of property taxes assessed. The County collects these taxes and distributes them to the Village on a monthly basis. The Village of Grenville accounts for its share of property taxes in the General Fund. Only those distributions from the county are recorded as revenues for the budget presentation.

NOTE I: PENSION PLAN

For the fiscal year ended June 30, 2010, the Village of Grenville has chosen not to participate in the Public Employees Retirement Act.

NOTE J: POST - EMPLOYMENT BENEFITS

For the fiscal year ended June 30, 2010, the Village of Grenville has chosen not to participate in the Retiree Health Care Act.

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
 Notes to Financial Statements
 June 30, 2010

NOTE K: RECEIVABLES

Receivables as of June 30, 2010, are detailed below:

<u>Receivables</u>	<u>General Fund</u>	<u>Municipal Street Fund</u>	<u>Utility Receivables</u>	<u>Total</u>
Intergovernmental Taxes	\$ 14	\$ 417	\$ 487	\$ 918
Total Receivables	<u>\$ 14</u>	<u>\$ 417</u>	<u>\$ 487</u>	<u>\$ 918</u>

NOTE L: INTERFUND TRANSFERS

The Village of Grenville Trustees authorize transfers when determined to be necessary to cover cash needs in the respective funds.

A summary of these transfers is presented below:

<u>From</u>	<u>Transfers to</u>				<u>Total</u>
	<u>Municipal Street</u>	<u>EMS Fund</u>	<u>General Fund</u>	<u>Utility Fund</u>	
EMS Fund	\$ -	\$ -	\$ 2,416	\$ -	\$ 2,416
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,416</u>	<u>\$ -</u>	<u>\$ 2,416</u>

The transfers made were for the purpose of meeting obligations.

NOTE M: RISK MANAGEMENT

The Village of Grenville participates in the New Mexico Self-Insurers Fund for medical insurance coverage of 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. There are no known pending claims at year end.

NOTE N: SURETY BOND

The Village Clerk is covered by a "Public Official Bond". This bond provides financial protection to the Village of Grenville for all losses up to the policy limits of \$ 7,500 incurred from financial losses due to any improper use of funds in the control or custody of the clerk.

NOTE O: PROPRIETARY FUND

The Village of Grenville operates a utility service for the residents of the village. All activities necessary to provide utility services are accounted for in this fund. Such records reflect revenues and expenditures associated with the services provided. The administrative costs associated with the services provided by the proprietary activity are generally absorbed by the normal activities of the village. Transfers of funds between the proprietary fund and the General operating fund are made as necessary to meet financial demands or requirements.

NOTE P: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the basic financial statements, of certain information concerning individual funds including:

Individual funds with excess expenditures over appropriations.
General Fund by \$ 9,891.

NOTE Q: SUBSEQUENT EVENTS

On November 9 , 2010 Ms. Mignon Saddoris resigned as Mayor of the Village of Grenville. In questioning the Village Clerk it appears that the resignation was due to personal issues as well as issues that do not influence the financial reporting of the Village.

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
 PROPRIETARY FUND - WATER AND TRASH REMOVAL
 Statement of Revenues, Expenses and Changes in
 Cash Balances - Budget and Actual (Non-GAAP Budgetary Basis)
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues				
Sales	\$ 7,540	\$ 7,540	\$ 5,296	\$ (2,244)
Connection Fees	150	150	40	(110)
Interest	25	25	-	(25)
Other	150	150	263	113
Total Revenues	<u>7,865</u>	<u>7,865</u>	<u>5,599</u>	<u>(2,266)</u>
Expenditures				
Travel	500	500	-	500
Contract Services	250	250	-	250
Supplies	5,255	5,255	57	5,198
Operating Costs	6,860	6,860	4,893	1,968
Total Expenditures	<u>12,865</u>	<u>12,865</u>	<u>4,950</u>	<u>7,915</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,000)</u>	<u>(5,000)</u>	<u>649</u>	<u>5,649</u>
Other Financing Sources (Uses)				
Transfers In / (Out)	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total Other Sources (Uses)	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Net Change in Cash Balance	-	-	649	649
Cash Balance Beginning of Year	<u>6,568</u>	<u>6,568</u>	<u>6,568</u>	<u>-</u>
Cash Balance End of Year	<u>\$ 6,568</u>	<u>\$ 6,568</u>	<u>\$ 7,217</u>	<u>\$ 649</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures- Cash Basis			\$ 649	
Increase (Decrease) In:				
Accounts Receivable			130	
Accounts Payable			(93)	
Depreciation			<u>(5,318)</u>	
Change in Net Assets - GAAP Basis			<u>\$ (4,631)</u>	

Charles L. Henry

Certified Public Accountant
666 Cook Avenue
Raton, New Mexico 87740
(505) 681-9762

*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

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparison presented as supplemental information of the Village of Grenville as of and for the year ended June 30, 2010, and have issued my report thereon dated November 30, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued, by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.

I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies in internal control over financial reporting. 05-01, 05-02, 05-03, 08-01, 08-02, 08-03, and 10-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

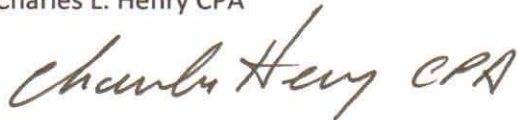
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contractors 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items. 05-01, 05-02, 05-03, 08-01, 08-02, 08-03, 08-04, 09-01, and 10-01.

The Village's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit the Village's response and accordingly, I 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.

Charles L. Henry CPA

A handwritten signature in cursive script that reads "Charles L. Henry CPA". The signature is written in black ink and is positioned below the typed name.

November 30, 2010

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Schedule of Findings and Responses
For the Year Ended June 30, 2010

Prior Year Audit Findings

- 05-01 Late Audit Report - Repeated*
- 05-02 Payroll Issues - Repeated*
- 05-03 Undocumented Purchase - Repeated*
- 08-01 Weak Procedures Over Cash - Repeated*
- 08-02 Capital Asset Inventory List - Repeated*
- 08-03 Improper Classification of Expenses - Repeated*
- 08-04 Improper Disclosure During the Exit Conference - Repeated*
- 09-01 Skipped Receipts and Checks- Repeated*

05-01 Late Audit Report

Statement of Condition

The audit report was filed after the due date. The report was submitted to the State Auditor's Office on December 3, 2010.

Criteria

According to the State Auditor Rule 2.2.2.10,1(3)©(iii), the audit report due date for the Village of Grenville is December 1.

Cause

The Village of Grenville was unable to contract with an auditor until late in the contract period.

Effect

The users of the financial statements do not have timely audit reports and financial statements for their analysis and review. Untimely information could have an effect on state and federal funding.

Recommendation

The Village of Grenville make a priority of obtaining a auditor earlier to provide sufficient time for the auditor to complete the examination on a timely basis.

Council Response

After the due date of December 1, 2010 the Village will be current and will remain current in the future.

05-02 Payroll Issues

Statement of Condition

The Village Clerk is responsible for preparing her own time sheet. She is the only employee of the Village and her hours are not fixed by the council and there is no oversight required or performed. Her time sheets are not always completed timely and there is a distinct possibility of hours being misstated. Two incidents were noted where personal obligations were paid with a village check and charged to payroll for the clerk.

Criteria

The governing body is charged with the responsibility of ensuring the proper oversight and expenditures of funds.

Cause

The Village of Grenville is very small. Even compensating controls are difficult because there is no one responsible to authorize hours claimed.

Effect

The Village clerk has the opportunity to misstate hours spent.

Recommendation

The control over time in this situation is even more difficult than normally incurred. Various oversight actions to control time will still be subject to the potential manipulation of the hours. It is my recommendation that the position of Village Clerk of Grenville be made a salaried position with set hours the administrative office is open.

Council Response

The council is aware of the problem, and had not considered this option. Consideration of this recommendation will be taken up after the holidays.

05-03 Undocumented Purchases

Statement of Condition

Incidences of purchases by individuals for the Village needs was found. The documentation of such purchases may be included on an invoice that also contains personal purchases. All of these type of purchases reflected some support and an authorization by the council, but the control over such expenditures is very poor.

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Schedule of Findings and Responses
For the Year Ended June 30, 2010

Criteria

The governing body is charged with the responsibility of ensuring the proper oversight and expenditures of funds.

Cause

There are no commercial stores located within the Village of Grenville. The nearest city with some of the items needed is 30 miles away. Often a longer trip is necessary to find and obtain the needed items. Obtaining credit terms is difficult and having proper signatures on a check without knowing the total to be expended would also result in an internal control issue. Situations are generated by need. If the village clerk, counselor or even resident is going to "the city" orders are taken and often paid by personal check or cash. These purchases are often included in other items personally purchased. Reimbursement is evidenced by a sales slip or other document provided by the purchaser.

Effect

There is no control over the purchase and the possibility to miscommunicate the item needed exists. The possibility exists to pay an amount different from the actual cost if the evidence of the purchase is a hand written piece of paper.

Recommendation

A simple purchase order system or modified system be put in place.

Council Response

The council is aware of the problem. The solution seemed to be impossible to solve due to the location of the Village. The council is open to any solution and will consider a purchase order system after the holidays.

08-01 Weak Procedures Over Cash

Statement of Condition

Presently bank statements are reconciled on the back of the bank statement. There is no indication as to the date the bank is reconciled. There is no separation of duties and that results in the clerk opening the mail, writing the checks, being authorized as one of the required two signatures. Discussions revealed that there are times when the clerk obtains an authorized signature on some blank checks for upcoming expenditures.

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Schedule of Findings and Responses
For the Year Ended June 30, 2010

Criteria

Good internal control requires controls over cash. Proper reconciliations and reporting is essential to maintaining this control.

Cause

The Village of Grenville is small and many items needed or services required are delivered. The village clerk is the only employee and counselors are not readily available for assistance in the operational needs of the village. Convenience and time have generated actions that are accepted but without oversight or control. Trust and long term relationships contribute to the lack of policies and controls.

Effect

The opportunity for misuse of funds is available and possible.

Recommendation

That professional help be engaged to assist in developing procedures over the receipt and distribution of cash. Strict procedures for the opening of mail, authorization of expenditures and reconciliation of bank statements be adopted and formalized in a operation manual. Compensating provide some separation of duties required for internal control. That any signing of blank checks by anyone be eliminated.

Council Response

The council is now aware of the problem and will look at ways to address the need for better controls.

08-02 Capital Asset Inventory List

Statement of Condition

There is no capital asset inventory and no depreciation schedules.

Criteria

The finding violates SAO 2.2.2.10.Y which requires a complete inventory of assets owned by the Village including depreciation schedules.

Cause

The lack of knowledge pertaining to accounting requirements for maintaining control over fixed assets.

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Schedule of Findings and Responses
For the Year Ended June 30, 2010

Effect

No control over fixed assets along with an inability to properly evaluate the needs of the Village.

Recommendation

A complete physical of all the Village assets should be performed and a depreciation schedule be prepared from the results of the inventory.

Council Response

The council will review files and attempt to construct a schedule of assets.

08-03 Improper Classification of Expenses

Statement of Condition

The primary fund for disbursement of expenses is the General Fund. The result of this is that often expenses related to other funds are disbursed from the General Fund.

Criteria

Good internal control requires that the Village appropriately classify expenses to evaluate expenses as well as budgetary control.

Cause

Not understanding the requirements of proper financial presentation.

Effect

The inability to evaluate the needs of the funds and risk of proper budget control and preparation.

Recommendation

Council review of expenses for proper classification and reporting of revenue and related expenses pertaining to each.

Council Response

The council was not aware of the problem or benefits of classification. The recommendation will be evaluated after the holidays.

08-04 Improper Disclosure During the Exit Conference

Statement of Condition

The exit conference that was attended by the entire Council of the Village of Grenville was held in an open meeting and although there were no individuals in attendance other than the Council members it was in violation of the Open Meetings Act.

Criteria

SAO rule 2.2.2.10(J) States that neither the Independent Professional Auditor nor agency personnel shall release any information to the public relating to the audit at the time of the exit conference or an any other time until the audit report has been officially released by the State Auditor and becomes public record.

Cause

The Independent Professional Auditor did not request that the council go into closed session at the time of the conference.

Effect

The violation of the open meetings act could have resulted in confidential information becoming public before it had been reviewed by the Office of the State Auditor.

Recommendation

That future exit conferences be conducted without a quorum or in closed session.

Council Response

The council is now aware of the SAO rule and will make sure all conversations regarding the financial audit of the Village will be in closed session or conducted without a quorum

09-01 Skipped Receipts and Checks

Statement of Condition

Incidences of skipped checks in the process of payment of various Village expenses was noted.

Criteria

Skipped checks in the process of payment of disbursements is an indication of a lack of proper internal control.

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Schedule of Findings and Responses
For the Year Ended June 30, 2010

Cause

In questioning the reason for the skipped checks it was found that simply misplacing the checks was the primarily factor for the skipped checks.

Effect

By skipping checks or otherwise issuing disbursements out of sequence internal control can be compromised.

Recommendation

That the Village Clerk be more diligent in making sure that checks are issued in sequence.

Council Response

There was no response from the Council as the issue was addressed with the village clerk. This was done because in every incidence the skipped checks were issued in the next month

10-01 Budget Violations

Statement of Condition

During the year ended June 30, 2010, the Village of Grenville's expenditures exceeded the revised approved budgets in one fund. The General Fund by \$ 9,891.

Criteria

Statute requires that budgets not be exceeded at the legal level of control. For the Village of Grenville total expenditures is the legal level of control.

Cause

Budgetary adjustments were not made to avoid possible over-expenditures.

Effect

The Village of Grenville is not in compliance with New Mexico State Law.

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Schedule of Findings and Responses
For the Year Ended June 30, 2010

Recommendation

The Village of Grenville should establish a policy of budgetary review before expenditures are approved.

Council Response

The council is struggling with this issue and will attempt to better enforce appropriate policies and procedures to ensure proper budgetary monitoring.

EXIT CONFERENCE - THE VILLAGE OF GRENVILLE

The exit conference was held November 9, 2010 and was attended by the entire Council of the Village of Grenville including the Village Clerk.

FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Charles Henry CPA. However the management of the Village of Grenville is responsible for the contents of the report.