

State of New Mexico

VILLAGE OF GRENVILLE

FOR YEAR ENDED JUNE 30, 2011

(WITH AUDITOR'S REPORT THEREON)

RICE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO

VILLAGE OF GRENVILLE

AUDIT REPORT

For The Year Ended June 30, 2011

(with Auditor's Report Thereon)

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VILLAGE OF MOSQUERO
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STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Official Roster
Year Ended June 30, 2011

Village Council

| <u>Name</u> | <u>Title</u> |
|---------------------|----------------|
| Ms. Judy Jacobs | Mayor |
| Ms. Sandy Sink | Mayor Pro-Tem |
| Ms. Bonnie Donnelly | Council Member |
| Ms. Sara Lopez | Council Member |
| Ms. Katie Bramblett | Council Member |

Village Administration

| | |
|------------------|-----------------|
| Ms. Lynn Wiseman | Clerk-Treasurer |
|------------------|-----------------|

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas
New Mexico State Auditor
and
Honorable Mayor and Village Council
Village of Grenville
Grenville, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparison for the General, EMS and Municipal Street Funds of the Village of Grenville, as of and for the year ended June 30, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's non-major enterprise funds and the budgetary comparisons for the non-major enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the Village of Grenville'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 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 of Grenville's internal control over financial reporting. According, we 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grenville, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the General, EMS and Municipal Street Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise funds of the Village of Grenville, as of June 30, 2011, and the respective changes in financial position, thereof and the budgetary comparisons for the enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2014 on our consideration of the Village of Grenville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements and the combining and individual fund financial statements and the budgetary comparisons of the Village of Grenville. Such information has been subjected to the auditing procedures applied in the audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds taken as a whole.



September 9, 2014

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Statement of Net Assets
June 30, 2011

Statement 1

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|-----------------------------|------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash | \$ 55,640 | \$ 6,228 | \$ 61,868 |
| Accounts receivable (net of uncollectible accounts) | 811 | 386 | 1,197 |
| Total current assets | 56,451 | 6,614 | 63,065 |
| Restricted Assets | | | |
| Security deposits | - | 720 | 720 |
| Total restricted assets | - | 720 | 720 |
| Capital Assets | | | |
| Land | 7,600 | 100 | 7,700 |
| Buildings | 49,990 | - | 49,990 |
| Heavy equipment | 91,839 | - | 91,839 |
| Water system | - | 265,900 | 265,900 |
| Total capital assets | 149,429 | 266,000 | 415,429 |
| Less accumulated depreciation | (98,575) | (144,461) | (243,036) |
| Total capital assets (net of accumulated depreciation) | 50,854 | 121,539 | 172,393 |
| Total assets | \$ 107,305 | \$ 128,873 | \$ 236,178 |
| LIABILITIES AND NET ASSETS | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 224 | \$ - | \$ 224 |
| Security deposits | - | 720 | 720 |
| Total current liabilities | 224 | 720 | 944 |
| Net Assets | | | |
| Invested in capital assets net of related debt | 50,854 | 121,539 | 172,393 |
| Unrestricted | 56,227 | 6,614 | 62,841 |
| Total net assets | 107,081 | 128,153 | 235,234 |
| Total liabilities and net assets | \$ 107,305 | \$ 128,873 | \$ 236,178 |

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

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Statement of Activities
Year Ended June 30, 2011

| Functions/Programs | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Assets | | | |
|--|------------------|-------------------------|--|---|----------------------------|-----------------------------|-----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 58,126 | \$ - | \$ 4,500 | \$ - | \$ (53,626) | \$ - | \$ (53,626) |
| Highways and Streets | 5,788 | - | - | - | (5,788) | - | (5,788) |
| Public safety | 7,000 | - | 7,000 | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | - |
| Depreciation - unallocated | 10,813 | - | - | - | (10,813) | - | (10,813) |
| Total governmental activities | 81,727 | - | 11,500 | - | (70,227) | - | (70,227) |
| Business-type activities: | | | | | | | |
| Water expenses | 12,033 | 2,672 | - | - | - | (9,361) | (9,361) |
| Solid waste | 2,664 | 2,690 | - | - | - | 26 | 26 |
| Total business-type activities | 14,697 | 5,362 | - | - | (9,335) | (9,335) | (9,335) |
| Total all activities | \$ 96,424 | \$ 5,362 | \$ 11,500 | \$ - | (70,227) | (9,335) | (79,562) |
| General Revenues: | | | | | | | |
| Property taxes | | | | | 2,783 | | 2,783 |
| Gross receipts taxes | | | | | 3,937 | | 3,937 |
| Gasoline taxes | | | | | 5,202 | | 5,202 |
| Motor vehicle taxes | | | | | 219 | | 219 |
| State aid not restricted to special purposes | | | | | | | |
| General | | | | | 35,000 | | 35,000 |
| Unrestricted investment earnings | | | | | 97 | 16 | 113 |
| Total general revenues | | | | | 47,238 | 16 | 47,254 |
| Change in net assets | | | | | (22,989) | (9,319) | (32,308) |
| Net assets - beginning | | | | | 130,070 | 137,472 | 267,542 |
| Net assets - ending | | | | | \$ 107,081 | \$ 128,153 | \$ 235,234 |

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

STATE OF NEW MEXICO
 VILLAGE OF GRENVILLE
 Balance Sheet
 Governmental Funds
 June 30, 2011

Statement 3

| | General | EMS Fund | Municipal Street Fund | Total Governmental Funds |
|------------------------------------|------------------|-------------|-----------------------------|--------------------------------|
| ASSETS | | | | |
| Cash on deposit | \$ 40,802 | - | \$ 14,838 | \$ 55,640 |
| Accounts receivable | 394 | - | 417 | 811 |
| Total assets | <u>\$ 41,196</u> | <u>-</u> | <u>\$ 15,255</u> | <u>\$ 56,451</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 224 | - | - | \$ 224 |
| Total liabilities | <u>224</u> | <u>-</u> | <u>-</u> | <u>224</u> |
| FUND BALANCE | | | | |
| Unreserved: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 5,833 | - | 15,255 | 21,088 |
| Committed | - | - | - | - |
| Unassigned | 35,139 | - | - | 35,139 |
| Total fund balance | <u>40,972</u> | <u>-</u> | <u>15,255</u> | <u>56,227</u> |
| Total liabilities and fund balance | <u>\$ 41,196</u> | <u>-</u> | <u>\$ 15,255</u> | <u>\$ 56,451</u> |

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

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Governmental Funds

Statement 4

Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2011

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

| | |
|--|-------------------|
| Fund balances - total governmental funds | \$ 56,227 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | <u>50,854</u> |
| Net assets of governmental activities | <u>\$ 107,081</u> |

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

STATE OF NEW MEXICO
 VILLAGE OF GRENVILLE
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended June 30, 2011

| | General | EMS Fund | Municipal Street Fund | Total Governmental Funds |
|--------------------------------|------------------|--------------|-----------------------------|--------------------------------|
| REVENUES | | | | |
| Taxes: | | | | |
| Property taxes | \$ 2,783 | \$ - | \$ - | \$ 2,783 |
| Gross receipts taxes | 3,937 | - | - | 3,937 |
| Gasoline taxes | - | - | 5,202 | 5,202 |
| Motor vehicle taxes | 219 | - | - | 219 |
| Charges for services | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Local sources | 4,500 | - | - | 4,500 |
| State sources | 35,000 | 7,000 | - | 42,000 |
| Federal sources | - | - | - | - |
| Earnings from investments | 67 | - | 30 | 97 |
| | <u>46,506</u> | <u>7,000</u> | <u>5,232</u> | <u>58,738</u> |
| Total revenues | | | | |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 58,126 | - | - | 58,126 |
| Highways and streets | - | - | 5,788 | 5,788 |
| Health and welfare | - | - | - | - |
| Public safety | - | 7,000 | - | 7,000 |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| | <u>58,126</u> | <u>7,000</u> | <u>5,788</u> | <u>70,914</u> |
| Total expenditures | | | | |
| Net change in fund balances | (11,620) | - | (556) | (12,176) |
| Fund balance beginning of year | 52,592 | - | 15,811 | 68,403 |
| Fund balance end of year | <u>\$ 40,972</u> | <u>\$ -</u> | <u>\$ 15,255</u> | <u>\$ 56,227</u> |

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

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2011

Statement 6

| | | |
|--|--------------------|--------------------|
| Net change in fund balances - total governmental funds | | \$ (12,176) |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> | | |
| <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 exceed capital outlays in the period.</p> | | |
| Depreciation expense | (10,813) | |
| Capital outlays | <u> -</u> | |
| Excess of capital outlay over depreciation expense | | <u>(10,813)</u> |
| Change in net assets of governmental activities | | <u>\$ (22,989)</u> |

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

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
General Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Taxes | \$ 2,961 | \$ 2,961 | \$ 2,779 | \$ (182) |
| Charges for services | 250 | 250 | - | (250) |
| Licenses and permits | 30 | 30 | - | (30) |
| Local sources | 23,374 | 23,374 | 4,500 | (18,874) |
| State sources | 35,000 | 35,000 | 35,000 | - |
| Federal sources | - | - | - | - |
| State shared taxes | 7,785 | 7,785 | 3,780 | (4,005) |
| Earnings from investments | 600 | 600 | 67 | (533) |
| | <u>70,000</u> | <u>70,000</u> | <u>46,126</u> | <u>(23,874)</u> |
| Total revenues | \$ 70,000 | \$ 70,000 | \$ 46,126 | \$ (23,874) |
| EXPENDITURES | | | | |
| General government | \$ 70,000 | \$ 70,000 | \$ 60,426 | \$ 9,574 |
| Public safety | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Loan interest | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | \$ 70,000 | \$ 70,000 | \$ 60,426 | \$ 9,574 |

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

STATE OF NEW MEXICO
 VILLAGE OF GRENVILLE
 Special Revenue - EMS Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|-----------------|-----------------|--|
| REVENUES | | | | |
| State sources | \$ 7,000 | \$ 7,000 | \$ 7,000 | \$ - |
| Total revenues | <u>\$ 7,000</u> | <u>\$ 7,000</u> | <u>\$ 7,000</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Public safety | \$ 7,000 | \$ 7,000 | \$ 7,000 | \$ - |
| Total expenditures | <u>\$ 7,000</u> | <u>\$ 7,000</u> | <u>\$ 7,000</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
 VILLAGE OF GRENVILLE
 Special Revenue - Municipal Streets Fund
 Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------|------------------------|------------------------|------------------------|--|
| REVENUES | | | | |
| State shared taxes | \$ 5,004 | \$ 5,004 | \$ 5,202 | \$ 198 |
| Earnings from investments | <u>126</u> | <u>126</u> | <u>30</u> | <u>(96)</u> |
| Total revenues | <u>\$ 5,130</u> | <u>\$ 5,130</u> | <u>\$ 5,232</u> | <u>\$ 102</u> |
| EXPENDITURES | | | | |
| Highways and Streets | <u>\$ 5,130</u> | <u>\$ 5,130</u> | <u>\$ 5,788</u> | <u>\$ (658)</u> |
| Total expenditures | <u>\$ 5,130</u> | <u>\$ 5,130</u> | <u>\$ 5,788</u> | <u>\$ (658)</u> |

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

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Combining Statement of Net Assets
Proprietary Funds
June 30, 2011

Statement 10

| | Water Fund | Solid Waste Fund | Total |
|---|---------------|------------------------|------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | \$ 5,713 | \$ 515 | \$ 6,228 |
| Accounts receivable (net of allowance) | 386 | - | 386 |
| Total current assets | 6,099 | 515 | 6,614 |
| Restricted assets | | | |
| Security deposits | 720 | - | 720 |
| Total restricted assets | 720 | - | 720 |
| Capital assets | | | |
| Land | 100 | - | 100 |
| Property, plant and equipment | 265,900 | - | 265,900 |
| Less accumulated depreciation | (144,461) | - | (144,461) |
| Total capital assets net of accumulated depreciation | 121,539 | - | 121,539 |
| Total assets | 128,358 | 515 | 128,873 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Security deposits | 720 | - | 720 |
| Accounts payable | - | - | - |
| Due to other funds | - | - | - |
| Total current liabilities | 720 | - | 720 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 121,539 | - | 121,539 |
| Restricted for solid waste | - | 515 | 515 |
| Unrestricted | 6,099 | - | 6,099 |
| Total net assets | \$ 127,638 | \$ 515 | \$ 128,153 |

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

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Proprietary Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2011

| | Water Fund | Solid Waste Fund | Totals |
|---|-------------------|---------------------|-------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 2,672 | \$ 2,690 | \$ 5,362 |
| Local sources | - | - | - |
| Total operating revenue | 2,672 | 2,690 | 5,362 |
| OPERATING EXPENSES | | | |
| Salaries | - | - | - |
| Maintenance & operations | 3,359 | 2,664 | 6,023 |
| Depreciation | 8,674 | - | 8,674 |
| Total operating expenses | 12,033 | 2,664 | 14,697 |
| Operating income (loss) | (9,361) | 26 | (9,335) |
| NON-OPERATING REVENUE (EXPENSES) | | | |
| Investment income | 16 | - | 16 |
| Investment expense | - | - | - |
| Capital grants | - | - | - |
| Transfer in | - | - | - |
| Transfer out | - | - | - |
| Total Non-Operating Revenue (Expenses) | 16 | - | 16 |
| Change in Net Assets | (9,345) | 26 | (9,319) |
| Net assets, beginning of year | 136,983 | 489 | 137,472 |
| Net assets, end of year | \$ 127,638 | \$ 515 | \$ 128,153 |

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

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2011

Statement 12

| | Water Fund | Solid Waste Fund | Totals |
|---|---------------|---------------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Received from customers | \$ 2,773 | \$ 2,690 | \$ 5,463 |
| Cash payment to employees | (3,802) | (2,664) | (6,466) |
| Cash payments to suppliers | (3,802) | (2,664) | (6,466) |
| Net cash provided by operating activities | (1,029) | 26 | (1,003) |
| CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES: | | | |
| Acquisition and construction of capital assets | - | - | - |
| Capital grants | - | - | - |
| Net cash provided by capital and related activities | - | - | - |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Operating transfers to other funds | - | - | - |
| Operating transfers from other funds | - | - | - |
| Security deposits payable | 65 | - | 65 |
| Net cash provided (used) by noncapital financing activities | 65 | - | 65 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest | 16 | - | 16 |
| Net cash provided by investing activities | 16 | - | 16 |
| Net increase (decrease) in cash | (948) | 26 | (922) |
| Cash, beginning of year | 7,381 | 489 | 7,870 |
| Cash, end of year | \$ 6,433 | \$ 515 | \$ 6,948 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$ (9,361) | \$ 26 | \$ (9,335) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 8,674 | - | 8,674 |
| Changes in assets and liabilities: | | | |
| Receivables | 101 | - | 101 |
| Payables | (443) | - | (443) |
| Net cash provided (used) by operating activities | \$ (1,029) | \$ 26 | \$ (1,003) |

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

STATE OF NEW MEXICO
VILLAGE OF GRENVILLE
Notes to Financial Statements
Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Grenville is incorporated under Section 3 New Mexico State Statutes Annotated 1978 Compilation operating under a Mayor-Council form of government and provides the following services as authorized: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation and general administrative services.

The financial statements of the Village of Grenville 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 the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Village had no component units.

Notes to Financial Statements (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which is normally 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.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days

Notes to Financial Statements (continued)

of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *EMS Fund* (Special Revenue Fund) is to account for grant funds received from state sources for development of an EMS System within the Village. (Authority DOH 7 NMAC 27.4)

The *Municipal Streets Fund* (Special Revenue Fund) - This fund was established to account for the maintenance of roads within the Village. Financing is provided by special tax per gallon on gasoline sold within the Village boundaries. Funding is provided by 7-1-6-9 and/or 7-13-1 thru 7-13-18, NMSA 1978 Compilation.

The Village reports the following major Proprietary Funds.

The *Water Fund* is used to account for the activities of the Village's water and wastewater operations.

The *Solid Waste Fund* accounts for the collection and disposal of solid waste.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following

Notes to Financial Statements (continued)

subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund is charged to customers for sales and services. The enterprise fund also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Village Clerk-Treasurer submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Village Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Village Council and New

Notes to Financial Statements (continued)

Mexico State Department of Finance, Division of Local Governments. The original budget that was adopted in July, 1998 was amended during the fiscal year in a legally permissible manner.

3. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Project Funds.
4. Encumbrances are not reported in the budgets or financial statements.
5. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year end.
6. Budgets for the General and Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principals. Throughout the year the accounting records are maintained on the Non-GAAP basis of cash receipts and disbursements. Accordingly, certain revenues and the related assets are recognized when paid rather than when the obligation is incurred. The financial statements are presented on the modified accrual basis of accounting. Budgetary comparisons presented for General and Special Revenue Funds in this report are on the Non-GAAP budgetary basis and actual (cash basis). The budget of the Enterprise Fund is adopted on a Non-GAAP cash basis.

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Village. The pledged securities remain in the name of the financial institution.

F. Inventories

The cost of inventories are recorded as expenditures when purchased rather than when consumed.

Notes to Financial Statements (continued)

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated Capital Assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|------------------------------|--------------|
| Buildings | 20-40 |
| Building improvements | 10-40 |
| Public domain infrastructure | 40 |
| System infrastructure | 20-30 |
| Vehicles | 10 |
| Office equipment | 5-10 |
| Heavy equipment | 10 |

The Village does not capitalize computer software or software developed for internal use (if applicable) unless it exceeds the \$5,000 threshold.

Notes to Financial Statements (continued)

H. 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. Sick pay does not vest and is recorded as an expenditure when it is paid.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

J. Taxes

Motor Vehicle Registration Fees - Under the provisions of Chapter 66, Article 6, NMSA 1978, the State of New Mexico collects various fees for the registration and regulation of motor vehicles in the state. Of the amount collected, certain specified amounts are distributed to various governmental agencies within the State, including; the Motor Vehicle Division, State Road fund, municipalities, and counties. After certain priority payments, as detailed in 66-6-23 NMSA 2978 have been made, a portion of the remaining fees held in the motor vehicle suplicense fund are distributed as required in 66-6-23 B (4) and 66-6-23 B (5). These distributions are commonly referred to as the 10% and 15% motor vehicle tax distributions.

Gasoline Tax - The State of New Mexico, by authority of Chapter 7, Article 13 NMSA 1978, imposed an excise tax on \$0.17 on each gallon of gasoline received in New Mexico. Of the total gasoline taxes received, a portion is distributed to the various municipalities within the State pursuant to Chapter 7, Article 1-6.9 NMSA 1978 and Chapter 7, Article 1-6.27 NMSA 1978.

Municipal Gross Receipts Tax - Under authority of Chapter 7, Articles 19 and 19D, NMSA 1978, the Village adopted gross receipts taxing through ordinance. Said ordinances provide for the imposition of gross receipts taxes on all non-exempt persons engaging in business in the municipality. The tax is collected by the State of New Mexico and remitted to the Village after deducting certain administrative costs.

State Gross Receipts Tax - Under authority of Chapter 7, Article 1, NMSA 1978, the State of New Mexico imposes a gross receipts tax on all businesses within the State. Of the total collected, 1.225% of the taxable gross receipts are distributed to the municipality reporting the taxable receipts.

K. Net Assets

The governmental activities and business-type activities financial statements utilize a net assets presentation. Net assets are categorized as follows:

Notes to Financial Statements (continued)

Investment in capital assets, net of related debt - This category reflects the portion of net assets that are associates with capital assets less outstanding capital asset related debt.

Restricted net assets - This category reflects the portion of net assets that have third party limitation on their use.

Unrestricted net assets - This category reflects net assets of the Village not restricted for any project or other purposes.

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Village ordinances).

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposed specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Village Council. Those committed amounts cannot be used for any other purpose unless the Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Notes to Financial Statements (continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be

classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by the Village Council or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village carries commercial insurance for these risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the current fiscal year.

2. DEPOSITORY COLLATERAL

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the Village's Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Notes to Financial Statements (continued)

The following is the Cash on Deposit at each financial institution.

| | | | |
|--------------------------------|----------------|----------|-------------------------|
| First National Bank | EMS | Checking | \$ - |
| First National Bank | Gas Fund | Checking | 14,838 |
| First National Bank | Utilities Fund | Checking | 6,945 |
| First National Bank | General Fund | Checking | <u>44,208</u> |
| | | | <u>\$ 65,991</u> |
| Total amount on deposit | | | \$ 65,991 |
| Deposit in transit | | | 112 |
| Outstanding checks | | | <u>(3,516)</u> |
| Total per financial statements | | | <u>\$ 62,587</u> |

The following schedule details the public money held by the First National Bank and the pledged collateral provided for the Village follows:

| | |
|---|------------------------------------|
| | <u>First National Bank</u> |
| Cash on deposit at June 30 | \$ 65,991 |
| Less FDIC | <u>(65,991)</u> |
| Uninsured funds | - |
| Funds needing collateralization at 50% (required by State Law) | - |
| Pledged collateral at June 30 | <u>-</u> |
| Excess of Pledged Collateral | <u><u>\$ -</u></u> |

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2011 NONE of the Village's bank balance of \$65,991 was exposed to custodial credit risk as follows:

| | |
|--|--------------------|
| A. Uninsured and Uncollateralized | \$ - |
| B. Uninsured and Collateralized with securities held by the pledging banks trust department, but not in the Villages name | <u>-</u> |
| Total | <u><u>\$ -</u></u> |

Notes to Financial Statements (continued)

3. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semi-annual installments by November 10 and April 10 of the subsequent year. Taxes are collected on behalf of the Village by the County Treasurer, and are remitted to the Village in the month following collection. Because the Treasurer for the county in which the Village is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the Village.

The Village is permitted to levy taxes for general operating purposes based on taxable value for both residential and nonresidential property, taxable value being defined as one-third of the fully assessed value. In addition, the Village is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the Village.

The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues. The Village has no means of determining the amount of delinquent taxes, and no delinquent taxes are recorded on the Villages financial records.

4. ACCOUNTS RECEIVABLES

Receivables as of June 30, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--|------------------------------------|-------------------------------------|
| Receivables from customers | \$ - | \$ 386 |
| Less allowance for uncollectible accounts | - | - |
| Subtotal | - | 386 |
| Intergovernmental | - | - |
| Gas Tax | 417 | - |
| Property Tax | 394 | - |
| Total | <u>\$ 811</u> | <u>\$ 386</u> |

Notes to Financial Statements (continued)

5. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

| <u>Revenues</u> | <u>General Fund</u> | <u>EMS Fund</u> | <u>Municipal Streets Fund</u> |
|---------------------------------------|-------------------------|---------------------|---------------------------------------|
| Actual | \$ 46,506 | \$ 7,000 | \$ 5,232 |
| Budget | <u>46,126</u> | <u>7,000</u> | <u>5,232</u> |
| Increase (decrease) in receivables | <u>\$ 380</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>Expenditures</u> | | | |
| Actual | \$ 58,126 | \$ 7,000 | \$ 5,788 |
| Budget | <u>60,426</u> | <u>7,000</u> | <u>5,788</u> |
| Increase (decrease) in payables | <u>\$ (2,300)</u> | <u>\$ -</u> | <u>\$ -</u> |

6. CAPITAL ASSETS

The amount of property, plant and equipment in the Governmental-Type Activities consists of the following:

| | <u>Balance June 30, 2010</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2011</u> |
|---|----------------------------------|--------------------|------------------|----------------------------------|
| Land | \$ 7,600 | \$ - | \$ - | \$ 7,600 |
| Total capital assets not being depreciated | <u>7,600</u> | <u>-</u> | <u>-</u> | <u>7,600</u> |
| Building and improvements | 49,990 | - | - | 49,990 |
| Heavy Equipment | <u>91,839</u> | <u>-</u> | <u>-</u> | <u>91,839</u> |
| Total capital assets being depreciated | <u>141,829</u> | <u>-</u> | <u>-</u> | <u>141,829</u> |
| Less accumulated depreciation for: | | | | |
| Building and improvements | (30,993) | (3,799) | - | (34,792) |
| Heavy Equipment | <u>(56,769)</u> | <u>(7,014)</u> | <u>-</u> | <u>(63,783)</u> |
| Total accumulated depreciation | <u>(87,762)</u> | <u>(10,813)</u> | <u>-</u> | <u>(98,575)</u> |
| Total capital assets being depreciated | <u>54,067</u> | <u>(10,813)</u> | <u>-</u> | <u>43,254</u> |
| Net capital assets | <u>\$ 61,667</u> | <u>\$ (10,813)</u> | <u>\$ -</u> | <u>\$ 50,854</u> |

Notes to Financial Statements (continued)

The amount of property, plant and equipment in the Business-Type Activities consists of the following:

| | Balance <u>June 30, 2010</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>June 30, 2011</u> |
|--|---------------------------------|-------------------|------------------|---------------------------------|
| Land | \$ 100 | \$ - | \$ - | \$ 100 |
| Total capital assets not being depreciated | <u>100</u> | <u>-</u> | <u>-</u> | <u>100</u> |
| Infrastructure | <u>265,900</u> | <u>-</u> | <u>-</u> | <u>265,900</u> |
| Total capital assets being depreciated | <u>265,900</u> | <u>-</u> | <u>-</u> | <u>265,900</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | <u>(135,787)</u> | <u>(8,674)</u> | <u>-</u> | <u>(144,461)</u> |
| Total accumulated depreciation | <u>(135,787)</u> | <u>(8,674)</u> | <u>-</u> | <u>(144,461)</u> |
| Total capital assets being depreciated | <u>130,113</u> | <u>(8,674)</u> | <u>-</u> | <u>121,439</u> |
| Net capital assets | <u>\$ 130,213</u> | <u>\$ (8,674)</u> | <u>\$ -</u> | <u>\$ 121,539</u> |

7. RETIREMENT PLAN

The Village of Grenville does not participate in the State of New Mexico PERA retirement plan or any other retirement plan.

8. RETIREE HEALTH CARE ACT CONTRIBUTIONS

The Village of Grenville does not participate in the State of New Mexico Retiree Health Care plan.

9. BUDGET VIOLATIONS

The Municipal Streets Fund had a budget overrun of \$658.

**PROPRIETARY FUND
BUDGETS**

STATE OF NEW MEXICO
 VILLAGE OF GRENVILLE
 Proprietary Funds - Water Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|-------------------------|-------------------------|-------------------------|--|
| REVENUES | | | | |
| Charges for services | \$ 3,390 | \$ 3,390 | \$ 2,773 | \$ (617) |
| State shared taxes | 400 | 400 | - | (400) |
| Local sources | 1,700 | 1,700 | - | (1,700) |
| State sources | - | - | - | - |
| Federal sources | - | - | - | - |
| Interest income | 25 | 25 | 16 | (9) |
| Total revenues | <u>\$ 5,515</u> | <u>\$ 5,515</u> | <u>\$ 2,789</u> | <u>\$ (2,726)</u> |
| EXPENDITURES | | | | |
| Operating expenses | \$ 10,540 | \$ 10,540 | \$ 3,802 | \$ 6,738 |
| Total expenditures | <u>\$ 10,540</u> | <u>\$ 10,540</u> | <u>\$ 3,802</u> | <u>\$ 6,738</u> |
| OTHER FINANCING (Sources) | | | | |
| Transfer in | \$ 5,000 | \$ 5,000 | - | \$ (5,000) |
| Total other financing (sources) | <u>\$ 5,000</u> | <u>\$ 5,000</u> | <u>\$ -</u> | <u>\$ (5,000)</u> |
| BUDGETED CASH BALANCE | <u>\$ 25</u> | <u>\$ 25</u> | | |
| REVENUES | | | | |
| Budgetary basis | | | \$ 2,789 | |
| Accounts receivable | | | (101) | |
| Modified accrual basis | | | <u>\$ 2,688</u> | |
| EXPENDITURES | | | | |
| Budgetary basis | | | \$ 3,802 | |
| Depreciation | | | 8,674 | |
| Capital assets purchased | | | - | |
| Difference in accounts payable | | | (443) | |
| Modified accrual basis | | | <u>\$ 12,033</u> | |

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

STATE OF NEW MEXICO
 VILLAGE OF GRENVILLE
 Proprietary Funds - Solid Waste Fund
 Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------------|------------------------|------------------------|------------------------|--|
| REVENUES | | | | |
| Charges for services | \$ 3,200 | \$ 3,200 | \$ 2,690 | \$ (510) |
| Local sources | - | - | - | - |
| Environmental gross receipts taxes | - | - | - | - |
| Interest Income | - | - | - | - |
| Total revenues | <u>\$ 3,200</u> | <u>\$ 3,200</u> | <u>\$ 2,690</u> | <u>\$ (510)</u> |
| EXPENDITURES | | | | |
| Operating expenses | \$ 3,200 | \$ 3,200 | \$ 2,664 | \$ 536 |
| Total expenditures | <u>\$ 3,200</u> | <u>\$ 3,200</u> | <u>\$ 2,664</u> | <u>\$ 536</u> |

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

Rice and Associates, C.P.A.

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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 H. Balderas
New Mexico State Auditor
and
Honorable Mayor and Village Council
Village of Grenville
Grenville, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the budgetary comparisons of the General, EMS and Municipal Streets Funds of the Village of Grenville, as of and for the year ended June 30, 2011, and have issued our report thereon dated September 9, 2014. We also have audited the financial statements of each of the Village of Grenville's proprietary funds and budgetary comparisons presented as supplementary information as of and for the year ended June 30, 2011. 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 our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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 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.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Status of Comments and Responses that we consider to be significant deficiencies in internal control over financial reporting. They are listed as Late Audit Report (05-01), Budget Overruns (10-01), 1099 Forms Not Prepared and Submitted to the IRS (11-01), Employee Files Not Complete (11-03), New Hire Reporting (11-04), No Travel Vouchers Prepared (11-05), Required Support for Disbursements (11-07), Solid Waste/Water Ordinance (11-09), No Withholding from Paychecks (11-11), Segregation of Duties (11-12) and Ordinance for Mayor/Council Members Payments (11-13). 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 the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Status of Comments as Late Audit Report (05-01), Budget Overruns (10-01), 1099 Forms Not Prepared and Submitted to the IRS (11-01), Unemployment Reports Not Filed (11-02), New Hire Reporting (11-04), W-9 Forms Not Available (11-06), Required Support for Disbursements (11-07), Solid Waste Removal Contract (11-08), Solid Waste/Water Ordinance (11-09), No Depreciation Policy (11-10), No Withholding from Paychecks (11-11), Ordinance for Mayor/Council Members Payments (11-13), and Incorrect Gross Receipts Taxes Charged (11-14).

The Village of Grenville's responses to the findings identified in our audit are described in the accompanying Status of Comments and Responses. We did not audit the Village of Grenville's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of Management, the Mayor, the Village Council, the Office of the State Auditor, the New Mexico State Legislature and the New Mexico Department of Finance and Administration and is not intended to be used by anyone other than these specified parties.

Richard A. ...

September 9, 2014

STATUS OF COMMENTS

Prior Year Audit Findings

1. Late Audit Report (05-01) - Repeated.
2. Payroll Issues (05-02) - Resolved.
3. Undocumented Purchases (05-03) - Resolved.
4. Weak Procedures Over Cash (08-01) - Resolved.
5. Capital Asset Inventory List (08-02) - Resolved.
6. Improper Classification of Expenses (08-03) - Resolved.
7. Improper Disclosure During the Exit Conference (08-04) - Resolved.
8. Skipped Receipts and Checks (09-01) - Resolved.
9. Budget Overruns (10-01) - Repeated.

Current Year Audit Findings

1. 1099 Forms Not Prepared and Submitted to the IRS (11-01)
2. Unemployment Reports not Filed (11-02)
3. Employee Files Not Complete (11-03)
4. New Hire Reporting (11-04)
5. No Travel Vouchers Prepared (11-05)
6. W-9 Forms Not Available (11-06)
7. Required Support for Disbursements (11-07)
8. Solid Waste Removal Contract (11-08)
9. Solid Waste/Water Ordinance (11-09)
10. No Depreciation Policy (11-10)
11. No Withholding from Paychecks (11-11)
12. Segregation of Duties (11-12)
13. Ordinance for Mayor/Council Members Payments (11-13)
14. Incorrect Gross Receipts Taxes Charged (11-14)

Late Audit Report - Significant Deficiency
(05-01)

| | |
|----------------|--|
| CONDITION | The audit report for the Village was not timely submitted to the State Auditor by the required due date. |
| CRITERIA | All audit reports should be submitted to the State Auditors Office by the required due date according to the State Auditors Rule 2.2.2 9 A(1) {c}. |
| CAUSE | A contract with an independent auditor could not be obtained before the deadline. |
| EFFECT | State Auditor Rule 2.2.2 9 A(1) {c} was not adhered to. |
| RECOMMENDATION | The Village should obtain contracts from the State Auditors Office before the required deadline. |
| RESPONSE | The Village will make every effort to correct this. |

Budget Overruns - Significant Deficiency
(10-01)

| | |
|----------------|---|
| CONDITION | The Village had a budget overrun in the Municipal Streets Fund in the amount of \$658. |
| CRITERIA | According to Section 6-6-6 through 6-6-11 NMSA 1978 Compilation "prohibits local governments from making expenditures in excess of the approved budget". |
| CAUSE | A budgetary adjustment did not occur to correct the budget deficit. |
| EFFECT | The Village did not comply with the Section 6-6-6 through 6-6-11 NMSA 1978 Compilation. |
| RECOMMENDATION | Financial statements should be reviewed periodically for possible overruns and request the appropriate budgetary increases before expenditures exceed budget. |
| RESPONSE | Management will exercise more control over budgeting expenditures. |

1099 Forms Not Prepared and Submitted to the IRS -
Significant Deficiency
(11-01)

| | |
|----------------|--|
| CONDITION | Management of the Village did not prepare the required IRS 1099 forms for the 2011 Calendar year. |
| CRITERIA | IRS regulations require 1099 forms be prepared and filed with the IRS, "if you made or received a payment during the calendar year as a small business or self-employed (individual)." |
| CAUSE | Management did not perform this required IRS regulation. |
| EFFECT | IRS regulations were not followed. |
| RECOMMENDATION | Management should prepare and submit those forms to the IRS as soon as possible. |
| RESPONSE | The Village will correct this issue promptly. |

Unemployment Reports Not Filed - Other Matter
(11-02)

| | |
|----------------|---|
| CONDITION | Management of the Village did not prepare quarterly unemployment reports with the Department of Workforce Solutions. |
| CRITERIA | Department of Workforce Solutions reports are required to be filed quarterly based on requirements set forth by the New Mexico Department of Workforce Solutions. A copy should be kept on file after submission. Also, the correct base wage rate for the particular calendar year needs to be used. |
| CAUSE | Management was not aware of the requirement. |
| EFFECT | Department of Workforce Solutions regulations have not been filed. |
| RECOMMENDATION | Management of the Village needs to prepare and file these reports immediately. |
| RESPONSE | The Village will obtain the proper forms and comply with this requirement. |

Employee Files Not Complete - Significant Deficiency
(11-03)

| | |
|----------------|--|
| CONDITION | All the employee files did not have a W-4, I-9, wage rate approvals, etc. |
| CRITERIA | Employee files need to have signed W-4 forms, I-9 forms, wage rate approvals, etc. |
| CAUSE | Management is not ensuring these documents are being obtained and included in their files. |
| EFFECT | Good internal controls are not being followed. |
| RECOMMENDATION | Management needs to ensure these forms are completed and included in each employee's file. |
| RESPONSE | The Village will obtain the proper forms and comply with these requirements. |

New Hire Reporting - Significant Deficiency
(11-04)

CONDITION The Village did not properly report any newly hired employees to a State directory within 20 days of their hire date.

CRITERIA New Mexico law (50-13-1 to 50-13-4 NMSA) and the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, 42. U.S.C. 653A, requires all employers to report newly hired employees to a State directory within 20 days of their hire.

CAUSE Management did not know of this requirement.

EFFECT The Village did not comply with New Mexico State Statute 50-13-1 or the PRWORA of 1996.

RECOMMENDATION The Village is now complying with this law, however, management should have a system in place to ensure all future reports are submitted on time.

RESPONSE Management was unaware of this statute and will now comply with New Hire Reporting.

No Travel Vouchers Prepared - Significant Deficiency
(11-05)

| | |
|----------------|---|
| CONDITION | Management is not ensuring all travel reimbursements are being paid from an approved travel voucher. Also, the Village is providing 100% of travel expenses to employees before the travel is taken. |
| CRITERIA | Travel vouchers must be filled out as to where the travel will be taken and why. This voucher must be approved. Also, the employee travel form must state that only 80% be provided before the travel date. |
| CAUSE | Management is allowing travel payments at 100% and without an approved travel voucher. |
| EFFECT | Supporting documentation for travel expenses is not being obtained. Also, 20% of travel expenses are being paid before the travel is taken. |
| RECOMMENDATION | Management should obtain a travel voucher to use in daily operations. |
| RESPONSE | Management will ensure that travel vouchers are filled out and signed. |

W-9 Forms Not Available - Other Matter
(11-06)

| | |
|----------------|---|
| CONDITION | Valid W-9 forms were not kept on file for the calendar year 2011. |
| CRITERIA | Valid W-9 forms need to be filled out and kept on file to ensure 1099 information is correct (based on the W-9 forms) |
| CAUSE | Management did not ensure valid W-9 forms were collected and kept on hand so 1099's could be prepared correctly. |
| EFFECT | 1099 forms could not be prepared correctly. |
| RECOMMENDATION | Management needs to ensure properly filled out and valid W-9 forms are collected and kept on hand each year. |
| RESPONSE | Management is in the process of obtaining the new forms and will complete this promptly. |

Required Support for Disbursements - Significant Deficiency
(11-07)

CONDITION Eight out of eight payments tested were made to vendors without the proper documentation to support the disbursements totaling \$1,626. There was no signature of receipt or documentation that the goods received were verified complete.

CRITERIA The Department of Finance and Administration requires adequate support and approval of all disbursements made. These items include:

1. Approved purchase orders,
2. Approved requisitions,
3. An invoice,
4. Three quotes or sealed bids (if applicable),
5. Evidence of signature of approvals and signatures of receipt.

CAUSE Management of the Village is not requiring all documentation be attached before purchases are made.

EFFECT Department of Finance and Administration regulations have not been followed.

RECOMMENDATION The Village should implement policies to ensure that all Department of Finance and Administration regulations are followed.

RESPONSE Management will make sure that all documents are in place and vouchers are signed.

Solid Waste Removal Contract - Other Matter
(11-08)

| | |
|----------------|--|
| CONDITION | Management purchases Solid Waste Removal from a particular source to provide to its Village tenants. However, a signed/approved contract with that Vendor has not been obtained. |
| CRITERIA | A signed/approved contract with any Vendor should be obtained so all requirements, prices, charges or services have been agreed to by both parties and can be legally enforceable. |
| CAUSE | Management has not ensured that a contract was obtained. |
| EFFECT | The Village could pay more than what price was agreed to as there is no legal/binding contract. |
| RECOMMENDATION | The Village has contacted the vendor to submit a contract with the prices listed so there are no overruns. |
| RESPONSE | The Village no longer supplies Solid Waste Services. |

Solid Waste/Water Ordinance - Significant Deficiency
(11-09)

| | |
|----------------|--|
| CONDITION | The Village does not have a Solid Waste/Water Ordinance. |
| CRITERIA | An Ordinance must be passed by the Village Council to ensure the correct amount is charged for the services provided and can be enforced legally. |
| CAUSE | Management was unaware of this oversight. |
| EFFECT | These charges cannot be enforced legally. |
| RECOMMENDATION | The Village Council should approve a Solid Waste/Water Ordinance as soon as possible. |
| RESPONSE | The Village is no longer providing Solid Waste Services, however, will ensure that a Water Ordinance is passed in order to legally enforce charges for this service. |

No Depreciation Policy - Other Matter
(11-10)

| | |
|----------------|---|
| CONDITION | The Village has not approved a depreciation policy so depreciation can be charged to capital assets according to Board approval. |
| CRITERIA | The Village needs a depreciation policy so capital assets can be depreciated according to Board policy. This is due to the implementation of GASB 34. |
| CAUSE | The Village has not approved a policy for management to follow. |
| EFFECT | Depreciation may be charged incorrectly because no set policy is in place. |
| RECOMMENDATION | The Village should approve a policy as soon as possible. Management should then implement that policy as soon as possible. |
| RESPONSE | |

No Withholding From Paychecks - Significant Deficiency
(11-11)

| | |
|----------------|---|
| CONDITION | Several December, 2010 paychecks did not have social security or medicare taxes withheld. |
| CRITERIA | According to IRS regulations the required social security tax of .062% and the required medicare tax of .0145% needs to be withheld and reported as the employees contribution. |
| CAUSE | Management did not ensure this was withheld. |
| EFFECT | The Village paid the employees portion of the required social security and medicare withholding. |
| RECOMMENDATION | Management should ensure that all required taxes are withheld from the employees paychecks. |
| RESPONSE | Management is currently working to ensure proper segregation of duties are in place. |

Segregation of Duties - Significant Deficiency
(11-12)

| | |
|----------------|---|
| CONDITION | The Village Clerk performs all payroll functions, billing and receipting functions and all procurement functions. |
| CRITERIA | Good internal controls require segregation of payroll, procurement and receipting functions. |
| CAUSE | The Village is a small agency and does not have the resources to separate the functions. Also, the Village has not established any compensating controls. |
| EFFECT | The lack of segregation ensures the inability to safeguard the Villages assets. |
| RECOMMENDATION | The Village Council should implement compensating controls in each area to ensure its assets are adequately safeguarded. |
| RESPONSE | Management is currently working to ensure proper segregation of duties are in place. |

Ordinance for Mayor/Council Members Payments -
Significant Deficiency
(11-13)

| | |
|----------------|--|
| CONDITION | The Village does not have an Ordinance (or resolution) stating how much the Mayor and Council Members are allowed to be paid. |
| CRITERIA | The Council of the Village should have passed an Ordinance specifying how much the Mayor and each Council Member will be paid. |
| CAUSE | Management did not ensure this Ordinance was prepared, approved and included as part of the personnel policies. |
| EFFECT | Management can only rely on the final approved budget for the amount that can be paid to the Mayor and each Council Member. |
| RECOMMENDATION | Management needs to prepare an Ordinance and have it approved by the Council as soon as possible. These amounts cannot exceed current amounts budgeted so as not to violate NM Compilation Commission Sec. 27. A new Ordinance can be adopted in the next election year. |
| RESPONSE | The Village has a proposed ordinance that is currently in the process of being passed. |

Incorrect Gross Receipts Taxes Charged - Other Matter
(11-14)

| | |
|----------------|---|
| CONDITION | The Village is charging a gross receipts tax rate higher than the required rate of 5%. |
| CRITERIA | The New Mexico Taxation and Revenue imposes a governmental gross receipts tax rate of 5% on the sale of water by a utility owned or operated by a municipality. |
| CAUSE | Management was not aware of the 5% tax rate. |
| EFFECT | The Village is charging its water clients .125% more than the required 5%. |
| RECOMMENDATION | The Village should change its billing rate for gross receipts taxes immediately. |
| RESPONSE | The Village has adopted the correct billing rate for gross receipts taxes. |

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2011 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

EXIT CONFERENCE

An exit conference was held at the Village on September 9, 2014, to discuss the current audit report. In attendance were Ms. Judy Jacobs, Mayor, Ms. Sandy Sink, Council Member, Ms. Bonnie Donnelly, Council Member, Mr. James Saddores, Council Member, Ms. Katie Bramblett, Council Member, Ms. Lynn Wiseman, Clerk-Treasurer and Ms. Pamela A. Rice, CPA, Contract Auditor. A properly closed regular session was held.