

State of New Mexico

# VILLAGE OF GRENVILLE

FOR YEAR ENDED JUNE 30, 2013

(WITH AUDITOR'S REPORT THEREON)

***RICE & ASSOCIATES***

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO  
VILLAGE OF GRENVILLE  
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Year Ended June 30, 2013

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STATE OF NEW MEXICO  
VILLAGE OF GRENVILLE  
Official Roster  
Year Ended June 30, 2013

Village Council

<u>Name</u>	<u>Title</u>
Ms. Judy Jacobs	Mayor
Ms. Bonnie Donelly	Mayor Pro-Tem
Ms. Sandy Sink	Council Member
Ms. James Saddoris	Council Member
Ms. Katie Branklett	Council Member

Village Administration

Ms. Lynn Wiseman	Clerk-Treasurer
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# 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. Tim Keller  
New Mexico State Auditor  
and  
Honorable Mayor and Village Council  
Village of Grenville  
Grenville, New Mexico

### Report on Financial Statements

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 comparisons for the General, EMS and Municipal Street Funds of the Village of Grenville, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Village of Grenville's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village of Grenville's budgetary comparisons for the enterprise fund presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013 as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by

management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### 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, 2013, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, EMS and Municipal Street Funds for the year then ended in accordance 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 budgetary comparisons for the major enterprise funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other Matters

##### *Required Supplementary Information*

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2015 on our consideration of the Village of Grenville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Grenville's internal control over financial reporting and compliance.



Albuquerque, New Mexico  
May 13, 2015

**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
VILLAGE OF GRENVILLE  
Statement of Net Position  
June 30, 2013

Statement 1

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash	\$ 57,322	\$ 3,905	\$ 61,227
Accounts receivable (net of uncollectible accounts)	1,038	293	1,331
Total current assets	58,360	4,198	62,558
Restricted Assets			
Security deposits	-	720	720
Total restricted assets	-	720	720
Capital Assets			
Land	7,600	100	7,700
Buildings	52,340	-	52,340
Heavy equipment	91,839	-	91,839
Water system	-	265,900	265,900
Total capital assets	151,779	266,000	417,779
Less accumulated depreciation	(121,767)	(161,809)	(283,576)
Total capital assets (net of accumulated depreciation)	30,012	104,191	134,203
Total assets	\$ 88,372	\$ 109,109	\$ 197,481
<b>LIABILITIES AND NET POSITION</b>			
Current Liabilities			
Accounts payable	\$ 235	\$ 154	\$ 389
Security deposits	-	720	720
Total current liabilities	235	874	1,109
Net Position			
Net investment in Capital Assets	30,012	104,191	134,203
Unrestricted	58,125	4,044	62,169
Total net position	88,137	108,235	196,372
Total liabilities and net position	\$ 88,372	\$ 109,109	\$ 197,481

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, 2013

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 56,308	\$ -	\$ 6,005	\$ -	\$ (50,303)	\$ -	\$ (50,303)
Highways and Streets	-	-	-	-	-	-	-
Public safety	7,391	-	7,455	-	64	-	64
Culture and recreation	-	-	-	-	-	-	-
Depreciation - unallocated	11,596	-	-	-	(11,596)	-	(11,596)
Total governmental activities	75,295	-	13,460	-	(61,835)	-	(61,835)
Business-type activities:							
Water expenses	15,305	4,569	-	-	-	(10,736)	(10,736)
Total business-type activities	15,305	4,569	-	-	-	(10,736)	(10,736)
<b>Total all activities</b>	<b>\$ 90,600</b>	<b>\$ 4,569</b>	<b>\$ 13,460</b>	<b>\$ -</b>	<b>(61,835)</b>	<b>(10,736)</b>	<b>(72,571)</b>
General Revenues:							
Property taxes					3,118	-	3,118
Gross receipts taxes					5,132	-	5,132
Gasoline taxes					5,159	-	5,159
Motor vehicle taxes					187	-	187
State aid not restricted to special purposes					-	-	-
General					35,000	-	35,000
Unrestricted investment earnings					96	13	109
Total general revenues					48,692	13	48,705
Change in net position					(13,143)	(10,723)	(23,866)
Net position - beginning					101,281	118,958	220,239
Net position - ending					\$ 88,138	\$ 108,235	\$ 196,373

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

STATE OF NEW MEXICO  
 VILLAGE OF GRENVILLE  
 Balance Sheet  
 Governmental Funds  
 June 30, 2013

Statement 3

	General	EMS Fund	Municipal Street Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash on deposit	\$ 34,306	-	\$ 23,016	\$ 57,322
Accounts receivable	621	-	417	1,038
<b>Total assets</b>	<b>\$ 34,927</b>	<b>-</b>	<b>\$ 23,433</b>	<b>\$ 58,360</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 235	-	-	\$ 235
<b>Total liabilities</b>	<b>235</b>	<b>-</b>	<b>-</b>	<b>235</b>
<b>FUND BALANCE</b>				
Nonspendable	-	-	-	-
Restricted	5,275	-	23,433	28,708
Committed	-	-	-	-
Unassigned	29,417	-	-	29,417
<b>Total fund balance</b>	<b>34,692</b>	<b>-</b>	<b>23,433</b>	<b>58,125</b>
<b>Total liabilities and fund balance</b>	<b>\$ 34,927</b>	<b>-</b>	<b>\$ 23,433</b>	<b>\$ 58,360</b>

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

STATE OF NEW MEXICO  
VILLAGE OF GRENVILLE  
Governmental Funds  
Reconciliation of the Balance Sheet to the Statement of Net Position  
June 30, 2013

Statement 4

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

Fund balances - total governmental funds	\$ 58,125
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>30,012</u>
Net position of governmental activities	<u><u>\$ 88,137</u></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, 2013

	General	EMS Fund	Municipal Street Fund	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 3,118	\$ -	\$ -	\$ 3,118
Gross receipts taxes	5,132	-	-	5,132
Gasoline taxes	-	-	5,159	5,159
Motor vehicle taxes	187	-	-	187
Charges for services	-	-	-	-
Licenses and permits	-	-	-	-
Local sources	6,005	-	-	6,005
State sources	35,000	7,455	-	42,455
Federal sources	-	-	-	-
Earnings from investments	55	-	41	96
	<u>49,497</u>	<u>7,455</u>	<u>5,200</u>	<u>62,152</u>
<b>EXPENDITURES</b>				
Current:				
General government	56,308	-	-	56,308
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Public safety	-	7,391	-	7,391
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
	<u>56,308</u>	<u>7,391</u>	<u>-</u>	<u>63,699</u>
Excess (deficiency) revenues over expenditures	(6,811)	64	5,200	(1,547)
Other Financing Sources (Uses)				
Transfer in	64	-	-	64
Transfer out	<u>(64)</u>	<u>(64)</u>	<u>-</u>	<u>(64)</u>
Total other financing sources (uses)	<u>64</u>	<u>(64)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(6,747)	-	5,200	(1,547)
Fund balance beginning of year	<u>41,439</u>	<u>-</u>	<u>18,233</u>	<u>59,672</u>
Fund balance end of year	<u>\$ 34,692</u>	<u>\$ -</u>	<u>\$ 23,433</u>	<u>\$ 58,125</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, 2013

Statement 6

Net change in fund balances - total governmental funds \$ (1,547)

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

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

Depreciation expense (11,596)

Capital outlays                     

Excess of capital outlay over depreciation expense (11,596)

Change in net position of governmental activities \$ (13,143)

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 2,915	\$ 2,915	\$ 3,142	\$ 227
Charges for services	300	300	-	(300)
Licenses and permits	100	100	-	(100)
Local sources	9,515	9,515	6,005	(3,510)
State sources	35,000	35,000	35,000	-
Federal sources	-	-	-	-
State shared taxes	6,750	6,750	6,393	(357)
Earnings from investments	220	220	55	(165)
	<u>54,800</u>	<u>54,800</u>	<u>50,595</u>	<u>(4,205)</u>
<b>Total revenues</b>	<b>\$ 54,800</b>	<b>\$ 54,800</b>	<b>\$ 50,595</b>	<b>\$ (4,205)</b>
<b>EXPENDITURES</b>				
General government	\$ 63,300	\$ 63,300	\$ 56,641	\$ 6,659
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
	<u>63,300</u>	<u>63,300</u>	<u>56,641</u>	<u>6,659</u>
<b>Total expenditures</b>	<b>\$ 63,300</b>	<b>\$ 63,300</b>	<b>\$ 56,641</b>	<b>\$ 6,659</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	\$ 2,500	\$ 2,500	\$ 64	\$ (2,436)
	<u>2,500</u>	<u>2,500</u>	<u>64</u>	<u>(2,436)</u>
<b>BUDGETED CASH BALANCE</b>	<b>\$ 6,000</b>	<b>\$ 6,000</b>		

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 7,455	\$ 7,455	\$ 7,455	\$ -
Total revenues	<u>\$ 7,455</u>	<u>\$ 7,455</u>	<u>\$ 7,455</u>	<u>\$ -</u>
EXPENDITURES				
Public safety	\$ 5,005	\$ 5,005	\$ 7,391	\$ (2,386)
Total expenditures	<u>\$ 5,005</u>	<u>\$ 5,005</u>	<u>\$ 7,391</u>	<u>\$ (2,386)</u>
OTHER FINANCING SOURCES (USES)				
Transfer Out	<u>\$ 2,450</u>	<u>\$ 2,450</u>	<u>\$ (64)</u>	<u>\$ 2,386</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State shared taxes	\$ 6,000	\$ 6,000	\$ 5,159	\$ (841)
Earnings from investments	<u>100</u>	<u>100</u>	<u>41</u>	<u>(59)</u>
Total revenues	<u>\$ 6,100</u>	<u>\$ 6,100</u>	<u>\$ 5,200</u>	<u>\$ (900)</u>
EXPENDITURES				
Highways and Streets	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>
Total expenditures	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>

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



STATE OF NEW MEXICO  
VILLAGE OF GRENVILLE  
Combining Statement of Net Position  
Proprietary Funds  
June 30, 2013

Statement 10

	Water Fund	Solid Waste Fund	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 3,905	\$ -	\$ 3,905
Accounts receivable (net of allowance)	293	-	293
Total current assets	4,198	-	4,198
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	(161,809)	-	(161,809)
Total capital assets net of accumulated depreciation	104,191	-	104,191
Total assets	109,109	-	109,109
<b>LIABILITIES</b>			
Current liabilities			
Security deposits	720	-	720
Accounts payable	154	-	154
Due to other funds	-	-	-
Total current liabilities	874	-	874
<b>NET POSITION</b>			
Net investment in			
Capital Assets	104,191	-	104,191
Restricted for solid waste	-	-	-
Unrestricted	4,044	-	4,044
Total net position	\$ 108,235	\$ -	\$ 108,235

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 Position  
For the Year Ended June 30, 2013

	Water Fund	Solid Waste Fund	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,569	\$ -	\$ 4,569
Local sources	-	-	-
Total operating revenue	<u>4,569</u>	<u>-</u>	<u>4,569</u>
<b>OPERATING EXPENSES</b>			
Salaries	2,044	-	2,044
Maintenance & operations	4,587	-	4,587
Depreciation	8,674	-	8,674
Total operating expenses	<u>15,305</u>	<u>-</u>	<u>15,305</u>
Operating income (loss)	<u>(10,736)</u>	<u>-</u>	<u>(10,736)</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Investment income	13	-	13
Investment expense	-	-	-
Capital grants	-	-	-
Transfer in	1,061	-	1,061
Transfer out	-	(1,061)	(1,061)
Total Non-Operating Revenue (Expenses)	<u>1,074</u>	<u>(1,061)</u>	<u>13</u>
Change in Net Position	(9,662)	(1,061)	(10,723)
Net position, beginning of year	<u>117,897</u>	<u>1,061</u>	<u>118,958</u>
Net position, end of year	<u>\$ 108,235</u>	<u>\$ -</u>	<u>\$ 108,235</u>

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, 2013

Statement 12

	Water Fund	Solid Waste Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Received from customers	\$ 4,630	\$ -	\$ 4,630
Cash payment to employees	-	-	-
Cash payments to suppliers	(6,477)	-	(6,477)
	(1,847)	-	(1,847)
<b>Net cash provided by operating activities</b>			
	(1,847)	-	(1,847)
<b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES:</b>			
Acquisition and construction of capital assets	-	-	-
Capital grants	-	-	-
	-	-	-
<b>Net cash provided by capital and related activities</b>			
	-	-	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating transfers to other funds	-	(1,061)	(1,061)
Operating transfers from other funds	1,061	-	1,061
Security deposits payable	-	-	-
	1,061	(1,061)	-
<b>Net cash provided (used) by noncapital financing activities</b>			
	1,061	(1,061)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest	13	-	13
	13	-	13
<b>Net cash provided by investing activities</b>			
	13	-	13
<b>Net increase (decrease) in cash</b>	(773)	(1,061)	(1,834)
Cash, beginning of year	5,398	1,061	6,459
Cash, end of year	\$ 4,625	\$ -	\$ 4,625
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (10,736)	\$ -	\$ (10,736)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	8,674	-	8,674
Changes in assets and liabilities:			
Receivables	61	-	61
Payables	154	-	154
	(1,847)	-	(1,847)
<b>Net cash provided (used) by operating activities</b>	\$ (1,847)	\$ -	\$ (1,847)

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, 2013

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.

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

## Notes to Financial Statements (continued)

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 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

## Notes to Financial Statements (continued)

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.

### 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



Notes to Financial Statements (continued)

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.

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

## Notes to Financial Statements (continued)

agencies within the State, including; the Motor Vehicle Division, State Road fund, municipalities, and countries. 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 suplense 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 Position

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

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

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

Unrestricted net position - This category reflects net position 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

Notes to Financial Statements (continued)

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 purposes 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.

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.

Notes to Financial Statements (continued)

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.

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

First National Bank	EMS	Checking	\$ -
First National Bank	Gas Fund	Checking	23,016
First National Bank	Utilities Fund	Checking	5,791
First National Bank	General Fund	Checking	<u>36,575</u>
			<u>\$ 65,382</u>
Total amount on deposit			\$ 65,382
Deposit in transit			-
Outstanding checks			<u>(3,435)</u>
Total per financial statements			<u>\$ 61,947</u>

Notes to Financial Statements (continued)

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

	First National <u>Bank</u>
Cash on deposit at June 30	\$ 65,382
Less FDIC	<u>(65,382)</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>

*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, 2013 NONE of the Village's bank balance of \$65,382 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>

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.

Notes to Financial Statements (continued)

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	\$ -	\$ 293
Less allowance for uncollectible accounts	-	-
Subtotal	-	293
Intergovernmental	-	-
Gas Tax	417	-
Property Tax	2	-
MVD Tax	16	-
Gross Receipts Tax	603	-
 Total	 <u>\$ 1,038</u>	 <u>\$ 293</u>

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	\$ 49,497	\$ 7,455	\$ 5,200
Budget	<u>50,595</u>	<u>7,455</u>	<u>5,200</u>
Increase (decrease) in receivables	<u>\$ (1,098)</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>Expenditures</u>			
Actual	\$ 56,308	\$ 7,391	\$ -
Budget	<u>56,641</u>	<u>7,391</u>	<u>-</u>
Increase (decrease) in payables	<u>\$ (333)</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Financial Statements (continued)

6. CAPITAL ASSETS

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

	Balance <u>June 30, 2012</u>	<u>Additions</u>	Balance <u>Deletions</u>	<u>June 30, 2013</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	52,340	-	-	52,340
Heavy Equipment	<u>91,839</u>	<u>-</u>	<u>-</u>	<u>91,839</u>
Total capital assets being depreciated	<u>144,179</u>	<u>-</u>	<u>-</u>	<u>144,179</u>
Less accumulated depreciation for:				
Building and improvements	(39,374)	(4,582)	-	(43,956)
Heavy Equipment	<u>(70,797)</u>	<u>(7,014)</u>	<u>-</u>	<u>(77,811)</u>
Total accumulated depreciation	<u>(110,171)</u>	<u>(11,596)</u>	<u>-</u>	<u>(121,767)</u>
Total capital assets being depreciated	<u>34,008</u>	<u>(11,596)</u>	<u>-</u>	<u>22,412</u>
Net capital assets	<u>\$ 41,608</u>	<u>\$ (11,596)</u>	<u>\$ -</u>	<u>\$ 30,012</u>

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

	Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</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>(153,135)</u>	<u>(8,674)</u>	<u>-</u>	<u>(161,809)</u>
Total accumulated depreciation	<u>(153,135)</u>	<u>(8,674)</u>	<u>-</u>	<u>(161,809)</u>
Total capital assets being depreciated	<u>112,765</u>	<u>(8,674)</u>	<u>-</u>	<u>104,091</u>
Net capital assets	<u>\$ 112,865</u>	<u>\$ (8,674)</u>	<u>\$ -</u>	<u>\$ 104,191</u>

Notes to Financial Statements (continued)

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 EMS Fund had a budget overrun of \$2,386.



**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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 8,400	\$ 8,400	\$ 4,630	\$ (3,770)
State shared taxes	-	-	-	-
Local sources	3,000	3,000	-	(3,000)
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest income	50	50	13	(37)
<b>Total revenues</b>	<b><u>\$ 11,450</u></b>	<b><u>\$ 11,450</u></b>	<b><u>\$ 4,643</u></b>	<b><u>\$ (6,807)</u></b>
<b>EXPENDITURES</b>				
Operating expenses	\$ 11,450	\$ 11,450	\$ 6,477	\$ 4,973
<b>Total expenditures</b>	<b><u>\$ 11,450</u></b>	<b><u>\$ 11,450</u></b>	<b><u>\$ 6,477</u></b>	<b><u>\$ 4,973</u></b>
<b>REVENUES</b>				
Budgetary basis			\$ 4,643	
Accounts receivable			(61)	
Modified accrual basis			<b><u>\$ 4,582</u></b>	
<b>EXPENDITURES</b>				
Budgetary basis			\$ 6,477	
Depreciation			8,674	
Capital assets purchased			-	
Difference in accounts payable			154	
Modified accrual basis			<b><u>\$ 15,305</u></b>	

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-
Environmental gross receipts tax	-	-	-	-
Interest Income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total revenues	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
<b>EXPENDITURES</b>				
Operating expenses	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer out	\$ -	\$ -	\$ (1,061)	\$ (1,061)
	<u>-</u>	<u>-</u>	<u>(1,061)</u>	<u>(1,061)</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**

**INDEPENDENT AUDITOR'S REPORT**

Mr. Tim Keller  
New Mexico State Auditor  
and  
Honorable Mayor and Village Council  
Village of Grenville  
Grenville, New Mexico

We have audited, in accordance with the 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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, 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, 2013 and the related notes to the financial statements, which collectively comprise the Village of Grenville's basic financial statements, and the related budgetary comparisons of the enterprise funds, presented as supplemental information, and have issued our report thereon dated May 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Grenville'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.

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.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that were considered to be a material weakness. We did identify deficiencies in internal control, described in the accompanying Status of Comments as Late Audit Report (05-01), 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), Water Ordinance (11-09), Segregation of Duties (11-12), Ordinance for Mayor/Council Members Payments (11-13), Budget overruns (13-01), Transfer Not Budgeted or Approved by DFA (13-02), Payment for EMS Services (13-03), Payment Made Not Supported (13-04), Payroll Taxes Not Deducted Correctly (13-06) and W-3 Does Not Match 941 Reports (13-07) that we consider to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Grenville'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 and the other auditors tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the Status of Comments as Late Audit Report (05-01), 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), Water Ordinance (11-09), No Depreciation Policy (11-10), Ordinance for Mayor/Council Members Payments (11-13), Incorrect Gross Receipts Taxes Charged (11-14), Checks Cashied Without Required Signatures (12-02), Late Fees for Late Filing of IRS Taxes (12-03), Budget Overruns (13-01), Transfer Not Budgeted or Approved by DFA (13-02), Payment for EMS Services (13-03) Payment Made Not Supported (13-04), Payroll Taxes Not Deducted (13-05), Payroll Taxes Not Deducted Correctly (13-06) and W-3 Does Not Match 941 Reports (13-07).

#### The Village of Grenville's Response to Findings

The Village of Grenville's responses to the findings identified in our audit are described in the accompanying Status of Comments. The Village of Grenville's responses were not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Grenville's internal control and compliance. Accordingly, this communication is not suitable for the any other purpose.



Albuquerque, New Mexico  
May 13, 2015

## STATUS OF COMMENTS

### Prior Year Audit Findings

1. Late Audit Report (05-01) - Repeated.
2. 1099 Forms Not Prepared and Submitted to the IRS (11-01) - Repeated.
3. Unemployment Reports not Filed (11-02) - Repeated.
4. Employee Files Not Complete (11-03) - Repeated.
5. New Hire Reporting (11-04) - Repeated.
6. No Travel Vouchers Prepared (11-05) - Repeated.
7. W-9 Forms Not Available (11-06) - Repeated.
8. Required Support for Disbursements (11-07) - Repeated.
9. Water Ordinance (11-09) - Repeated.
10. No Depreciation Policy (11-10) - Resolved.
11. Segregation of Duties (11-12) - Repeated.
12. Ordinance for Mayor/Council Members Payments (11-13) - Repeated.
13. Incorrect Gross Receipts Taxes Charged (11-14) - Repeated.
14. Wages for Other Employees Reported on Clerk's W-2 (12-01) - Resolved.
15. Clerks Cashed Without Required Signatures (12-02) - Repeated.
16. Late Fee for Late Filing of IRS Taxes (12-03) - Repeated.
17. Late Filing of IRS Taxes (12-04) - Resolved.
18. Salary Paid Exceeds DFA Budget (12-05) - Resolved.

### Current Year Audit Findings

1. Budget Overruns (13-01)
2. Transfer Not Budgeted or Approved by DFA (13-02)
3. Payment for EMS Services (13-03)
4. Payment Made not Supported (13-04)

**STATUS OF COMMENTS (Continued)**

**Current Year Audit Findings**

5. Payroll Taxes not Deducted (13-05)
6. Payroll Taxes not Deducted Correctly (13-06)
7. W-3 Does not Match 941 Reports (13-07)

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	The 2012 fiscal year audit report was not completed until September 9, 2014.
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.



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 2013 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	The employee files did not have a W-4, I-9 and wage rate approvals.
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 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 2013.
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	Seventeen out of seventeen payments tested were made to vendors without the proper documentation to support the disbursements totaling \$2,270. 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: <ol style="list-style-type: none"><li>1. Approved purchase orders,</li><li>2. Approved requisitions,</li><li>3. An invoice,</li><li>4. Three quotes or sealed bids (if applicable),</li><li>5. Evidence of signature of approvals and signatures of receipt.</li></ol>
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.

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	The Village will ensure that a Depreciation Policy is passed.

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 has an Ordinance stating how much the Mayor and Council Members are allowed to be paid. However, the Village Council cannot increase the amounts paid to currently sitting council members or the Mayor. It can only effect those elected AFTER the Ordinance passed.
CRITERIA	According to the NM Constitution Article IV Section 27 "No law shall be enacted to increase the compensation of any officer during his/her term of office." Thus, a sitting Mayor or Council Member cannot pass a vote to increase (or diminish) their current compensation.
CAUSE	Neither the Council Members or the Mayor were aware of this.
EFFECT	Management can only rely on the previous Ordinance for the amount that can be paid to the Mayor and each Council Member.
RECOMMENDATION	Current Council Members and the Mayor need to be paid the previous Ordinance amount immediately.
RESPONSE	Management will ensure the Section 27 is followed correctly.

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.

Checks Cashed Without Required Signatures - Other Matter  
(12-02)

CONDITION	The bank allowed three checks totaling \$1,137 to be paid without both the required signatures.
CRITERIA	All checks issued by the Village must have both signatures before payment can be made.
CAUSE	It is unknown at this time why this situation occurred.
EFFECT	Payments could be made without the proper approvals, thus, circumventing good internal controls.
RECOMMENDATION	Management and the Board should ensure that all checks have both signatures before payment is made.
RESPONSE	Management has re-notified the bank of this issue.

Late Fees for Late Filing of IRS Taxes - Other Matter  
(12-03)

CONDITION                    The Village was charged \$302 for filing their first quarter (2012) 941 report (with the IRS) late.

CRITERIA                     Each quarterly 941 report must be filed with the IRS by the end of the following month after the quarter.

CAUSE                         Management did not ensure this form was submitted timely.

EFFECT                        The Village paid \$302 for penalties that were not budgeted for or allowed under DFA regulations.

RECOMMENDATION             Management should ensure these reports are filed timely to ensure penalties are avoided.

RESPONSE                     Management has already corrected this issue.

Budget Overruns - Significant Deficiency  
(13-01)

CONDITION                    The Village overspent the final approved budget of the EMS Fund by \$2,386.

CRITERIA                    NMSA 1978 Section 22-8-11 B requires all funds to be spent within established guidelines set for budgets.

CAUSE                        Management did not review the budgets during the fourth quarter and then request the necessary budget adjustments before the required deadline set by the Department of Education.

EFFECT                      The Village had an adequate cash to pay the additional expenditures but not the required budget authority for DFA.

RECOMMENDATION            Management should review the budgets quarterly and make the necessary budget adjustment requests to ensure budgets by Fund are not overspent.

RESPONSE                    The Village of Grenville will request budget adjustments as necessary.

Transfer Not Budgeted or Approved by DFA -  
Significant Deficiency  
(13-02)

CONDITION	Management of the Village transferred \$1,061 from the Solid Waste Fund to the Water Fund without an approved cash transfer from DFA. There are also, no documents from DFA allowing the discontinuation of the Solid Waste Fund.
CRITERIA	NMSA 1978 Section 22-8-11 B requires all monies to be spent within established guidelines set for budgets.
CAUSE	Management was not aware of this requirement. Also, the Village's DFA analyst did not notice this cash discrepancy.
EFFECT	The Village did not have the proper authority to transfer these excess monies and discontinue the Solid Waste Fund.
RECOMMENDATION	Management should ask their DFA analyst on how to properly obtain approval for all future cash transfers.
RESPONSE	The Village of Grenville will obtain DFA Approval on future cash transfers.



Payment for EMS Services - Significant Deficiency  
(13-03)

CONDITION	Management of the Village made a payment in the amount of \$1,500 to an EMS Director without any supporting documentation.
CRITERIA	The Department of Finance and Administration requires adequate support and approval of all disbursements made.
CAUSE	Management of the Village is not requiring adequate documentation be attached before purchases are made.
EFFECT	DFA regulations have not been followed.
RECOMMENDATION	The Village should implement policies to ensure that all DFA regulations are followed.
RESPONSE	The Village of Grenville will make sure all expenditures have proper documentation as required by DFA regulations.

Payment Made Not Supported - Significant Deficiency  
(13-04)

CONDITION	The Village Clerk was paid \$4,740 in travel expenses without any support as to where, how many miles or what business the clerk performed at each destination.
CRITERIA	The DFA requires adequate support and approval for all disbursements made.
CAUSE	The Board approved these payments without the proper support.
EFFECT	DFA regulations were not followed.
RECOMMENDATION	The Village should implement policies to ensure that all DFA regulations were followed.
RESPONSE	Management will ensure all documentation on all future travel expenses.

Payroll Taxes Not Deducted - Other Matter  
(13-05)

CONDITION	Payroll taxes were not withheld from three different Board Members that provided services to the Village. The total wages paid was \$591.
CRITERIA	According to IRS regulations, all current employees must have taxes withheld.
CAUSE	Management did not withhold taxes when payment was made.
EFFECT	IRS regulations were not followed.
RECOMMENDATION	Management should ensure taxes are withheld when all payments are made.
RESPONSE	Payroll taxes will be deducted from board members doing other, duties/work for the Village.

Payroll Taxes Not Deducted Correctly -  
Significant Deficiency  
(13-06)

CONDITION	Management of the Village did not withhold FICA, Medicare or federal withholding taxes correctly on three of the four 941 reports for the fiscal year 2012/2013.
CRITERIA	The IRS has specific regulations concerning FICA, Medicare and Federal Withholding.
CAUSE	Management did not ensure these amounts were deducted or submitted to the IRS correctly.
EFFECT	The Village overpaid FICA by \$286, Medicare by \$54 and did not withhold \$104 for Federal withholding.
RECOMMENDATION	Management should implement procedures to ensure the correct amounts are withheld and submitted.
RESPONSE	Management will ensure all withholdings will be taken out at the correct rate.

W-3 Does Not Match 941 Reports -  
Significant Deficiency  
(13-07)

CONDITION	The total wages shown on the W-3 are \$425 more than the 941 reports. Also, the amount reported for FICA was \$368 short compared to what should have been reported on the W-3/W-2.
CRITERIA	All four 941 reports for the calendar year need to match the W-3/W-2's submitted.
CAUSE	Management did not ensure the 941 reports matched the W-3/W-2's for calendar year 2013 before they were mailed out to the employees or the Social Security Administration.
EFFECT	The Village did not follow IRS regulations concerning the W-3/W-2's submitted.
RECOMMENDATION	Management will need to correct either the 941 reports and submit the difference or change the W-3/W-2's and resubmit them.
RESPONSE	Management will ensure that W-3 matches the 941 report.

### FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2013 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 May 13, 2015 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.