

**State of New Mexico**

**Village of Reserve  
FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS'  
REPORT THEREON**

**For The Fiscal Year Ended June 30, 2007**



Village of Reserve  
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Village of Reserve  
**DIRECTORY OF OFFICIALS**  
June 30, 2007

**ELECTED OFFICIALS**

|                  |               |
|------------------|---------------|
| Robert Garrison  | Mayor         |
| Theresa Estrada  | Mayor Pro-Tem |
| Greg Baca        | Trustee       |
| Peggy Birmingham | Trustee       |
| Connie Wehrheim  | Trustee       |

**VILLAGE OFFICIALS**

|               |                           |
|---------------|---------------------------|
| Lori Martinez | Clerk-Treasurer           |
| Kathy Harris  | Assistant Clerk-Treasurer |





MIKE STONE, C.P.A.  
LINDA STONE MCGEE, C.P.A.  
KAY STONE, C.P.A.  
JARROD MASON, C.P.A.  
KELLEY WYATT, C.P.A.

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## INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor  
and  
Mayor and Village Council  
Village of Reserve  
Reserve, 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 of the Village of Reserve as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Village's nonmajor governmental funds and enterprise funds presented as other supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Village of Reserve'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 misstatements. 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 Village of Reserve as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village of Reserve as of June 30, 2007, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the nonmajor special revenue funds, the capital projects funds,



and the enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2009, on our consideration of Village of Reserve'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* and should be considered in assessing the results of our audit.

The Village of Reserve has not presented management's discussion and analysis that is required by accounting principles generally accepted in the United States of America to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements, and on the combining, individual fund, and budgetary comparisons presented as other supplementary information. The accompanying Schedule of Expenditures of Federal awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Village. In addition, the accompanying financial information listed as other supplemental data in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards and the other supplemental data have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

*Stone, McGee & Co., CPAs*

April 8, 2009

*Stone, McGee & Co.*  
*Certified Public Accountants*



Village of Reserve  
**STATEMENT OF NET ASSETS**  
June 30, 2007

| <b>ASSETS</b>                          | <u>Governmental<br/>Activities</u> | <u>Business-<br/>Type<br/>Activities</u> | <u>Total</u>        |
|--|------------------------------------|--|---------------------|
| <b>Current:</b>                        |                                    |  |                     |
| Cash and investments                   | \$ 171,752                         | \$ 37,094                                | \$ 208,846          |
| Receivables, net                       | 50,602                             | 11,638                                   | 62,240              |
| Prepays                                | 7,200                              |  | 7,200               |
| Interfund balances                     |                                    | 842                                      |                     |
| <b>Total current assets</b>            | <u>\$ 229,554</u>                  | <u>\$ 49,574</u>                         | <u>\$ 278,286</u>   |
| <b>Noncurrent assets:</b>              |                                    |  |                     |
| <b>Restricted:</b>                     |                                    |  |                     |
| Cash and investments                   | \$ -                               | \$ 10,625                                | \$ 10,625           |
| Capital assets, net                    | 3,665,776                          | 2,382,790                                | 6,048,566           |
| <b>Total noncurrent assets</b>         | <u>\$ 3,665,776</u>                | <u>\$ 2,393,415</u>                      | <u>\$ 6,059,191</u> |
| <b>Total assets</b>                    | <u>\$ 3,895,330</u>                | <u>\$ 2,442,989</u>                      | <u>\$ 6,337,477</u> |
| <br><b>LIABILITIES</b>                 |                                    |  |                     |
| <b>Current:</b>                        |                                    |  |                     |
| Accounts payable                       | \$ 560                             | \$ 1,587                                 | \$ 2,147            |
| Interfund balances                     | 842                                |  |                     |
| Deferred revenue                       | 32,732                             |  | 32,732              |
| Current maturities of long-term debt   | 14,835                             |  | 14,835              |
| <b>Total current liabilities</b>       | <u>\$ 48,969</u>                   | <u>\$ 1,587</u>                          | <u>\$ 49,714</u>    |
| <b>Current:</b>                        |                                    |  |                     |
| <b>Payable from restricted assets:</b> |                                    |  |                     |
| Customer deposits                      | \$ -                               | \$ 10,625                                | \$ 10,625           |
| <b>Non-current:</b>                    |                                    |  |                     |
| Notes payable                          | 15,172                             |  | 15,172              |
| Compensated absences                   | 629                                | 812                                      | 1,441               |
| <b>Total noncurrent liabilities</b>    | <u>\$ 15,801</u>                   | <u>\$ 11,437</u>                         | <u>\$ 27,238</u>    |



Village of Reserve  
**STATEMENT OF NET ASSETS (concluded)**  
 June 30, 2007

|   | Governmental<br>Activities | Business-<br>Type<br>Activities | Total        |
|---|----------------------------|---------------------------------|--------------|
| Total liabilities                               | \$ 64,770                  | \$ 13,024                       | \$ 76,952    |
| <b>NET ASSETS</b>                               |                            |                                 |              |
| Invested in capital assets, net of related debt | \$ 3,635,769               | \$ 2,382,790                    | \$ 6,018,559 |
| Restricted for:                                 |                            |                                 |              |
| Capital projects                                | (84,887)                   |                                 | (84,887)     |
| Other purposes                                  | 49,482                     |                                 | 49,482       |
| Unrestricted                                    | 230,196                    | 47,175                          | 277,371      |
| Total net assets                                | \$ 3,830,560               | \$ 2,429,965                    | \$ 6,260,525 |

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







Village of Reserve  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2007

|                                  |                            | Program Revenues                         |            |
|----------------------------------|----------------------------|--|------------|
| Expenses                         | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions |            |
| <b>Functions/Programs</b>        |                            |  |            |
| Governmental activities:         |                            |  |            |
| General government               | \$ 175,510                 | \$ -                                     | \$ 35,000  |
| Public safety                    | 214,755                    | 1,373                                    | 139,195    |
| Highways and streets             | 183,672                    |  |            |
| Health and welfare               | 7,740                      |  | 97,256     |
| Culture-recreation               | 17,763                     |  |            |
| Unallocated interest expense     | 497                        |  |            |
|                                  | \$ 599,937                 | \$ 1,373                                 | \$ 271,451 |
| <b>Business-type activities:</b> |                            |  |            |
| Enterprise                       | \$ 249,859                 | \$ 149,889                               | \$ -       |
|                                  | \$ 249,859                 | \$ 149,889                               | \$ -       |
|                                  | \$ 849,796                 | \$ 151,262                               | \$ 271,451 |

General revenues:  
Property taxes  
Gross receipts taxes  
MVD taxes  
Gas taxes  
Cigarette taxes  
Franchise taxes  
Interest and investment earnings  
Miscellaneous  
Transfers

Total general revenues

Change in net assets

Net assets--beginning

Net assets--ending

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

| <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Net (Expenses) Revenue<br/>and Changes in Net Assets</u> |                                      |                     |
|---|---|--------------------------------------|---------------------|
|   | <u>Governmental<br/>Activities</u>                          | <u>Business -Type<br/>Activities</u> | <u>Total</u>        |
| \$ -  | \$ (140,510)  | \$ -                                 | \$ (140,510)        |
|   | (74,187)  |                                      | (74,187)            |
| 1,930,453                                       | 1,746,781   |                                      | 1,746,781           |
|   | 89,516  |                                      | 89,516              |
|   | (17,763)  |                                      | (17,763)            |
|   | (497)   |                                      | (497)               |
| <u>\$ 1,930,453</u>                             | <u>\$ 1,603,340</u>   | <u>\$ -</u>                          | <u>\$ 1,603,340</u> |
| <u>\$ -</u>                                     | <u>\$ -</u>   | <u>\$ (99,970)</u>                   | <u>\$ (99,970)</u>  |
| <u>\$ -</u>                                     | <u>\$ -</u>   | <u>\$ (99,970)</u>                   | <u>\$ (99,970)</u>  |
| <u>\$ 1,930,453</u>                             | <u>\$ 1,603,340</u>   | <u>\$ (99,970)</u>                   | <u>\$ 1,503,370</u> |
|   | \$ 9,228  | \$ -                                 | \$ 9,228            |
|   | 128,872   | 2,779                                | 131,651             |
|   | 12,064  |                                      | 12,064              |
|   | 7,632   |                                      | 7,632               |
|   | 758   |                                      | 758                 |
|   | 5,861   |                                      | 5,861               |
|   | 129   | 33                                   | 162                 |
|   | 790   | 6,996                                | 7,786               |
|   |   |                                      | -                   |
|   | <u>\$ 165,334</u>   | <u>\$ 9,808</u>                      | <u>\$ 175,142</u>   |
|   | \$ 1,768,674  | \$ (90,162)                          | \$ 1,678,512        |
|   | 2,061,886   | 2,520,127                            | 4,582,013           |
|   | <u>\$ 3,830,560</u>   | <u>\$ 2,429,965</u>                  | <u>\$ 6,260,525</u> |





Village of Reserve  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2007

|   | General<br>Fund | MAP and<br>Roadways | TPE       |
|---|-----------------|---------------------|-----------|
| <b>Assets</b>                           |                 |                     |           |
| Cash and investments                    | \$ 112,369      | \$ -                | \$ -      |
| Prepays                                 | 7,200           |                     |           |
| Taxes receivable                        | 29,387          |                     |           |
| Interest receivable                     |                 |                     |           |
| Interfund receivable                    | 62,158          |                     | 22,729    |
| Due from other governments              | 20,798          |                     |           |
|   |                 |                     |           |
| Total assets                            | \$ 231,912      | \$ -                | \$ 22,729 |
| <br><b>Liabilities and Fund Balance</b> |                 |                     |           |
| Accounts payable                        | \$ 245          | \$ -                | \$ -      |
| Interfund payable                       | 842             | 78,824              |           |
| Deferred revenue                        | 25              |                     | 22,729    |
|   |                 |                     |           |
| Total liabilities                       | \$ 1,112        | \$ 78,824           | \$ 22,729 |
| <br>Fund balance:                       |                 |                     |           |
| Unreserved reported in:                 |                 |                     |           |
| General fund                            | \$ 230,800      | \$ -                | \$ -      |
| Special revenue funds                   |                 |                     |           |
| Capital projects funds                  |                 | (78,824)            |           |
|   |                 |                     |           |
| Total fund balance                      | \$ 230,800      | \$ (78,824)         | \$ -      |
| Total liabilities and fund balance      | \$ 231,912      | \$ -                | \$ 22,729 |

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

| <u>Other<br/>Funds</u> | <u>Total<br/>Governmental Funds</u> |
|------------------------|-------------------------------------|
| \$ 59,383              | \$ 171,752                          |
|                        | 7,200                               |
| 417                    | 29,804                              |
|                        | -                                   |
|                        | 84,887                              |
|                        | 20,798                              |
| <u>\$ 59,800</u>       | <u>\$ 314,441</u>                   |
|                        |                                     |
| \$ 315                 | \$ 560                              |
| 6,063                  | 85,729                              |
| 10,003                 | 32,757                              |
| <u>\$ 16,381</u>       | <u>\$ 119,046</u>                   |
|                        |                                     |
| \$ -                   | \$ 230,800                          |
| 49,482                 | 49,482                              |
| (6,063)                | (84,887)                            |
| <u>\$ 43,419</u>       | <u>\$ 195,395</u>                   |
| <u>\$ 59,800</u>       | <u>\$ 314,441</u>                   |





Village of Reserve  
**RECONCILIATION OF TOTAL GOVERNMENTAL  
FUND BALANCE TO NET ASSETS OF  
GOVERNMENTAL ACTIVITIES**

|  |                            |
|--|----------------------------|
| Total governmental fund balances   | \$ 195,395                 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>                |                            |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.  | 3,665,776                  |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | 25                         |
| Long-term liabilities, including interest payable are not reported in the funds.   | <u>(30,636)</u>            |
| <i>Net assets of governmental activities</i>   | <u><u>\$ 3,830,560</u></u> |

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





Village of Reserve  
**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-GOVERNMENTAL FUNDS**  
For The Fiscal Year Ended June 30, 2007

|  | <u>General<br/>Fund</u> | <u>Street<br/>Improvements</u> | <u>CDBG<br/>Comprehensive<br/>Plan</u> |
|--|-------------------------|--------------------------------|--|
| <b>Revenues:</b>   |                         |                                |  |
| Property taxes   | \$ 9,781                | \$ -                           | \$ -                                   |
| Gross receipt taxes  | 128,872                 |                                |  |
| MVD taxes  | 12,064                  |                                |  |
| Gas taxes  | 3,045                   |                                |  |
| Cigarette taxes  | 399                     |                                |  |
| Franchise taxes  | 5,861                   |                                |  |
| Intergovernmental  | 132,256                 | 332,000                        | 475,670                                |
| Fines, licenses and permits  | 1,373                   |                                |  |
| Miscellaneous  | 129                     |                                |  |
|  | <hr/>                   | <hr/>                          | <hr/>                                  |
| <b>Total revenues</b>  | <b>\$ 293,780</b>       | <b>\$ 332,000</b>              | <b>\$ 475,670</b>                      |
| <b>Expenditures:</b>   |                         |                                |  |
| <b>Current:</b>  |                         |                                |  |
| General government   | \$ 148,822              | \$ -                           | \$ -                                   |
| Public safety  | 40,000                  |                                |  |
| Highways and streets   | 5,107                   |                                |  |
| Health and welfare   | 6,500                   |                                |  |
| Culture recreation   | 8,409                   |                                |  |
| <b>Debt service:</b>   |                         |                                |  |
| Principal  |                         |                                |  |
| Interest   |                         |                                |  |
| Capital outlay   |                         | 371,428                        | 477,253                                |
|  | <hr/>                   | <hr/>                          | <hr/>                                  |
| <b>Total expenditures</b>  | <b>\$ 208,838</b>       | <b>\$ 371,428</b>              | <b>\$ 477,253</b>                      |
| <b>Net change in fund balance</b>  | <b>\$ 84,942</b>        | <b>\$ (39,428)</b>             | <b>\$ (1,583)</b>                      |
| <b>Other financing sources (uses):</b>                                     |                         |                                |  |
| Transfer out   | (23,757)                |                                |  |
| Transfer in  |                         |                                |  |
|  | <hr/>                   | <hr/>                          | <hr/>                                  |
| <b>Net change in fund balance after<br/>other financing sources (uses)</b> | <b>\$ 61,185</b>        | <b>\$ (39,428)</b>             | <b>\$ (1,583)</b>                      |
| <b>Fund balance, July 1, 2006</b>  | <b>169,615</b>          | <b>39,428</b>                  | <b>1,583</b>                           |
|  | <hr/>                   | <hr/>                          | <hr/>                                  |
| <b>Fund balance, June 30, 2007</b>   | <b>\$ 230,800</b>       | <b>\$ -</b>                    | <b>\$ -</b>                            |
|  | <hr/>                   | <hr/>                          | <hr/>                                  |

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

| <u>MAP and<br/>Roadways</u> | <u>TPE</u>        | <u>Other<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-----------------------------|-------------------|------------------------|---|
| \$ -                        | \$ -              | \$ -                   | \$ 9,781                                |
|                             |                   |                        | 128,872                                 |
|                             |                   |                        | 12,064                                  |
|                             |                   | 4,587                  | 7,632                                   |
|                             |                   | 359                    | 758                                     |
|                             |                   |                        | 5,861                                   |
| 496,219                     | 457,271           | 308,488                | 2,201,904                               |
|                             |                   | 790                    | 1,373                                   |
|                             |                   |                        | 919                                     |
| <u>\$ 496,219</u>           | <u>\$ 457,271</u> | <u>\$ 314,224</u>      | <u>\$ 2,369,164</u>                     |
| \$ -                        | \$ -              | \$ -                   | \$ 148,822                              |
|                             |                   | 140,341                | 180,341                                 |
|                             |                   | 149,132                | 154,239                                 |
|                             |                   |                        | 6,500                                   |
|                             |                   | 6,507                  | 14,916                                  |
|                             |                   | 14,571                 | 14,571                                  |
|                             |                   | 497                    | 497                                     |
| 575,043                     | 457,271           | 35,764                 | 1,916,759                               |
| <u>\$ 575,043</u>           | <u>\$ 457,271</u> | <u>\$ 346,812</u>      | <u>\$ 2,436,645</u>                     |
| \$ (78,824)                 | \$ -              | \$ (32,588)            | \$ (67,481)                             |
|                             |                   |                        | (23,757)                                |
|                             |                   | 23,757                 | 23,757                                  |
| \$ (78,824)                 | \$ -              | \$ (8,831)             | \$ (67,481)                             |
| -                           | -                 | 52,250                 | 262,876                                 |
| <u>\$ (78,824)</u>          | <u>\$ -</u>       | <u>\$ 43,419</u>       | <u>\$ 195,395</u>                       |



Village of Reserve  
**RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT  
OF ACTIVITIES**

|   |                            |
|---|----------------------------|
| Net changes in fund balances - total governmental funds   | \$ (67,481)                |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i>   |                            |
| Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year. | 1,820,426                  |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.   | (553)                      |
| Repayment of debt is an expenditure in the governmental funds, but the payment reduces long term liabilities in the Statement of Net Assets.  | 14,571                     |
| Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the funds.   | <u>1,711</u>               |
| <i>Change in Net Assets of Governmental Activities</i>  | <u><u>\$ 1,768,674</u></u> |

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





Village of Reserve  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
For The Fiscal Year Ended June 30, 2007

|   | <u>Original<br/>Budget</u> | <u>Revised<br/>Budget</u> | <u>Actual</u>            | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|---|----------------------------|---------------------------|--------------------------|---|
| <b>Revenues:</b>  |                            |                           |                          |   |
| Taxes   | \$ 149,550                 | \$ 165,439                | \$ 160,302               | \$ (5,137)                                      |
| Licenses and permits  | 1,550                      | 1,623                     | 1,373                    | (250)   |
| Intergovernmental   | 40,000                     | 40,000                    | 66,545                   | 26,545  |
| Miscellaneous   | 250                        | 30,697                    | -                        | (30,697)  |
|   | <u>\$ 191,350</u>          | <u>\$ 237,759</u>         | <u>\$ 228,220</u>        | <u>\$ (9,539)</u>                               |
| <b>Expenditures:</b>  |                            |                           |                          |   |
| <b>Current:</b>   |                            |                           |                          |   |
| General government  | \$ 165,567                 | \$ 169,976                | \$ 169,925               | \$ 51   |
| Public safety   |                            | 40,000                    | 40,000                   | -   |
| Highways and streets  |                            | 11,884                    | 11,884                   | -   |
| Health and welfare  |                            | 6,500                     | 6,500                    | -   |
| Culture - recreation  |                            | 40,000                    | 37,949                   | 2,051   |
| Capital outlay  |                            | -                         | -                        | -   |
|   | <u>\$ 165,567</u>          | <u>\$ 268,360</u>         | <u>\$ 266,258</u>        | <u>\$ 2,102</u>                                 |
| Net change in fund balance  | <u>\$ 25,783</u>           | <u>\$ (30,601)</u>        | <u>\$ (38,038)</u>       | <u>\$ (7,437)</u>                               |
| <b>Other financing sources (uses):</b>                                |                            |                           |                          |   |
| Transfers out   | (8,400)                    | (8,400)                   | -                        | 8,400   |
| Transfers in  |                            |                           | 29,193                   | 29,193  |
|   | <u>\$ (8,400)</u>          | <u>\$ (8,400)</u>         | <u>\$ 29,193</u>         | <u>\$ 37,593</u>                                |
| Net change in fund balance<br>after other financing sources<br>(uses) | <u>\$ 17,383</u>           | <u>\$ (39,001)</u>        | <u>\$ (8,845)</u>        | <u>\$ 30,156</u>                                |
| Fund balance, July 1, 2006  | <u>145,763</u>             | <u>145,763</u>            | <u>121,214</u>           | <u>(24,549)</u>                                 |
| Fund balance, June 30, 2007   | <u><u>\$ 163,146</u></u>   | <u><u>\$ 106,762</u></u>  | <u><u>\$ 112,369</u></u> | <u><u>\$ 5,607</u></u>                          |

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



Village of Reserve  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2007

| <b>Assets</b>                                     | <u>Water/Sewer/Sanitation</u> |
|---|-------------------------------|
| <b>Current:</b>                                   |                               |
| Cash and investments                              | \$ 37,094                     |
| Accounts receivable                               | 11,097                        |
| Taxes receivable                                  | 541                           |
| Interfund receivable                              | <u>842</u>                    |
| <b>Total current assets</b>                       | <b>\$ 49,574</b>              |
| <b>Noncurrent assets:</b>                         |                               |
| Restricted cash and investments                   | \$ 10,625                     |
| Capital assets<br>net of accumulated depreciation | <u>2,382,790</u>              |
| <b>Total noncurrent assets</b>                    | <b>\$ 2,393,415</b>           |
| <b>Total assets</b>                               | <b>\$ 2,442,989</b>           |
| <br><b>Liabilities</b>                            |                               |
| <b>Current:</b>                                   |                               |
| Accounts payable                                  | \$ 1,587                      |
| Customer deposits                                 | 10,625                        |
| Current maturities of long-term debt              | <u>-</u>                      |
| <b>Total current liabilities</b>                  | <b>\$ 12,212</b>              |
| <b>Noncurrent liabilities:</b>                    |                               |
| Compensated absences                              | <u>\$ 812</u>                 |
| <b>Total liabilities</b>                          | <b>\$ 13,024</b>              |
| <br><b>Net Assets</b>                             |                               |
| Invested in capital assets                        | \$ 2,382,790                  |
| Unrestricted                                      | <u>47,175</u>                 |
| <b>Total net assets</b>                           | <b>\$ 2,429,965</b>           |

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



Village of Reserve  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
For The Fiscal Year Ended June 30, 2007

|  | <u>Water/Sewer/<br/>Sanitation</u> |
|--|------------------------------------|
| Operating revenues:                                    |                                    |
| Charges for services                                   | \$ 149,889                         |
| Operating expenses:                                    |                                    |
| Personnel  | \$ 70,828                          |
| Operating  | 97,791                             |
| Depreciation   | 81,240                             |
| Total operating expenses                               | \$ 249,859                         |
| Net operating income                                   | \$ (99,970)                        |
| Non-operating revenue (expense):                       |                                    |
| Investment income                                      | \$ 33                              |
| Dedicated gross receipts tax                           | 2,779                              |
| Miscellaneous income                                   | 6,996                              |
| Total non-operating revenue<br>(expense)               | \$ 9,808                           |
| Income before contributions and<br>operating transfers | \$ (90,162)                        |
| Transfers out  |                                    |
| Transfers in   |                                    |
| Change in net assets                                   | \$ (90,162)                        |
| Net assets, beginning of year                          | 2,520,127                          |
| Net assets, end of year                                | \$ 2,429,965                       |

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



Village of Reserve  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For The Fiscal Year Ended June 30, 2007

|   | <u>Water/Sewer/Sanitation</u> |
|---|-------------------------------|
| <b>Cash flows from operating activities:</b>                                |                               |
| Receipts from customers   | \$ 149,430                    |
| Payments to suppliers   | (102,840)                     |
| Payments to employees   | (71,755)                      |
|   | (25,165)                      |
| <b>Net cash provided (used) by operating activities</b>                     | <b>\$ (25,165)</b>            |
| <b>Cash flows from noncapital financing activities:</b>                     |                               |
| Dedicated tax receipts  | \$ 2,813                      |
| Miscellaneous receipts  | 6,996                         |
| Transfers from other funds  |                               |
| Transfers to other funds  |                               |
|   | 9,809                         |
| <b>Net cash provided (used) by noncapital financing activities</b>          | <b>\$ 9,809</b>               |
| <b>Cash flows from capital and related financing activities:</b>            |                               |
| Principal paid on capital debt  | \$ -                          |
| Interest paid on capital debt   |                               |
|   | -                             |
| <b>Net cash provided (used) by capital and related financing activities</b> | <b>\$ -</b>                   |
| <b>Cash flows from investing activities:</b>                                |                               |
| Earnings on investments   | \$ 33                         |
|   | 33                            |
| <b>Net increase (decrease) in cash and cash equivalents</b>                 | <b>\$ (15,323)</b>            |
| <b>Cash and equivalents, beginning of year</b>                              | <b>63,042</b>                 |
| <b>Cash and equivalents, end of year</b>                                    | <b>\$ 47,719</b>              |

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





Village of Reserve  
**STATEMENT OF CASH FLOWS (concluded)**  
**PROPRIETARY FUNDS**  
For The Fiscal Year Ended June 30, 2007

|  | <u>Water/Sewer/Sanitation</u> |
|--|-------------------------------|
| Reconciliation of operating income (loss)<br>to net cash provided (used) by operating<br>activities: |                               |
| Operating income (loss)  | \$ (99,970)                   |
| Adjustments to reconcile operating income<br>to net cash provided (used) by operating<br>activities: |                               |
| Depreciation expense   | 81,240                        |
| Changes in assets and liabilities:   |                               |
| Receivables, net   | 751                           |
| Accounts payable   | (5,049)                       |
| Customer deposits  | (1,210)                       |
| Compensated absences   | (927)                         |
|  | <hr/>                         |
| Net cash provided (used)<br>by operating activities  | <u>\$ (25,165)</u>            |

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



Village of Reserve  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

Note 1 Summary of Significant Accounting Policies

**A. GENERAL**

The Village of Reserve, a political subdivision of the State of New Mexico, operates under the council-manager form of government. The Village provides the following authorized services: public safety, highways and streets, sanitation, health and welfare, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The Village complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For business-type activities/enterprise funds, GASB Statement No.'s 20 and 34 provide the Village the option of electing to apply FASB pronouncements issued after November 30, 1989. The Village has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2004, the Village implemented the new financial reporting requirements of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented.

**B. FINANCIAL REPORTING ENTITY**

The Village's basic financial statements include the accounts of all Village operations. The criteria for including organizations as component units within the Village's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Village holds the corporate powers of the organization
- the Village appoints a voting majority of the organization's board
- the Village is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Village
- there is fiscal dependency by the organization on the Village

Based on the aforementioned criteria, the Village has no component units.



## C. BASIS OF PRESENTATION

### Governmental-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Village and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are not allocated, but are presented as separate functions. Program revenues include charges paid by recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which a program or business segment is self-financing or draws from the general revenues of the Village.

### Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.



The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

The General Fund is the primary operating fund of the Village and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

*Capital Project Fund*

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

**Proprietary Fund**

*Enterprise Fund*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

*Major Funds*

The funds classified as major are as follows:

General – Accounts for all activities except those accounted for in other funds.

Street Improvements – to account for state grant revenues to facilitate street improvements, and is a Capital Project Fund.

CDBG Comprehensive Plan - to account for the federal grant (CDBG) revenues and the New Mexico Highway Department revenues and expenditures therefrom to conduct study of Village needs, and is a Capital Project Fund.

MAP and Roadways – to account for federal and state grant revenue for expenditures for street projects, and is a Capital Project Fund.

TPE - to account for federal grant revenue, which is restricted for use in street projects and improvements, and is a Capital project Fund

Proprietary - Accounts for activities associated with the provision of water and sewer services to the citizenry, and is an Enterprise Fund.





### *Nonmajor Funds*

Fund description for all funds are included in the "Other Supplementary Information" section of this report.

## **D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

### **Measurement Focus**

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item "b" below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

### **Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means



collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported when due.

Substantially all governmental fund revenues are accrued. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Property taxes receivable are recognized net of estimated refunds and uncollectible amounts in the period for which the taxes are levied, even if they are not available. Property taxes not collected within 60 days of year end are reported as deferred revenue in the fund financial statements. Derived tax revenues are recognized when the underlying exchange transaction takes place.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

#### **E. BUDGETS**

Budgets for the General, Special Revenue, Capital Projects, and Enterprise Funds are prepared by management and approved by the local council and the New Mexico Department of Finance and Administration.

These budgets are prepared on the NON-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be reappropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, the amount is presented as a designated portion of fund balance.

Actual expenditures may not exceed the budget on a by fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local Council approval. If a transfer between "funds" or a budget increase is required, approval must also be obtained from the Department of Finance and Administration.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

#### **F. CASH AND INVESTMENTS**

For the purpose of the Statement of Net Assets, "cash and investments" includes all demand, savings accounts, and certificates of deposits of the Village. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include



all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of six months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

State statutes authorize the government to invest in interest bearing accounts with local financial institutions, direct obligations of the U.S. Treasury or New Mexico political subdivisions, and the state treasurers investment pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public 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. Premiums (discounts) on investments are amortized by the interest method, or methods approximating the interest method.

#### **G. INTERFUND RECEIVABLES AND PAYABLES**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "interfund receivables and payables". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

#### **H. RECEIVABLES**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include gross receipts and use taxes, franchise taxes, and grants. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as gross receipts tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.



**I. CAPITAL ASSETS**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Assets acquired with an original cost of \$5,000 or more are capitalized.

Prior to July 1, 2003, governmental funds' infrastructure assets were capitalized. The Village did not elect to utilize the infrastructure transition option in the implementation of GASB Statement No. 34, and in fiscal year 2004 has capitalized all infrastructure assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- |                           |             |
|---------------------------|-------------|
| • Buildings               | 25-50 years |
| • Improvements            | 10-50 years |
| • Machinery and Equipment | 03-20 years |
| • Utility Plant           | 25-75 years |
| • Infrastructure          | 25-75 years |

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**J. RESTRICTED ASSETS**

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to utility meter deposits.





**K. LONG-TERM DEBT**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**L. COMPENSATED ABSENCES**

The Village's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

**M. EQUITY CLASSIFICATIONS**

*Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."



*Fund Statements*

Equity is classified as fund balance and displayed in two components:

- a. Reserved – Consists of governmental fund balances that are not appropriable, leally segregated for specific usage, or commitments to outside third parties.
- b. Unreserved – Consists of designations of amounts representing tentative management plans for governmental fund balances, but subject to change (Designated), and undesignated, for which no restrictions or designations exist.

**N. REVENUES, EXPENDITURES, AND EXPENSES**

*Gross Receipts Tax*

The Village levies a 6.5625% gross receipts tax on taxable gross receipts within the Village. The rate includes both Village and State assessments. The tax is collected by the New Mexico Taxation and Revenue Department and remitted to the Village in the month following receipt by the Department. The Department receives the tax one month after collection by vendors. Included in this tax is amounts dedicated to the Sanitation Fund, and those dedicated amounts are recorded directly in that fund.

Gross receipts tax collected by the State in June and July (which represent May and June transactions) and received by the Village in July and August have been accrued and are included under the caption "Due from Other Governments."

*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 semiannual installments by November 10 and April 10 of the subsequent year and become delinquent 30 days later. 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 of 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 a state formula, per \$1,000 of 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's total tax rate to finance general government services for the year ended June 30, 2007 was \$1.980 per \$1,000 for non-residential property and \$2.225 for residential property. The Village's tax rate for debt service was -0- per \$1,000 for both residential and nonresidential property.



*Operating Revenues and Expenses*

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Operating revenues normally include license fees, user fees and copy charges.

*Expenditures/Expenses*

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Fund – By Character: Current (further classified by function)  
Debt Service  
Capital Outlay

Proprietary Fund-By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

The Village first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Village does not allocate indirect costs.

**O. INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds and between individual proprietary funds have been eliminated.

**P. USE OF ESTIMATES**

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



Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the Governments deposits may not be returned to it. The Village does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2007, the Village's bank balance of \$243,894 was exposed to custodial credit risk as follows:

|   |                   |                   |
|---|-------------------|-------------------|
| Uninsured and uncollateralized                                    |                   | <u>\$ -0-</u>     |
|   | <u>Bank</u>       | <u>Carrying</u>   |
|   | <u>Balance</u>    | <u>Amount</u>     |
| Deposits by custodial risk  |                   |                   |
| Category:   |                   |                   |
| Insured   | \$ 100,000        | \$ 100,000        |
| Collateral held by the pledging<br>bank's agent in Village's name | <u>143,894</u>    | <u>107,986</u>    |
|   | <u>\$ 243,894</u> | <u>\$ 207,986</u> |

Note 2A Investments

At June 30, 2007, the Village had the following investments:

|                        |                  |
|------------------------|------------------|
| <u>Investment Type</u> | <u>Amortized</u> |
|                        | <u>Cost</u>      |
| U.S. EE Bonds          | <u>\$ 10,000</u> |

The Village has reported its investment at original cost plus accrued interest at June 30, 2007.

The Village has no interest rate risk or credit risk since all investments are in U.S. backed government securities.

Concentration of Credit Risk – The Village places no limits on the amount it may invest in any one issuer. The Village currently has 100% of its investments in EE Bonds.

Custodial Credit Risk – The Village is not subject to custodial credit risk since the Village holds the investments and they are in the name of the Village.





Note 3 Receivables

|                             | <u>Governmental<br/>Activities</u> | <u>Business<br/>Type<br/>Activities</u> |
|-----------------------------|------------------------------------|---|
| Accounts receivable:        |                                    |   |
| Services                    | \$ -0-                             | \$ 11,097                               |
| Taxes receivable:           |                                    |   |
| Gasoline taxes              | \$ 673                             | \$ 541                                  |
| Gross receipts tax          | 23,118                             | 541                                     |
| Franchise taxes             | 3,356                              |   |
| Property taxes              | 543                                |   |
| Motor vehicle taxes         | <u>2,114</u>                       |   |
|                             | <u>\$ 29,804</u>                   | <u>\$ 541</u>                           |
| Due from other governments: |                                    |   |
| Intergovernmental grants    | <u>\$ 20,798</u>                   |   |
|                             | <u>\$ 20,798</u>                   | <u>\$ -0-</u>                           |
| <br>Total                   | <br><u>\$ 50,602</u>               | <br><u>\$ 11,638</u>                    |

No allowance for doubtful accounts has been recorded, since the Village considers all receivables fully collectible.

Note 4 Capital Assets

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

|  | <u>Balance<br/>July 1, 2006</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Balance<br/>June 30, 2007</u> |
|--|---------------------------------|---------------------|------------------|----------------------------------|
| Governmental Activities:               |                                 |                     |                  |                                  |
| Capital assets not being depreciated:  |                                 |                     |                  |                                  |
| Land                                   | \$ 61,858                       | \$ -0-              | \$ -0-           | \$ 61,858                        |
| Construction in progress               | <u>201,090</u>                  | <u>1,916,759</u>    |                  | <u>2,117,849</u>                 |
|  | <u>\$ 262,948</u>               | <u>\$ 1,916,759</u> | <u>\$ -0-</u>    | <u>\$ 2,179,707</u>              |
| Other capital assets:                  |                                 |                     |                  |                                  |
| Buildings and improvements             | \$ 336,610                      | \$ -0-              | \$ -0-           | \$ 336,610                       |
| Infrastructure                         | 1,176,958                       | -0-                 |                  | 1,176,958                        |
| Equipment                              | <u>765,827</u>                  | <u>-0-</u>          |                  | <u>765,827</u>                   |
| Total other assets, at historical cost | <u>\$2,279,395</u>              | <u>\$ -0-</u>       | <u>\$ -0-</u>    | <u>\$ 2,279,395</u>              |



|  |                     |                     |               |                       |
|--|---------------------|---------------------|---------------|-----------------------|
| Less accumulated depreciation for:                                 |                     |                     |               |                       |
| Buildings and improvements   | \$ (97,049)         | \$ (6,689)          | \$ -0-        | \$ (103,738)          |
| Infrastructure   | (109,489)           | (39,798)            |               | (149,287)             |
| Equipment  | <u>(490,455)</u>    | <u>(49,846)</u>     |               | <u>(540,301)</u>      |
| Total accumulated depreciation                                     | <u>\$ (696,993)</u> | <u>\$ (96,333)</u>  | <u>\$ -0-</u> | <u>\$ (793,326)</u>   |
| Governmental activities,<br>capital assets, net                    | <u>\$1,845,350</u>  | <u>\$ 1,820,426</u> | <u>\$ -0-</u> | <u>\$ 3,665,776</u>   |
| Business Type Activities:<br>Capital assets not being depreciated: |                     |                     |               |                       |
| Land   | <u>\$ 21,838</u>    | <u>\$ -0-</u>       | <u>\$ -0-</u> | <u>\$ 21,838</u>      |
| Other capital assets:  |                     |                     |               |                       |
| Buildings  | \$ 80,869           | \$ -0-              | \$ -0-        | 80,869                |
| Utility plant  | 3,195,651           |                     |               | 3,195,651             |
| Equipment  | <u>95,543</u>       |                     |               | <u>95,543</u>         |
| Total other assets at historical cost                              | <u>\$3,372,063</u>  | <u>\$ -0-</u>       | <u>\$ -0-</u> | <u>\$ 3,372,063</u>   |
| Less accumulated depreciation for:                                 |                     |                     |               |                       |
| Buildings  | \$ (54,251)         | \$ (1,617)          | \$ -0-        | \$ (55,868)           |
| Utility plant  | (822,276)           | (74,787)            |               | (897,063)             |
| Equipment  | <u>(53,344)</u>     | <u>(4,836)</u>      |               | <u>(58,180)</u>       |
| Total accumulated depreciation                                     | <u>\$ (929,871)</u> | <u>\$ (81,240)</u>  | <u>\$ -0-</u> | <u>\$ (1,011,111)</u> |
| Business-type activities capital<br>assets, net                    | <u>\$2,464,030</u>  | <u>\$ (81,240)</u>  | <u>\$ -0-</u> | <u>\$ 2,382,790</u>   |

The Village has various construction projects ongoing at various stages of completion.

Depreciation was charged to the Governmental Activities as follows:

|                      |                  |
|----------------------|------------------|
| General Government   | \$ 41,423        |
| Public Safety        | 43,350           |
| Highways and Streets | 4,817            |
| Health and Welfare   | 963              |
| Culture-Recreation   | <u>5,780</u>     |
|                      | <u>\$ 96,333</u> |



Note 5 Long-Term Debt

Changes in long-term debt were as follows during the year ended June 30, 2007.

|                           | <u>Balance</u><br><u>July 1, 2006</u> | <u>Additions</u> | <u>Retire-</u><br><u>ments</u> | <u>Balance</u><br><u>June 30, 2007</u> | <u>Due Within</u><br><u>One Year</u> |
|---------------------------|---------------------------------------|------------------|--------------------------------|--|--------------------------------------|
| Governmental activities:  |                                       |                  |                                |  |                                      |
| Notes payable             | \$ 44,578                             | \$ -0-           | \$ 14,571                      | \$ 30,007                              | \$ 14,835                            |
| Compensated absences      | <u>2,340</u>                          | <u>6,616</u>     | <u>8,327</u>                   | <u>629</u>                             | <u>-0-</u>                           |
|                           | <u>\$ 46,918</u>                      | <u>\$ 6,616</u>  | <u>\$ 22,898</u>               | <u>\$ 30,636</u>                       | <u>\$ 14,835</u>                     |
| Business Type Activities: |                                       |                  |                                |  |                                      |
| Compensated absences      | <u>\$ 1,739</u>                       | <u>\$ 4,315</u>  | <u>\$ 5,242</u>                | <u>\$ 812</u>                          | <u>\$ -0-</u>                        |
|                           | <u>\$ 1,739</u>                       | <u>\$ 4,315</u>  | <u>\$ 5,242</u>                | <u>\$ 812</u>                          | <u>\$ -0-</u>                        |

Governmental Activities Note Payable

The Village entered into a loan and intercept agreement with the New Mexico Finance Authority to acquire a fire pumper. The payments are to be made solely from the distributions of law enforcement protection funds. These payments from the State Treasurer will be made directly to New Mexico Finance Authority pursuant to the intercept agreement for the payment of principal and interest. The terms call for annual payments of \$15,560, including interest at rates between .088% and 2.36%. The note matures in 2009.

Compensated Absences

The amount of compensated absences due within the next year is not estimable. The liabilities will be paid from the fund which is charged with the employee as a direct cost, and the liability will be paid with funds available. Typically the general and Enterprise Funds bear the majority of the compensated absences cost.



The following table shows the results of the experiment. The data is presented in a clear and concise manner, allowing for easy comparison of the different conditions. The results are as follows:

| Condition   | Result 1 | Result 2 | Result 3 |
|-------------|----------|----------|----------|
| Condition A | 1.2      | 2.5      | 3.8      |
| Condition B | 1.5      | 2.8      | 4.1      |
| Condition C | 1.8      | 3.1      | 4.4      |
| Condition D | 2.1      | 3.4      | 4.7      |
| Condition E | 2.4      | 3.7      | 5.0      |
| Condition F | 2.7      | 4.0      | 5.3      |
| Condition G | 3.0      | 4.3      | 5.6      |
| Condition H | 3.3      | 4.6      | 5.9      |
| Condition I | 3.6      | 4.9      | 6.2      |
| Condition J | 3.9      | 5.2      | 6.5      |
| Condition K | 4.2      | 5.5      | 6.8      |
| Condition L | 4.5      | 5.8      | 7.1      |
| Condition M | 4.8      | 6.1      | 7.4      |
| Condition N | 5.1      | 6.4      | 7.7      |
| Condition O | 5.4      | 6.7      | 8.0      |
| Condition P | 5.7      | 7.0      | 8.3      |
| Condition Q | 6.0      | 7.3      | 8.6      |
| Condition R | 6.3      | 7.6      | 8.9      |
| Condition S | 6.6      | 7.9      | 9.2      |
| Condition T | 6.9      | 8.2      | 9.5      |
| Condition U | 7.2      | 8.5      | 9.8      |
| Condition V | 7.5      | 8.8      | 10.1     |
| Condition W | 7.8      | 9.1      | 10.4     |
| Condition X | 8.1      | 9.4      | 10.7     |
| Condition Y | 8.4      | 9.7      | 11.0     |
| Condition Z | 8.7      | 10.0     | 11.3     |

The results show a clear trend of increasing values across all three metrics as the condition number increases. This suggests a strong positive correlation between the condition number and the measured results.

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2007 is as follows:

|      | <u>Governmental Activities</u> |                 | <u>Business-Type Activities</u> |                   |
|------|--------------------------------|-----------------|---------------------------------|-------------------|
|      | <u>Principal</u>               | <u>Interest</u> | <u>Principal</u>                | <u>Interest</u>   |
| 2008 | \$ 14,835                      | \$ 656          | \$                              | \$                |
| 2009 | <u>15,172</u>                  | <u>358</u>      | <u>          </u>               | <u>          </u> |
|      | <u>\$ 30,007</u>               | <u>\$ 1,014</u> | <u>\$ -0-</u>                   | <u>\$ -0-</u>     |

Note 6 Restricted Net Assets

The net assets "Restricted for Other Purposes" in the Statement of Net Assets consist of the special revenue fund balances, which are restricted to each fund's specific purpose, as follows:

|                |                  |
|----------------|------------------|
| DWI Grant      | \$ 23,861        |
| Recreation     | (168)            |
| Fire           | 22,297           |
| Municipal Road | <u>3,492</u>     |
|                | <u>\$ 49,482</u> |

Note 7 Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Note 8 Subsequent Events

The Village has contracts and grant awards for construction projects in various stages of completion. Such contracts, funded principally by federal and state agencies, constitute future commitments.

Note 9 Risk Management

The Village is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village has joined together with other municipalities in the State and obtained insurance





through the New Mexico Self Insurers Fund, a public risk pool currently operating as a common risk management and insurance program for local governments. The Village pays an annual premium to New Mexico Self Insurers Fund for its general insurance coverage and all risk of loss is transferred.

Note 10 Budgetary Reconciliations

The Statements of Revenues, Expenditures and Changes in Fund Balance Budget (NON-GAAP Budgetary Basis) and Actual present comparisons of legally adopted budgets with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of changes in net assets by the General, DWI Grant, Secondary Well, and SH Cooperative Funds for the year ended June 30, 2007 is as follows:

|  | <u>General</u>                |
|--|-------------------------------|
| Revenues and other sources over<br>(under) expenditures and other<br>uses (GAAP Basis)                   | \$ 61,185                     |
| Revenue accruals   | (65,560)                      |
| Expenditure accruals   | (57,420)                      |
| Transfers net  | <u>52,950</u>                 |
| <br>   |                               |
| Revenues and other sources<br>over (under) expenditures and<br>other uses (NON- GAAP)<br>Budgetary Basis | <br><br><br><u>\$ (8,845)</u> |

Note 11 Deficit Unreserved Fund Balance

The deficit unreserved fund balances; MAP and Roadways (\$78,824), is the result of the application of generally accepted accounting principles to cash basis budgeting, and the modified accrual basis limitation of 60 days on the accrual of revenue. Because cash balances are legally appropriated in the budget for the subsequent fiscal year, liabilities remaining unpaid at year end cause a deficit fund balance. As the liabilities are cleared in the subsequent fiscal year, the deficit fund balance will be reduced.

The deficit fund balance in the Recreation Fund (\$168) and the SH COOP Fund (\$6,063) are the result of not making transfers in the appropriate period. The Village intends to make the necessary transfers in the 2008 fiscal year.



Note 12 Interfund Activity

Interfund balances were as follows at June 30, 2007:

|                             | <u>Interfund Payable</u> |                             |                        |                  |
|-----------------------------|--------------------------|-----------------------------|------------------------|------------------|
|                             | <u>General</u>           | <u>MAP and<br/>Roadways</u> | <u>Other<br/>Funds</u> | <u>Total</u>     |
| <u>Interfund Receivable</u> |                          |                             |                        |                  |
| General                     | \$                       | \$ 56,095                   | \$ 6,063               | \$ 62,158        |
| TPE                         |                          | 22,729                      |                        | 22,729           |
| Enterprise                  |                          | <u>842</u>                  |                        | <u>842</u>       |
|                             | <u>\$ 842</u>            | <u>\$ 78,824</u>            | <u>\$ 6,063</u>        | <u>\$ 85,729</u> |

The purpose of these transactions was to fund ongoing activities and all are expected to be paid in the next fiscal year.

|                     | <u>Transfers From</u> |
|---------------------|-----------------------|
| <u>Transfer To:</u> | <u>General</u>        |
| Other Funds         | <u>\$ 23,757</u>      |

The transfers were made for operating purposes, and are within the funds intended purpose.



## **SPECIAL REVENUE FUNDS**

**Fire Fund** – to account for the proceeds of the state fire allotment, and the expenditures for public safety therefrom. Established by Section 59A-6-5 NMSA 1978 as authorized by Section 59A-53-7.

**Recreation Fund** – to account for receipts, such as the cigarette tax revenue, which is restricted for use in recreational areas only. Established by Section 7-12-5 NMSA 1978.

**Municipal Road Fund** – to account for motor vehicle fees which are to be used only for additions and improvements to the Village's roads and streets. Authorization is NMSA 7-24A-1 to 7-24A-21

**DWI Fund** – to account for the resources to be used for DWI education and prevention. Authorization is the Village Council.

## **CAPITAL PROJECTS FUNDS**

**CDBG Comprehensive Plan** – to account for the federal grant (CDBG) revenues and the New Mexico Highway Department revenues and expenditures therefrom to conduct study of Village needs.

**Street Improvements** – to account for state grant revenues to facilitate street improvements.

**MAP and Roadways** – to account for federal and state grant revenue for expenditures for street projects.

**TPE** – to account for federal grant revenue which is restricted for use in street projects and improvements.

**State Highway Co-op** – to account for the cooperative agreement with the New Mexico Highway Department for street maintenance. Authorization is NMSA 1978 Section 67-3-57.

**Multipurpose Facility** – to account for the monies to be used to build a municipal meeting facility.

**Downtown Revitalization** – to account for the funds to be used to upgrade the municipalities downtown area.



**ENTERPRISE FUNDS**

**Enterprise Fund** – to account for services including water and sewer provided to the citizens of the Village.







Village of Reserve  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
 June 30, 2007

|  | Special Revenue Funds |                 |                   |
|--|-----------------------|-----------------|-------------------|
|  | Fire<br>Fund          | Recreation      | Municipal<br>Road |
| <b>Assets</b>                              |                       |                 |                   |
| Cash and investments                       | \$ 22,334             | \$ 53           | \$ 3,075          |
| Taxes receivable                           |                       |                 | 417               |
| Due from other governments                 |                       |                 |                   |
| <b>Total assets</b>                        | <b>\$ 22,334</b>      | <b>\$ 53</b>    | <b>\$ 3,492</b>   |
| <b>Liabilities and Fund Balance</b>        |                       |                 |                   |
| Accounts payable                           | \$ 37                 | \$ 221          | \$ -              |
| Interfund payable                          |                       |                 |                   |
| Deferred revenue                           |                       |                 |                   |
| <b>Total liabilities</b>                   | <b>\$ 37</b>          | <b>\$ 221</b>   | <b>\$ -</b>       |
| <b>Fund balances:</b>                      |                       |                 |                   |
| Unreserved                                 | \$ 22,297             | \$ (168)        | \$ 3,492          |
| <b>Total fund balances</b>                 | <b>\$ 22,297</b>      | <b>\$ (168)</b> | <b>\$ 3,492</b>   |
| <b>Total liabilities and fund balances</b> | <b>\$ 22,334</b>      | <b>\$ 53</b>    | <b>\$ 3,492</b>   |

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

| <u>Special Revenue<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> |                               |
|---------------------------------|--------------------------------------|-------------------------------|
| <u>DWI</u>                      | <u>SH<br/>Coop</u>                   | <u>Total</u>                  |
| \$ 33,921                       | \$ -                                 | \$ 59,383<br>417              |
| <u>33,921</u>                   | <u>-</u>                             | <u>-</u>                      |
| <u>\$ 33,921</u>                | <u>\$ -</u>                          | <u>\$ 59,800</u>              |
|                                 |                                      |                               |
| \$ 57                           | \$ -                                 | \$ 315                        |
| <u>10,003</u>                   | <u>6,063</u>                         | <u>6,063</u><br><u>10,003</u> |
| <u>\$ 10,060</u>                | <u>\$ 6,063</u>                      | <u>\$ 16,381</u>              |
| <u>\$ 23,861</u>                | <u>\$ (6,063)</u>                    | <u>\$ 43,419</u>              |
| <u>\$ 23,861</u>                | <u>\$ (6,063)</u>                    | <u>\$ 43,419</u>              |
| <u>\$ 33,921</u>                | <u>\$ -</u>                          | <u>\$ 59,800</u>              |





Village of Reserve  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
For The Fiscal Year Ended June 30, 2007

|  | <u>Special Revenue Funds</u> |                   |                           |                   |
|--|------------------------------|-------------------|---------------------------|-------------------|
|  | <u>Fire<br/>Fund</u>         | <u>Recreation</u> | <u>Municipal<br/>Road</u> | <u>DWI</u>        |
| <b>Revenues:</b>   |                              |                   |                           |                   |
| Gas taxes  | \$ -                         | \$ -              | \$ 4,587                  | \$ -              |
| Cigarette taxes  |                              | 359               |                           |                   |
| Intergovernmental  | 84,903                       |                   |                           | 54,292            |
| Miscellaneous  | 790                          |                   |                           |                   |
| <b>Total revenues</b>  | <b>\$ 85,693</b>             | <b>\$ 359</b>     | <b>\$ 4,587</b>           | <b>\$ 54,292</b>  |
| <b>Expenditures:</b>   |                              |                   |                           |                   |
| <b>Current:</b>  |                              |                   |                           |                   |
| Public safety  | \$ 79,440                    | \$ -              | \$ -                      | \$ 57,372         |
| Highways and streets   |                              |                   | 12,355                    |                   |
| Culture and recreation   |                              | 6,507             |                           |                   |
| <b>Capital Outlay</b>  |                              |                   |                           |                   |
| <b>Debt service:</b>   |                              |                   |                           |                   |
| Principal  | 14,571                       |                   |                           |                   |
| Interest   | 497                          |                   |                           |                   |
| <b>Total expenditures</b>  | <b>\$ 94,508</b>             | <b>\$ 6,507</b>   | <b>\$ 12,355</b>          | <b>\$ 57,372</b>  |
| <b>Net change in fund balance</b>  | <b>\$ (8,815)</b>            | <b>\$ (6,148)</b> | <b>\$ (7,768)</b>         | <b>\$ (3,080)</b> |
| <b>Other financing sources (uses):</b>                                     |                              |                   |                           |                   |
| Transfer out   |                              |                   |                           |                   |
| Transfer in  |                              | 16,980            |                           |                   |
| <b>Net change in fund balance after<br/>other financing sources (uses)</b> | <b>\$ (8,815)</b>            | <b>\$ 10,832</b>  | <b>\$ (7,768)</b>         | <b>\$ (3,080)</b> |
| <b>Fund balance, July 1, 2006</b>  | <b>31,112</b>                | <b>(11,000)</b>   | <b>11,260</b>             | <b>26,941</b>     |
| <b>Fund balance, June 30, 2007</b>   | <b>\$ 22,297</b>             | <b>\$ (168)</b>   | <b>\$ 3,492</b>           | <b>\$ 23,861</b>  |

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

Capital Projects Funds

| <u>Multipurpose<br/>Facility</u> | <u>Downtown<br/>Revitalization</u> | <u>SH<br/>Coop</u> | <u>Total</u>      |
|----------------------------------|------------------------------------|--------------------|-------------------|
| \$ -                             | \$ -                               | \$ -               | \$ 4,587          |
| 35,764                           | 3,529                              | 130,000            | 359               |
|                                  |                                    |                    | 308,488           |
|                                  |                                    |                    | 790               |
| <u>\$ 35,764</u>                 | <u>\$ 3,529</u>                    | <u>\$ 130,000</u>  | <u>\$ 314,224</u> |
| \$ -                             | \$ 3,529                           | \$ -               | \$ 140,341        |
| 35,764                           |                                    | 136,777            | 149,132           |
|                                  |                                    |                    | 6,507             |
|                                  |                                    |                    | 35,764            |
|                                  |                                    |                    | 14,571            |
|                                  |                                    |                    | 497               |
| <u>\$ 35,764</u>                 | <u>\$ 3,529</u>                    | <u>\$ 136,777</u>  | <u>\$ 346,812</u> |
| \$ -                             | \$ -                               | \$ (6,777)         | \$ (32,588)       |
|                                  |                                    | 6,777              | -                 |
|                                  |                                    |                    | 23,757            |
| \$ -                             | \$ -                               | \$ -               | \$ (8,831)        |
|                                  |                                    | (6,063)            | 52,250            |
| <u>\$ -</u>                      | <u>\$ -</u>                        | <u>\$ (6,063)</u>  | <u>\$ 43,419</u>  |





Village of Reserve  
**RECREATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
For The Fiscal Year Ended June 30, 2007

|  | <u>Original<br/>Budget</u> | <u>Revised<br/>Budget</u> | <u>Actual</u>   | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------|---------------------------|-----------------|---|
| Revenues:  |                            |                           |                 |   |
| Taxes  | \$ 400                     | \$ 400                    | \$ 412          | \$ 12   |
| Expenditures:  |                            |                           |                 |   |
| Current:   |                            |                           |                 |   |
| Culture recreation   | <u>8,600</u>               | <u>6,286</u>              | <u>6,286</u>    | <u>-</u>  |
| Net change in fund balance   | \$ (8,200)                 | \$ (5,886)                | \$ (5,874)      | \$ 12   |
| Other financing sources (uses):                                    |                            |                           |                 |   |
| Transfers in   | <u>8,400</u>               | <u>8,400</u>              | <u>16,980</u>   | <u>8,580</u>                                    |
| Net change in fund balance after<br>other financing sources (uses) | \$ 200                     | \$ 2,514                  | \$ 11,106       | \$ 8,592  |
| Fund balance, July 1, 2006   | <u>-</u>                   | <u>-</u>                  | <u>(11,053)</u> | <u>(11,053)</u>                                 |
| Fund balance, June 30, 2007  | <u>\$ 200</u>              | <u>\$ 2,514</u>           | <u>\$ 53</u>    | <u>\$ (2,461)</u>                               |
| Budgetary reconciliation:  |                            |                           |                 |   |
| Net change in fund balance, GAAP basis                             |                            |                           |                 | \$ 10,832                                       |
| Revenue accruals (net)   |                            |                           |                 | 53  |
| Expenditure accruals (net)   |                            |                           |                 | <u>221</u>                                      |
| Net change in fund balance, NON-GAAP<br>budgetary basis            |                            |                           |                 | <u>\$ 11,106</u>                                |

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



Village of Reserve  
**FIRE PROTECTION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
For The Fiscal Year Ended June 30, 2007

|  | <u>Original<br/>Budget</u> | <u>Revised<br/>Budget</u> | <u>Actual</u>           | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------|---------------------------|-------------------------|---|
| <b>Revenues:</b>   |                            |                           |                         |   |
| Intergovernmental  | \$ 58,584                  | \$ 58,584                 | \$ 39,313               | \$ (19,271)                                     |
| Miscellaneous  | 500                        | 500                       | 48                      | (452)   |
| <b>Total revenues</b>  | <u>\$ 59,084</u>           | <u>\$ 59,084</u>          | <u>\$ 39,361</u>        | <u>\$ (19,723)</u>                              |
| <b>Expenditures:</b>   |                            |                           |                         |   |
| <b>Current:</b>  |                            |                           |                         |   |
| Public safety  | \$ 28,222                  | \$ 106,943                | \$ 91,943               | \$ 15,000                                       |
| Capital outlay   | 29,196                     | -                         | -                       | -   |
| <b>Total expenditures</b>  | <u>\$ 57,418</u>           | <u>\$ 106,943</u>         | <u>\$ 91,943</u>        | <u>\$ 15,000</u>                                |
| <b>Net change in fund balance</b>  | <u>\$ 1,666</u>            | <u>\$ (47,859)</u>        | <u>\$ (52,582)</u>      | <u>\$ (4,723)</u>                               |
| <b>Other financing sources (uses):</b>   |                            |                           |                         |   |
| Transfers in   | -                          | -                         | -                       | -   |
| <b>Net change in fund balance<br/>after other financing sources<br/>(uses)</b> | <u>\$ 1,666</u>            | <u>\$ (47,859)</u>        | <u>\$ (52,582)</u>      | <u>\$ (4,723)</u>                               |
| <b>Fund balance, July 1, 2006</b>  | <u>63,432</u>              | <u>63,432</u>             | <u>73,431</u>           | <u>9,999</u>                                    |
| <b>Fund balance, June 30, 2007</b>   | <u><u>\$ 65,098</u></u>    | <u><u>\$ 15,573</u></u>   | <u><u>\$ 20,849</u></u> | <u><u>\$ 5,276</u></u>                          |
| <b>Budgetary reconciliation:</b>   |                            |                           |                         |   |
| Net change in fund balance, GAAP basis   |                            |                           |                         | \$ (8,815)                                      |
| Revenue accruals (net)   |                            |                           |                         | (46,332)  |
| Expenditure accruals (net)   |                            |                           |                         | <u>2,565</u>                                    |
| <b>Net change in fund balance, NON-GAAP<br/>budgetary basis</b>                |                            |                           |                         | <u><u>\$ (52,582)</u></u>                       |

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



Village of Reserve  
**DWI GRANT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
For The Fiscal Year Ended June 30, 2007

|  | <u>Original<br/>Budget</u> | <u>Revised<br/>Budget</u> | <u>Actual</u>           | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------|---------------------------|-------------------------|---|
| Revenues:  |                            |                           |                         |   |
| Intergovernmental  | \$ 75,200                  | \$ 75,200                 | \$ 76,198               | \$ 998  |
| Expenditures:  |                            |                           |                         |   |
| Current:   |                            |                           |                         |   |
| Public safety  | \$ 73,319                  | \$ 75,200                 | \$ 61,918               | \$ 13,282                                       |
| Capital outlay   |                            |                           |                         | -   |
| Total expenditures   | <u>\$ 73,319</u>           | <u>\$ 75,200</u>          | <u>\$ 61,918</u>        | <u>\$ 13,282</u>                                |
| Net change in fund balance   | \$ 1,881                   | \$ -                      | \$ 14,280               | \$ 14,280                                       |
| Other financing sources (uses):                                    |                            |                           |                         |   |
| Transfers in   | -                          | -                         |                         | -   |
| Net change in fund balance after<br>other financing sources (uses) | \$ 1,881                   | \$ -                      | \$ 14,280               | \$ 14,280                                       |
| Fund balance, June 30, 2006  | <u>1,155</u>               | <u>-</u>                  | <u>19,641</u>           | <u>-</u>  |
| Fund balance, June 30, 2007  | <u><u>\$ 3,036</u></u>     | <u><u>\$ -</u></u>        | <u><u>\$ 33,921</u></u> | <u><u>\$ 14,280</u></u>                         |
| Budgetary reconciliation:  |                            |                           |                         |   |
| Net change in fund balance, GAAP basis                             |                            |                           |                         | \$ (3,080)                                      |
| Revenue accruals (net)   |                            |                           |                         | 21,906  |
| Expenditure accruals (net)   |                            |                           |                         | <u>(4,546)</u>                                  |
| Net change in fund balance, NON-GAAP<br>budgetary basis            |                            |                           |                         | <u><u>\$ 14,280</u></u>                         |

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



Village of Reserve  
**MUNICIPAL ROAD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
For The Fiscal Year Ended June 30, 2007

|  | Original<br>Budget | Revised<br>Budget | Actual     | Variance<br>Favorable<br>(Unfavorable) |
|--|--------------------|-------------------|------------|--|
| <b>Revenues:</b>   |                    |                   |            |  |
| Taxes  | \$ -               | \$ 5,004          | \$ 5,004   | \$ -                                   |
| <b>Expenditures:</b>   |                    |                   |            |  |
| <b>Current:</b>  |                    |                   |            |  |
| Highways and streets   | -                  | 15,430            | 12,355     | 3,075                                  |
| Net change in fund balance   | \$ -               | \$ (10,426)       | \$ (7,351) | \$ 3,075                               |
| <b>Other financing sources (uses):</b>                             |                    |                   |            |  |
| Transfers out  | -                  | -                 | -          | -                                      |
| Net change in fund balance after<br>other financing sources (uses) | \$ -               | \$ (10,426)       | \$ (7,351) | \$ 3,075                               |
| Fund balance, July 1, 2006   | -                  | 10,426            | 10,426     | -                                      |
| Fund balance, June 30, 2007  | \$ -               | \$ -              | \$ 3,075   | \$ 3,075                               |
| <b>Budgetary reconciliation:</b>                                   |                    |                   |            |  |
| Net change in fund balance, GAAP basis                             |                    |                   |            | \$ (7,768)                             |
| Revenue accruals (net)   |                    |                   |            | 417                                    |
| Expenditure accruals (net)   |                    |                   |            | -                                      |
| Net change in fund balance, NON-GAAP<br>budgetary basis            |                    |                   |            | \$ (7,351)                             |

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



The following table shows the results of the experiment conducted on the 15th of June 1954. The data was collected from the various tests performed on the different samples of the material. The results are given in the form of a table with columns for the different variables and rows for the different tests. The values are given in the units specified in the table.

| Test No. | Sample No. | Temperature (°C) | Pressure (atm) | Time (min) | Volume (ml) | Weight (g) |
|----------|------------|------------------|----------------|------------|-------------|------------|
| 1        | 1          | 25               | 1              | 10         | 100         | 10.0       |
| 2        | 2          | 25               | 1              | 20         | 200         | 20.0       |
| 3        | 3          | 25               | 1              | 30         | 300         | 30.0       |
| 4        | 4          | 25               | 1              | 40         | 400         | 40.0       |
| 5        | 5          | 25               | 1              | 50         | 500         | 50.0       |
| 6        | 6          | 25               | 1              | 60         | 600         | 60.0       |
| 7        | 7          | 25               | 1              | 70         | 700         | 70.0       |
| 8        | 8          | 25               | 1              | 80         | 800         | 80.0       |
| 9        | 9          | 25               | 1              | 90         | 900         | 90.0       |
| 10       | 10         | 25               | 1              | 100        | 1000        | 100.0      |
| 11       | 11         | 25               | 1              | 110        | 1100        | 110.0      |
| 12       | 12         | 25               | 1              | 120        | 1200        | 120.0      |
| 13       | 13         | 25               | 1              | 130        | 1300        | 130.0      |
| 14       | 14         | 25               | 1              | 140        | 1400        | 140.0      |
| 15       | 15         | 25               | 1              | 150        | 1500        | 150.0      |

The results of the experiment show that the volume of the gas increases linearly with time, and that the weight of the gas is proportional to the volume. This is in agreement with the theoretical predictions. The data also shows that the pressure and temperature are constant throughout the experiment, which is also in agreement with the theoretical predictions.



Village of Reserve  
**STREET IMPROVEMENTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
For The Fiscal Year Ended June 30, 2007

|  | <u>Original<br/>Budget</u> | <u>Revised<br/>Budget</u> | <u>Actual</u>      | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------|---------------------------|--------------------|---|
| Revenues:  |                            |                           |                    |   |
| Intergovernmental  | \$ 540,000                 | \$ 540,000                | \$ 332,000         | \$ (208,000)                                    |
| Expenditures:  |                            |                           |                    |   |
| Capital outlay   | <u>540,000</u>             | <u>540,000</u>            | <u>371,428</u>     | <u>168,572</u>                                  |
| Net change in fund balance   | \$ -                       | \$ -                      | \$ (39,428)        | \$ (39,428)                                     |
| Other financing sources (uses):                                    |                            |                           |                    |   |
| Transfers in   | <u>-</u>                   | <u>-</u>                  | <u>-</u>           | <u>-</u>  |
| Net change in fund balance after<br>other financing sources (uses) | \$ -                       | \$ -                      | \$ (39,428)        | \$ (39,428)                                     |
| Fund balance, July 1, 2006   | <u>-</u>                   | <u>-</u>                  | <u>39,428</u>      | <u>39,428</u>                                   |
| Fund balance, June 30, 2007  | <u><u>\$ -</u></u>         | <u><u>\$ -</u></u>        | <u><u>\$ -</u></u> | <u><u>\$ -</u></u>                              |
| Budgetary reconciliation:  |                            |                           |                    |   |
| Net change in fund balance, GAAP basis                             |                            |                           |                    | \$ (39,428)                                     |
| Revenue accruals (net)   |                            |                           |                    | -   |
| Expenditure accruals (net)   |                            |                           |                    | <u>-</u>  |
| Net change in fund balance, NON-GAAP<br>budgetary basis            |                            |                           |                    | <u><u>\$ (39,428)</u></u>                       |

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



Village of Reserve  
**CDBG COMPREHENSIVE PLAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
For The Fiscal Year Ended June 30, 2007

|  | <u>Original<br/>Budget</u> | <u>Revised<br/>Budget</u> | <u>Actual</u>  | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------|---------------------------|----------------|---|
| Revenues:  |                            |                           |                |   |
| Intergovernmental  | \$ 400,000                 | \$ 475,670                | \$ 475,670     | \$ -  |
| Expenditures:  |                            |                           |                |   |
| Capital outlay   | <u>400,000</u>             | <u>477,253</u>            | <u>477,253</u> | <u>-</u>  |
| Net change in fund balance   | \$ -                       | \$ (1,583)                | \$ (1,583)     | \$ -  |
| Other financing sources (uses):                                    |                            |                           |                |   |
| Transfers in   | <u>-</u>                   | <u>-</u>                  | <u>-</u>       | <u>-</u>  |
| Net change in fund balance after<br>other financing sources (uses) | \$ -                       | \$ (1,583)                | \$ (1,583)     | \$ -  |
| Fund balance, July 1, 2006   | <u>-</u>                   | <u>1,583</u>              | <u>1,583</u>   | <u>-</u>  |
| Fund balance, June 30, 2007  | <u>\$ -</u>                | <u>\$ -</u>               | <u>\$ -</u>    | <u>\$ -</u>                                     |
| Budgetary reconciliation:  |                            |                           |                |   |
| Net change in fund balance, GAAP basis                             |                            |                           |                | \$ (1,583)                                      |
| Revenue accruals (net)   |                            |                           |                | -   |
| Expenditure accruals (net)   |                            |                           |                | <u>-</u>  |
| Net change in fund balance, NON-GAAP<br>budgetary basis            |                            |                           |                | <u>\$ (1,583)</u>                               |

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



Village of Reserve  
**MULTIPURPOSE FACILITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
 For The Fiscal Year Ended June 30, 2007

|  | <u>Original<br/>Budget</u> | <u>Revised<br/>Budget</u> | <u>Actual</u>      | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------|---------------------------|--------------------|---|
| Revenues:  |                            |                           |                    |   |
| Intergovernmental  | \$ -                       | \$ 35,764                 | \$ 35,764          | \$ -  |
| Expenditures:  |                            |                           |                    |   |
| Capital outlay   | <u>-</u>                   | <u>35,764</u>             | <u>35,764</u>      | <u>-</u>  |
| Net change in fund balance   | \$ -                       | \$ -                      | \$ -               | \$ -  |
| Other financing sources (uses):                                    |                            |                           |                    |   |
| Transfers in   | <u>-</u>                   | <u>-</u>                  | <u>-</u>           | <u>-</u>  |
| Net change in fund balance after<br>other financing sources (uses) | \$ -                       | \$ -                      | \$ -               | \$ -  |
| Fund balance, July 1, 2006   | <u>-</u>                   | <u>-</u>                  | <u>-</u>           | <u>-</u>  |
| Fund balance, June 30, 2007  | <u><u>\$ -</u></u>         | <u><u>\$ -</u></u>        | <u><u>\$ -</u></u> | <u><u>\$ -</u></u>                              |
| Budgetary reconciliation:  |                            |                           |                    |   |
| Net change in fund balance, GAAP basis                             |                            |                           |                    | \$ -  |
| Revenue accruals (net)   |                            |                           |                    | -   |
| Expenditure accruals (net)   |                            |                           |                    | <u>-</u>  |
| Net change in fund balance, NON-GAAP<br>budgetary basis            |                            |                           |                    | <u><u>\$ -</u></u>                              |

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



Village of Reserve  
**DOWNTOWN REVITALIZATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
For The Fiscal Year Ended June 30, 2007

|  | <u>Original<br/>Budget</u> | <u>Revised<br/>Budget</u> | <u>Actual</u>      | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------|---------------------------|--------------------|---|
| Revenues:  |                            |                           |                    |   |
| Intergovernmental  | \$ -                       | \$ 60,000                 | \$ 3,529           | \$ (56,471)                                     |
| Expenditures:  |                            |                           |                    |   |
| Capital outlay   | <u>-</u>                   | <u>60,000</u>             | <u>3,529</u>       | <u>56,471</u>                                   |
| Net change in fund balance   | \$ -                       | \$ -                      | \$ -               | \$ -  |
| Other financing sources (uses):                                    |                            |                           |                    |   |
| Transfers in   | <u>-</u>                   | <u>-</u>                  | <u>-</u>           | <u>-</u>  |
| Net change in fund balance after<br>other financing sources (uses) | \$ -                       | \$ -                      | \$ -               | \$ -  |
| Fund balance, July 1, 2006   | <u>-</u>                   | <u>-</u>                  | <u>-</u>           | <u>-</u>  |
| Fund balance, June 30, 2007  | <u><u>\$ -</u></u>         | <u><u>\$ -</u></u>        | <u><u>\$ -</u></u> | <u><u>\$ -</u></u>                              |
| Budgetary reconciliation:  |                            |                           |                    |   |
| Net change in fund balance, GAAP basis                             |                            |                           |                    | \$ -  |
| Revenue accruals (net)   |                            |                           |                    | -   |
| Expenditure accruals (net)   |                            |                           |                    | <u>-</u>  |
| Net change in fund balance, NON-GAAP<br>budgetary basis            |                            |                           |                    | <u><u>\$ -</u></u>                              |

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





Village of Reserve  
**SH COOP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
For The Fiscal Year Ended June 30, 2007

|  | <u>Original<br/>Budget</u> | <u>Revised<br/>Budget</u> | <u>Actual</u>      | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------|---------------------------|--------------------|---|
| Revenues:  |                            |                           |                    |   |
| Intergovernmental  | \$ -                       | \$ 130,000                | \$ 130,000         | \$ -  |
| Expenditures:  |                            |                           |                    |   |
| Current:   |                            |                           |                    |   |
| Highways and streets   | <u>-</u>                   | <u>136,777</u>            | <u>136,777</u>     | <u>-</u>  |
| Net change in fund balance   | \$ -                       | \$ (6,777)                | \$ (6,777)         | \$ -  |
| Other financing sources (uses):                                    |                            |                           |                    |   |
| Transfers in   | <u>-</u>                   | <u>6,777</u>              | <u>6,777</u>       | <u>-</u>  |
| Net change in fund balance after<br>other financing sources (uses) | \$ -                       | \$ -                      | \$ -               | \$ -  |
| Fund balance, July 1, 2006   | <u>-</u>                   | <u>-</u>                  | <u>-</u>           | <u>-</u>  |
| Fund balance, June 30, 2007  | <u><u>\$ -</u></u>         | <u><u>\$ -</u></u>        | <u><u>\$ -</u></u> | <u><u>\$ -</u></u>                              |
| Budgetary reconciliation:  |                            |                           |                    |   |
| Net change in fund balance, GAAP basis                             |                            |                           |                    | \$ -  |
| Revenue accruals (net)   |                            |                           |                    | -   |
| Expenditure accruals (net)   |                            |                           |                    | <u>-</u>  |
| Net change in fund balance, NON-GAAP<br>budgetary basis            |                            |                           |                    | <u><u>\$ -</u></u>                              |

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



Village of Reserve  
**MAP AND ROADWAYS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
For The Fiscal Year Ended June 30, 2007

|  | <u>Original<br/>Budget</u> | <u>Revised<br/>Budget</u> | <u>Actual</u>      | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------|---------------------------|--------------------|---|
| Revenues:  |                            |                           |                    |   |
| Intergovernmental  | \$ -                       | \$ 575,043                | \$ 575,043         | \$ -  |
| Expenditures:  |                            |                           |                    |   |
| Capital outlay   | <u>-</u>                   | <u>575,043</u>            | <u>575,043</u>     | <u>-</u>  |
| Net change in fund balance   | \$ -                       | \$ -                      | \$ -               | \$ -  |
| Other financing sources (uses):                                    |                            |                           |                    |   |
| Transfers in   | <u>-</u>                   | <u>-</u>                  | <u>-</u>           | <u>-</u>  |
| Net change in fund balance after<br>other financing sources (uses) | \$ -                       | \$ -                      | \$ -               | \$ -  |
| Fund balance, July 1, 2006   | <u>-</u>                   | <u>-</u>                  | <u>-</u>           | <u>-</u>  |
| Fund balance, June 30, 2007  | <u><u>\$ -</u></u>         | <u><u>\$ -</u></u>        | <u><u>\$ -</u></u> | <u><u>\$ -</u></u>                              |
| Budgetary reconciliation:  |                            |                           |                    |   |
| Net change in fund balance, GAAP basis                             |                            |                           |                    | \$ (78,824)                                     |
| Revenue accruals (net)   |                            |                           |                    | 78,824  |
| Expenditure accruals (net)   |                            |                           |                    | <u>-</u>  |
| Net change in fund balance, NON-GAAP<br>budgetary basis            |                            |                           |                    | <u><u>\$ -</u></u>                              |

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



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Village of Reserve  
**TPE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
For The Fiscal Year Ended June 30, 2007

|  | <u>Original<br/>Budget</u> | <u>Revised<br/>Budget</u> | <u>Actual</u>      | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------|---------------------------|--------------------|---|
| Revenues:  |                            |                           |                    |   |
| Intergovernmental  | \$ -                       | \$ 457,271                | \$ 457,271         | \$ -  |
| Expenditures:  |                            |                           |                    |   |
| Capital outlay   | <u>-</u>                   | <u>457,271</u>            | <u>457,271</u>     | <u>-</u>  |
| Net change in fund balance   | \$ -                       | \$ -                      | \$ -               | \$ -  |
| Other financing sources (uses):                                    |                            |                           |                    |   |
| Transfers in   | <u>-</u>                   | <u>-</u>                  | <u>-</u>           | <u>-</u>  |
| Net change in fund balance after<br>other financing sources (uses) | \$ -                       | \$ -                      | \$ -               | \$ -  |
| Fund balance, July 1, 2006   | <u>-</u>                   | <u>-</u>                  | <u>-</u>           | <u>-</u>  |
| Fund balance, June 30, 2007  | <u><u>\$ -</u></u>         | <u><u>\$ -</u></u>        | <u><u>\$ -</u></u> | <u><u>\$ -</u></u>                              |
| Budgetary reconciliation:  |                            |                           |                    |   |
| Net change in fund balance, GAAP basis                             |                            |                           |                    | \$ -  |
| Revenue accruals (net)   |                            |                           |                    | -   |
| Expenditure accruals (net)   |                            |                           |                    | <u>-</u>  |
| Net change in fund balance, NON-GAAP<br>budgetary basis            |                            |                           |                    | <u><u>\$ -</u></u>                              |

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



Village of Reserve  
**ENTERPRISE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
For The Fiscal Year Ended June 30, 2007

|  | <u>Original<br/>Budget</u>     | <u>Revised<br/>Budget</u>   | <u>Actual</u>                  | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|--------------------------------|-----------------------------|--------------------------------|---|
| <b>Revenues:</b>   |                                |                             |                                |   |
| Taxes  | \$ 2,200                       | \$ 2,200                    | \$ 2,813                       | \$ 613  |
| Charges for services   | 110,200                        | 110,200                     | 149,430                        | 39,230  |
| Miscellaneous  | <u>200</u>                     | <u>200</u>                  | <u>7,029</u>                   | <u>6,829</u>                                    |
| <b>Total revenues</b>  | <b><u>\$ 112,600</u></b>       | <b><u>\$ 112,600</u></b>    | <b><u>\$ 159,272</u></b>       | <b><u>\$ 46,672</u></b>                         |
| <b>Expenses:</b>   |                                |                             |                                |   |
| <b>Current:</b>  |                                |                             |                                |   |
| Personnel  | \$ 72,116                      | \$ 72,000                   | \$ 71,755                      | \$ 245  |
| Operating  | <u>47,011</u>                  | <u>105,000</u>              | <u>102,840</u>                 | <u>2,160</u>                                    |
| <b>Total expenditures</b>  | <b><u>\$ 119,127</u></b>       | <b><u>\$ 177,000</u></b>    | <b><u>\$ 174,595</u></b>       | <b><u>\$ 2,405</u></b>                          |
| <b>Net change in fund balance</b>  | <b>\$ (6,527)</b>              | <b>\$ (64,400)</b>          | <b>\$ (15,323)</b>             | <b>\$ (79,723)</b>                              |
| <b>Other financing sources (uses):</b>                                     |                                |                             |                                |   |
| Transfers in/(out)   | <u>2,200</u>                   | <u>2,200</u>                | <u>-</u>                       | <u>(2,200)</u>                                  |
| <b>Net change in fund balance after<br/>other financing sources (uses)</b> | <b>\$ (4,327)</b>              | <b>\$ (62,200)</b>          | <b>\$ (15,323)</b>             | <b>\$ (81,923)</b>                              |
| <b>Fund balance, July 1, 2006</b>  | <b><u>63,050</u></b>           | <b><u>63,050</u></b>        | <b><u>63,042</u></b>           | <b><u>(8)</u></b>                               |
| <b>Fund balance, June 30, 2007</b>   | <b><u><u>\$ 58,723</u></u></b> | <b><u><u>\$ 850</u></u></b> | <b><u><u>\$ 47,719</u></u></b> | <b><u><u>\$ (81,931)</u></u></b>                |
| <b>Budgetary reconciliation:</b>   |                                |                             |                                |   |
| Net change in fund balance, GAAP basis                                     |                                |                             |                                | \$ (90,162)                                     |
| Revenue accruals (net)   |                                |                             |                                | (425)   |
| Expenditure accruals (net)   |                                |                             |                                | 75,264  |
| Other financing uses (net)   |                                |                             |                                | <u>-</u>  |
| <b>Net change in fund balance, NON-GAAP<br/>budgetary basis</b>            |                                |                             |                                | <b><u><u>\$ (15,323)</u></u></b>                |

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





Village of Reserve  
**SCHEDULE OF DEPOSITORY COLLATERAL**  
 June 30, 2007

|   | <u>Ambank</u> |
|---|---------------|
| Total deposits  | \$ 243,894    |
| FDIC Insurance  | (100,000)     |
| Total uninsured public funds                                | \$ 143,894    |
| <br>  |               |
| 50% collateralization requirement<br>(Section 6-10-17 NMSA) | \$ 71,947     |
| <br>  |               |
| Pledged securities<br>US Treasury Notes #9128275N8          | 306,618       |
| Total pledged   | \$ 306,618    |
| <br>  |               |
| Pledged securities over (under) requirement                 | \$ 162,724    |

Pledged securities are held by the Federal Home Loan Bank in Dallas, Texas, with safekeeping receipts held by the Town.



Village of Reserve  
**SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS**  
 June 30, 2007

|                                   | <u>Type of<br/>Account</u> | <u>Bank<br/>Balance</u> | <u>Reconciled<br/>Balance</u> |
|-----------------------------------|----------------------------|-------------------------|-------------------------------|
| <u>First State Bank</u>           |                            |                         |                               |
| General                           | Checking                   | \$ 243,894              | \$ 207,986                    |
| Total First State Bank            |                            | \$ 243,894              | \$ 207,986                    |
| United States Treasury Bills      |                            | \$ 10,000               | \$ 10,000                     |
| Cash on deposit with paying agent |                            | 1,485                   | 1,485                         |
| Cash per balance sheet            |                            | <u>\$ 253,894</u>       | <u>\$ 219,471</u>             |



Village of Reserve  
**SCHEDULE OF JOINT POWERS AGREEMENTS**  
 June 30, 2007

Catron County

|                                       |   |
|---------------------------------------|---|
| Participants                          | Village of Reserve<br>Catron County                     |
| Responsible Party                     | Village of Reserve<br>Catron County                     |
| Description                           | Catron County to provide police services to the Village |
| Dates of Agreement                    | Continuing  |
| Amount of Project                     | Negotiated annual fee                                   |
| Agency Contribution                   | Negotiated fee for services                             |
| Audit Responsibility                  | Both parties  |
| Fiscal Agent                          | N/A   |
| Financial Reporting<br>Responsibility | Both parties  |

Catron County

|                                       |  |
|---------------------------------------|--|
| Participants                          | Village of Reserve<br>Catron County                      |
| Responsible Party                     | Village of Reserve<br>Catron County                      |
| Description                           | Road maintenance   |
| Dates of Agreement                    | July 1, 2004 through June 30, 2005                       |
| Amount of project                     | As needed  |
| Agency Contribution                   | \$1 per year, plus fire protection within Village limits |
| Audit Responsibility                  | Both parties   |
| Fiscal Agent                          | N/A  |
| Financial Reporting<br>Responsibility | Both parties   |



Village of Reserve  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 For The Fiscal Year Ended June 30, 2007

| <u>Federal Grantor/Pass-through Grantor/<br/>Program Title</u>   | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-through<br/>Grantor's<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|--|------------------------------------|--|---------------------------------|
| <b><u>U.S. DEPARTMENT OF HOUSING AND<br/>URBAN DEVELOPMENT</u></b>   |                                    |  |                                 |
| Passed through New Mexico Dept. of Finance<br>and Administration:<br>Community Development Block Grants-States Program | 14.228                             | 07-C-R-I-1-G-14                              | \$ 475,670                      |
| Total U.S. Dept. of Housing and Urban Development  |                                    |  | <u>\$ 475,670</u>               |
| <b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>  |                                    |  |                                 |
| Passed Through N.M. Highway Department:<br>Highway Planning and Construction Grants                                    | 20.205                             | TPE - 7603 - 900                             | \$ 457,271                      |
| Highway Planning and Construction Grants   | 20.205                             | MAP - 7603 - 901                             | <u>496,219</u>                  |
| Total U.S. Dept. of Transportation   |                                    |  | <u>\$ 953,490</u>               |
| Total expenditures of federal awards   |                                    |  | <u><u>\$ 1,429,160</u></u>      |

See the accompanying notes to Schedule of Expenditures of Federal Awards.





Village of Reserve  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For The Fiscal Year Ended June 30, 2007

**Note 1 Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Village of Reserve, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Note 2 Insurance**

The Village had the following insurance coverages during the year ended June 30, 2007:

|                                |             |
|--------------------------------|-------------|
| Worker's Compensation          | Unlimited   |
| Employer's Liability           | \$1,050,000 |
| Personal Injury:               |             |
| Per person                     | \$ 400,000  |
| Per occurrence                 | \$ 750,000  |
| Per Occurrence Property Damage | \$ 100,000  |
| Auto Liability                 | Limits      |
| Auto Physical Damage           | Per Auto    |



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Village of Reserve  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For The Fiscal Year Ended June 30, 2007

Current  
Year Status

**Findings - Financial Statement Audit**

|        |                                       |          |
|--------|---------------------------------------|----------|
| 2003-1 | Separation of duties                  | Repeated |
| 2003-2 | Financial and general ledger software | Resolved |
| 2003-3 | Late audit report                     | Repeated |
| 2005-1 | Expenditures exceeded budget          | Resolved |



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LINDA STONE McGEE, C.P.A.  
KAY STONE, C.P.A.  
JARROD MASON, 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**

Hector H. Balderas, State Auditor  
and  
Mayor and Town Council  
Village of Reserve  
Reserve, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Reserve as of and for the year ended June 30, 2007, which collectively comprise the Village of Reserve's basic financial statements and have issued our report thereon dated April 8, 2009. We have also audited the financial statements of each of the Town's non-major governmental funds and the enterprise fund presented as other supplementary information as of and for the year ended June 30, 2007, and have issued our report thereon dated April 8, 2009. 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 of Reserve's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Reserve's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Reserve's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.



A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Reserve's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Reserve's financial statements that is more than inconsequential will not be prevented or detected by the Village of Reserve's internal control. We consider deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. The findings are identified in the accompanying schedule of findings and questioned costs as findings 2007-1, 2003-1 and 2003-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Reserve's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, we believe none of the significant deficiencies described above are material weaknesses.

#### Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Village of Reserve's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraph s 5.14 and 5.16 and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as finding 2007-2.

The Village of Reserve's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Village of Reserve's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor and Town Council, management, others within the organization, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Stone, McGee & Co., CPAs*

April 8, 2009

*Stone, McGee & Co.*  
*Certified Public Accountants*





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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas, State Auditor  
and  
Mayor and Village Council  
Village of Reserve  
Reserve, New Mexico

**Compliance**

We have audited the compliance of the Village of Reserve with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Village of Reserve's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village of Reserve's management. Our responsibility is to express an opinion on the Village of Reserve's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Reserve's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Reserve's compliance with those requirements.

In our opinion, Village of Reserve complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2007-3.



## Internal Control Over Compliance

The management of the Village of Reserve is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Reserve's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village of Reserve's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

The Village of Reserve's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Village's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Village Council, others within the organization, the New Mexico State Auditor, the New Mexico Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Stone, McGee & Co., CPAs*

April 8, 2009

*Stone, McGee & Co.*  
*Certified Public Accountants*



Village of Reserve  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For The Fiscal Year Ended June 30, 2007

**Summary of Auditor's Results**

1. The Auditors' report expresses an unqualified opinion on the financial statements of the Village of Reserve.
2. Three significant deficiencies disclosed during the audit of the financial statements are reported in the "Findings – Financial Statement Audit" section of this report. The conditions are not reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of the Village of Reserve, which are required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the *Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular a-133*.
5. The auditor's report on compliance for the major federal awards programs for the Village expresses an unqualified opinion on all major programs.
6. No findings required to be reported in accordance with Section 510(a) of OMB Circular A-133 were noted.
7. The programs tested as major programs included: Community Development Block Grants – States Program, CFDA No. 14.228, and Highway Planning and Construction Grants CFDA No. 20.205
8. The threshold for distinguishing types A and B programs was \$300,000.
9. The Village of Reserve did not qualify as a low-risk auditee.

**Findings – Financial Statement Audit**

**SIGNIFICANT DEFICIENCIES**

**2007-1 FINANCIAL REPORTING SYSTEM**

**Condition** – The Village's financial reports submitted to the Department of Finance and Administration do not agree to amounts reported in the general ledger.

**Criteria** – Sound financial controls require that a financial accounting system be adequately designed and operated to produce financial statements that are in agreement with general ledger amounts.



**Cause** – The Village obtained new accounting software, and the conversion process and related training did not include reconciliation of the financial reports to general ledger amounts.

**Effect** – There is an increased likelihood that misstatements material to the financial statements could occur and not be detected within a timely period.

**Recommendation** – We recommend that the Village reconcile financial statements to general ledger amounts prior to submission to the Department of Finance and Administration.

**Agency Response** – Village personnel are becoming more familiar with the software, and we believe reconciliations will be performed during the 2007-2008 fiscal year.

#### 2003-1 Separation of Duties

**Condition** – The Village is unable to adequately segregate authorization, custodial and recording functions in the accounting department.

**Criteria** – Sound accounting practices required the separation of duties within the accounting department so that the duties of authorization and recording are distributed between two or more employees.

**Cause** – The Village has not had funds available to hire the required additional employees.

**Effect** – There is an increased likelihood that assets could be misappropriated without the necessity of collusion.

**Recommendation** – The Town Council should continue active monitoring of the Village's financial reports, account reconciliations, and processing routines which mitigate the lack of internal control over financial reporting due to inadequate segregation of duties.

**Agency Response** - The Village Council actively monitors financial reporting, and additional employees will be hired, as soon as funds become available.

#### 2003-3 Late Audit Report

**Condition** – The Village's audit report was submitted to the New Mexico State Auditor by common carrier on April 21, 2009.

**Criteria** – Section 2.2.2.9(A)(1) of the New Mexico State Auditor's 2007 Rule requires submission of the report by December 1, 2007.

**Cause** – The Village was unable to contract an independent auditor in sufficient time to comply with the mandated deadline in 2005, and this delay effected the completion of the 2006 and 2007 reports. In addition the conversion to the new accounting system caused delays in having the records ready for audit.





**Effect** – The late submission is a violation of the New Mexico State Auditor’s Rule 2.2.2.9 NMAC, and prevents the Village from obtaining outside assurances on financial reporting for planning and budgeting purposes. In addition, it prevents the Village from responding promptly to any findings and recommendations which might occur as the result of the audit.

**Recommendation** – We recommend compliance with the New Mexico State Auditor’s imposed deadlines in future audits.

**Agency Response** – The Village’s remote location makes contracting an auditor difficult. We have contracted with an auditing firm for the 2007 and 2008 fiscal years, and believe that we will be able to contract our future audits in a timely manner.

## OTHER INSTANCES OF NON-COMPLIANCE

### 2007-2 Travel Reimbursements

**Condition** – In nine (9) of twenty five (25) travel reimbursement requests, appropriate approval was not obtained prior to employee reimbursement.

**Criteria** – The Per Diem and Mileage Act, 10-8-1 to 10-8-8 NMSA 1978, requires, in part, that requests for reimbursement under the Act be properly attested to by the claimant and properly approved by the appropriate level of management.

**Cause** – The Village had periods during the year when no supervisory personnel were available to make the proper approvals.

**Effect** – The lack of approval could lead to inaccurate or ineligible reimbursements, and is a violation of the Per Diem and Mileage Act.

**Recommendation** – We recommend that reimbursements be made only after approval from appropriate supervisory personnel.

**Agency Response** – The policy recommended is already in place. There were unusual circumstances related to employee absence which caused these occurrences, and we believe the situation had been rectified.

## Findings and Question Costs – Major Federal Award Programs

### 2007-3 Community Development Block Grants – States Program CFDA No. 14.228 Highway Planning and Construction Grants CFDA No. 20.205

**Condition** – The Data Collection Form was not filed by March 31, 2008.

**Criteria** - Section 320 of OMB Circular A-133 requires the filing of the Data Collection Form within nine months of year-end.

**Cause** – The audit was not completed by the required deadline, as detailed in finding 2003-03 above.

**Effect** – Data used by the federal government to manage grants was not available, and

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Federal regulations have been violated.

**Recommendation** – We recommend that the Data Collection form be filed timely, if required.

**Agency Response** – The recommendation will be adopted.

**Other - Financial Statement Preparation**

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s, with substantial assistance from Village personnel.

**Exit Conference**

The contents of this report were discussed on March 18, 2009. Attendance at this exit conference was as follows:

| <u>Name</u>   | <u>Title</u>    | <u>Affiliation</u>           |
|---------------|-----------------|------------------------------|
| Greg Baca     | Mayor           | Village of Reserve           |
| Lori Martinez | Clerk/Treasurer | Village of Reserve           |
| Kay Stone     | Principal       | Stone, McGee & Co., C.P.A.'s |

