

State of New Mexico

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

For The Fiscal Year Ended June 30, 2008

Village of Reserve
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Village of Reserve
DIRECTORY OF OFFICIALS
June 30, 2008

ELECTED OFFICIALS

Greg Baca	Mayor
Connie Wehrheim	Mayor Pro-Tem
Wilford Estrada	Trustee
Keith Riddle	Trustee
Eddie Varela	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.

RYAN MONTOYA, C.P.A.

1311 N. GRANT ST.
P.O. BOX 2828
SILVER CITY, NEW MEXICO 88062
TELEPHONE (575) 388-1777
(575) 538-3795
FAX (575) 388-5040
E-MAIL: stonemcgee@qwestoffice.net

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, 2008, 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, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, the Fire Protection Fund, and the DWI 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, 2008, 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 18, 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 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. Such information has 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 18, 2009

Stone, McGee & Co.
Certified Public Accountants

Village of Reserve
STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and investments	\$ 115,194	\$ 1,189	\$ 116,383
Receivables, net	273,447	11,257	284,704
Prepays	7,200		7,200
Interfund balances			-
	<u>395,841</u>	<u>12,446</u>	<u>408,287</u>
Total current assets	\$ 395,841	\$ 12,446	\$ 408,287
Noncurrent assets:			
Restricted:			
Cash and investments	\$ -	\$ 12,250	\$ 12,250
Capital assets, net	4,052,333	2,316,558	6,368,891
	<u>4,052,333</u>	<u>2,328,808</u>	<u>6,381,141</u>
Total noncurrent assets	\$ 4,052,333	\$ 2,328,808	\$ 6,381,141
Total assets	<u>\$ 4,448,174</u>	<u>\$ 2,341,254</u>	<u>\$ 6,789,428</u>
LIABILITIES			
Current:			
Accounts payable	\$ 332,294	\$ 1,957	\$ 334,251
Deferred revenue	60,001		60,001
Current maturities of long-term debt	15,172		15,172
	<u>407,467</u>	<u>1,957</u>	<u>409,424</u>
Total current liabilities	\$ 407,467	\$ 1,957	\$ 409,424
Noncurrent:			
Payable from restricted assets:			
Customer deposits	\$ -	\$ 12,250	\$ 12,250
Notes payable			-
Compensated absences	1,176	4,811	5,987
	<u>1,176</u>	<u>4,811</u>	<u>5,987</u>
Total noncurrent liabilities	\$ 1,176	\$ 17,061	\$ 18,237

Village of Reserve
STATEMENT OF NET ASSETS (concluded)
 June 30, 2008

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Total liabilities	<u>\$ 408,643</u>	<u>\$ 19,018</u>	<u>\$ 427,661</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 4,037,161	\$ 2,316,558	\$ 6,353,719
Restricted for:			
Capital projects	(223,010)		(223,010)
Other purposes	34,626		34,626
Unrestricted	<u>190,754</u>	<u>5,678</u>	<u>196,432</u>
Total net assets	<u><u>\$ 4,039,531</u></u>	<u><u>\$ 2,322,236</u></u>	<u><u>\$ 6,361,767</u></u>

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

Village of Reserve
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<u>Functions/Programs</u>			
Governmental activities:			
General government	\$ 223,364	\$ 776	\$ 62,501
Public safety	197,530	2,680	174,117
Highways and streets	31,650		
Health and welfare	185,786		139,837
Culture-recreation	22,195		8,100
Unallocated interest expense	366		
	<u>\$ 660,891</u>	<u>\$ 3,456</u>	<u>\$ 384,555</u>
Business-type activities:			
Enterprise	\$ 246,421	\$ 119,437	\$ -
	<u>\$ 246,421</u>	<u>\$ 119,437</u>	<u>\$ -</u>
	<u>\$ 907,312</u>	<u>\$ 122,893</u>	<u>\$ 384,555</u>

General revenues:
Property taxes
Gross receipts taxes
MVD taxes
Gas taxes
Cigarette taxes
Franchise taxes
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.

Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets		
	Governmental Activities	Business -Type Activities	Total
\$ -	\$ (160,087)	\$ -	\$ (160,087)
	(20,733)		(20,733)
332,094	300,444		300,444
	(45,949)		(45,949)
	(14,095)		(14,095)
	(366)		(366)
<u>\$ 332,094</u>	<u>\$ 59,214</u>	<u>\$ -</u>	<u>\$ 59,214</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (126,984)</u>	<u>\$ (126,984)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (126,984)</u>	<u>\$ (126,984)</u>
<u>\$ 332,094</u>	<u>\$ 59,214</u>	<u>\$ (126,984)</u>	<u>\$ (67,770)</u>
	\$ 10,247	\$ -	\$ 10,247
	124,773	2,728	127,501
	12,292		12,292
	7,953		7,953
	2,435		2,435
	6,013		6,013
	1,320	1,251	2,571
	(15,276)	15,276	-
	<u>\$ 149,757</u>	<u>\$ 19,255</u>	<u>\$ 169,012</u>
	\$ 208,971	\$ (107,729)	\$ 101,242
	<u>3,830,560</u>	<u>2,429,965</u>	<u>6,260,525</u>
	<u>\$ 4,039,531</u>	<u>\$ 2,322,236</u>	<u>\$ 6,361,767</u>

Village of Reserve
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Fire Fund	DWI
Assets			
Cash and investments	\$ 32,006	\$ 58,839	\$ 24,349
Prepays	7,200		
Taxes receivable	24,972		
Interfund receivable	124,354		
Due from other governments	15,569		
	\$ 204,101	\$ 58,839	\$ 24,349
Total assets	\$ 204,101	\$ 58,839	\$ 24,349
 Liabilities and Fund Balance			
Accounts payable	\$ 12,171	\$ -	\$ 139
Interfund payable			
Deferred revenue	25		37,272
	\$ 12,196	\$ -	\$ 37,411
Total liabilities	\$ 12,196	\$ -	\$ 37,411
Fund balance:			
Unreserved reported in:			
General fund	\$ 191,905	\$ -	\$ -
Special revenue funds		58,839	(13,062)
Capital projects funds			
	\$ 191,905	\$ 58,839	\$ (13,062)
Total fund balance	\$ 191,905	\$ 58,839	\$ (13,062)
Total liabilities and fund balance	\$ 204,101	\$ 58,839	\$ 24,349

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

<u>CDBG Comprehensive</u>	<u>State Highway Coop</u>	<u>MAP and Roadways</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 115,194
				7,200
			84	25,056
			89,458	213,812
	12,961	219,861		248,391
<u>\$ -</u>	<u>\$ 12,961</u>	<u>\$ 219,861</u>	<u>\$ 89,542</u>	<u>\$ 609,653</u>
\$ 84,894	\$ 44,313	\$ 190,777	\$ -	\$ 332,294
8,888	63,528	130,161	11,235	213,812
		12,787	22,729	72,813
<u>\$ 93,782</u>	<u>\$ 107,841</u>	<u>\$ 333,725</u>	<u>\$ 33,964</u>	<u>\$ 618,919</u>
\$ -	\$ -	\$ -	\$ -	\$ 191,905
			(11,151)	34,626
(93,782)	(94,880)	(113,864)	66,729	(235,797)
<u>\$ (93,782)</u>	<u>\$ (94,880)</u>	<u>\$ (113,864)</u>	<u>\$ 55,578</u>	<u>\$ (9,266)</u>
<u>\$ -</u>	<u>\$ 12,961</u>	<u>\$ 219,861</u>	<u>\$ 89,542</u>	<u>\$ 609,653</u>

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

Total governmental fund balances	\$	(9,266)
 <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.		4,052,333
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		12,812
Long-term liabilities, including interest payable are not reported in the funds.		<u>(16,348)</u>
<i>Net assets of governmental activities</i>	<u>\$</u>	<u>4,039,531</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, 2008

	<u>General Fund</u>	<u>Fire Fund</u>	<u>DWI</u>
Revenues:			
Property taxes	\$ 10,247	\$ -	\$ -
Gross receipts taxes	124,773		
MVD taxes	12,292		
Gas taxes	7,953		
Cigarette taxes	1,623		
Franchise taxes	6,013		
Intergovernmental	210,438	85,438	88,679
Fines, licenses and permits	776		2,680
Miscellaneous		280	935
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 374,115</u>	<u>\$ 85,718</u>	<u>\$ 92,294</u>
Expenditures:			
Current:			
General government	\$ 181,916	\$ -	\$ -
Public safety	32,000	33,975	95,296
Highways and streets	25,840		
Health and welfare	151,683		
Culture recreation	5,997		
Debt service:			
Principal		14,835	
Interest		366	
Capital outlay	47,758		
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 445,194</u>	<u>\$ 49,176</u>	<u>\$ 95,296</u>
Net change in fund balance	\$ (71,079)	\$ 36,542	\$ (3,002)
Other financing sources (uses):			
Transfer out	(5,229)		(33,921)
Transfer in	37,413		
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance after other financing sources (uses)	\$ (38,895)	\$ 36,542	\$ (36,923)
Fund balance, July 1, 2007	<u>230,800</u>	<u>22,297</u>	<u>23,861</u>
Fund balance, June 30, 2008	<u>\$ 191,905</u>	<u>\$ 58,839</u>	<u>\$ (13,062)</u>

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

<u>CDBG Comprehensive</u>	<u>State Highway Coop</u>	<u>MAP and Roadways</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 10,247
				124,773
				12,292
				7,953
			812	2,435
9,405	12,961	207,074	89,867	6,013
				703,862
				3,456
			105	1,320
<u>\$ 9,405</u>	<u>\$ 12,961</u>	<u>\$ 207,074</u>	<u>\$ 90,784</u>	<u>\$ 872,351</u>
\$ -	\$ -	\$ -	\$ -	\$ 181,916
				161,271
				25,840
				151,683
			12,124	18,121
				14,835
				366
<u>108,416</u>	<u>101,778</u>	<u>242,114</u>	<u>7,638</u>	<u>507,704</u>
<u>\$ 108,416</u>	<u>\$ 101,778</u>	<u>\$ 242,114</u>	<u>\$ 19,762</u>	<u>\$ 1,061,736</u>
\$ (99,011)	\$ (88,817)	\$ (35,040)	\$ 71,022	\$ (189,385)
			(18,768)	(57,918)
<u>5,229</u>				<u>42,642</u>
\$ (93,782)	\$ (88,817)	\$ (35,040)	\$ 52,254	\$ (204,661)
<u>-</u>	<u>(6,063)</u>	<u>(78,824)</u>	<u>3,324</u>	<u>195,395</u>
<u>\$ (93,782)</u>	<u>\$ (94,880)</u>	<u>\$ (113,864)</u>	<u>\$ 55,578</u>	<u>\$ (9,266)</u>

Village of Reserve
**RECONCILITATION 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	\$ (204,661)
 <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.	386,557
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	12,787
Repayment of debt is an expenditure in the governmental funds, but the payment reduces long term liabilities in the Statement of Net Assets.	14,835
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>(547)</u>
 <i>Change in Net Assets of Governmental Activities</i>	 <u><u>\$ 208,971</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, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 184,766	\$ 184,766	\$ 152,337	\$ (32,429)
Licenses and permits	1,550	1,550	15,481	13,931
Intergovernmental	3,500	3,500	62,501	59,001
Miscellaneous	500	500	7,097	6,597
Total revenues	\$ 190,316	\$ 190,316	\$ 237,416	\$ 47,100
Expenditures:				
Current:				
General government	\$ 242,763	\$ 242,763	\$ 180,157	\$ 62,606
Public safety	32,000	32,000	32,000	-
Highways and streets			25,840	(25,840)
Health and welfare	4,000	4,000	1,050	2,950
Culture - recreation	1,500	1,500	5,774	(4,274)
Capital outlay			47,758	(47,758)
Total expenditures	\$ 280,263	\$ 280,263	\$ 292,579	\$ (12,316)
Net change in fund balance	\$ (89,947)	\$ (89,947)	\$ (55,163)	\$ 34,784
Other financing sources (uses):				
Transfers out				-
Transfers in	28,921	28,921	36,996	8,075
Total other financing sources (uses)	\$ 28,921	\$ 28,921	\$ 36,996	\$ 8,075
Net change in fund balance after other financing sources (uses)	\$ (61,026)	\$ (61,026)	\$ (18,167)	\$ 42,859
Fund balance, July 1, 2007	112,369	112,369	112,369	-
Fund balance, June 30, 2008	\$ 51,343	\$ 51,343	\$ 94,202	\$ 42,859

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, 2008

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 68,584	\$ 68,584	\$ 71,350	\$ 2,766
Miscellaneous			280	280
Total revenues	<u>\$ 68,584</u>	<u>\$ 68,584</u>	<u>\$ 71,630</u>	<u>\$ 3,046</u>
Expenditures:				
Current:				
Public safety	\$ 68,584	\$ 68,584	\$ 34,227	\$ 34,357
Capital outlay				-
Total expenditures	<u>\$ 68,584</u>	<u>\$ 68,584</u>	<u>\$ 34,227</u>	<u>\$ 34,357</u>
Net change in fund balance	\$ -	\$ -	\$ 37,403	\$ 37,403
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>		<u>-</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ 37,403	\$ 37,403
Fund balance, July 1, 2007	<u>10,849</u>	<u>10,849</u>	<u>20,849</u>	<u>10,000</u>
Fund balance, June 30, 2008	<u><u>\$ 10,849</u></u>	<u><u>\$ 10,849</u></u>	<u><u>\$ 58,252</u></u>	<u><u>\$ 47,403</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, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Licenses and permits	\$ -	\$ -	\$ 2,680	\$ 2,680
Intergovernmental	106,803	106,803	115,948	9,145
Miscellaneous			935	935
Total revenues	\$ 106,803	\$ 106,803	\$ 119,563	\$ 12,760
Expenditures:				
Current:				
Public safety	\$ 106,803	\$ 106,803	\$ 95,214	\$ 11,589
Capital outlay				-
Total expenditures	\$ 106,803	\$ 106,803	\$ 95,214	\$ 11,589
Net change in fund balance	\$ -	\$ -	\$ 24,349	\$ 24,349
Other financing sources (uses):				
Transfers out			(33,921)	(33,921)
Transfers in				-
Total other financing sources (uses)	\$ -	\$ -	\$ (33,921)	\$ (33,921)
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ (9,572)	\$ (9,572)
Fund balance, July 1, 2007	33,921	33,921	33,921	-
Fund balance, June 30, 2008	<u>\$ 33,921</u>	<u>\$ 33,921</u>	<u>\$ 24,349</u>	<u>\$ (9,572)</u>

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

Village of Reserve
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	<u>Water/Sewer/Sanitation</u>
Assets	
Current:	
Cash and investments	\$ 1,189
Accounts receivable	10,805
Taxes receivable	452
Interfund receivable	
	12,446
Total current assets	\$ 12,446
Noncurrent assets:	
Restricted cash and investments	\$ 12,250
Capital assets net of accumulated depreciation	2,316,558
	2,328,808
Total noncurrent assets	\$ 2,328,808
Total assets	\$ 2,341,254
Liabilities	
Current:	
Accounts payable	\$ 1,957
Customer deposits	12,250
Current maturities of long-term debt	-
	14,207
Total current liabilities	\$ 14,207
Noncurrent liabilities:	
Compensated absences	\$ 4,811
	19,018
Total liabilities	\$ 19,018
Net Assets	
Invested in capital assets	\$ 2,316,558
Unrestricted	5,678
	2,322,236
Total net assets	\$ 2,322,236

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, 2008

	Water/Sewer/ Sanitation
Operating revenues:	
Charges for services	\$ 119,437
Operating expenses:	
Personnel	\$ 93,678
Operating	86,511
Depreciation	66,232
Total operating expenses	\$ 246,421
Net operating income	\$ (126,984)
Non-operating revenue (expense):	
Investment income	\$ -
Dedicated gross receipts tax	2,728
Miscellaneous income	1,251
Total non-operating revenue (expense)	\$ 3,979
Income before contributions and operating transfers	\$ (123,005)
Transfers out	
Transfers in	15,276
Change in net assets	\$ (107,729)
Net assets, beginning of year	2,429,965
Net assets, end of year	\$ 2,322,236

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, 2008

	<u>Water/Sewer/Sanitation</u>
Cash flows from operating activities:	
Receipts from customers	\$ 121,354
Payments to suppliers	(89,679)
Payments to employees	(85,299)
	(85,299)
Net cash provided (used) by operating activities	\$ (53,624)
Cash flows from noncapital financing activities:	
Dedicated tax receipts	\$ 2,817
Miscellaneous receipts	1,251
Transfers from other funds	15,276
Transfers to other funds	
	15,276
Net cash provided (used) by noncapital financing activities	\$ 19,344
Cash flows from capital and related financing activities:	
Principal paid on capital debt	
Interest paid on capital debt	
	-
Net cash provided (used) by capital and related financing activities	\$ -
Cash flows from investing activities:	
Earnings on investments	\$ -
Net increase (decrease) in cash and cash equivalents	\$ (34,280)
Cash and equivalents, beginning of year	47,719
Cash and equivalents, end of year	\$ 13,439

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) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (126,984)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	66,232
Changes in assets and liabilities:	
Receivables, net	1,134
Accounts payable	370
Customer deposits	1,625
Compensated absences	3,999
	<hr/>
Net cash provided (used) by operating activities	<u><u>\$ (53,624)</u></u>

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

Village of Reserve
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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.

Fire - to account for the proceeds of the State fire allotment, and the expenditures for public safety therefrom. Established by Section 59A-6-5 NMSA1978 as authorized by Section 59A-53-7. This is a Special Revenue Fund.

DWI – to account for the State resources to be used for DWI prevention and education. Authority is the Village Council. This is a Special Revenue Fund.

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. This 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. This is a Capital Project Fund.

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

Proprietary - Accounts for activities associated with the provision of water and sewer services to the citizenry.

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, legally 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, 2008 was \$1.67024 per \$1,000 for non-residential property and \$1.50384 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, 2008, the Village's bank balance of \$152,966 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized		<u>\$ -0-</u>
	<u>Bank</u>	<u>Carrying</u>
	Balance	Amount
Deposits by custodial risk		
Category:		
Insured	\$ 100,000	\$ 100,000
Collateral held by the pledging bank's agent in Village's name	<u>52,966</u>	<u>18,046</u>
	<u>\$ 152,966</u>	<u>\$ 118,046</u>

Note 2A Investments

At June 30, 2008, the Village had the following investments:

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

The Village has reported its investment at original cost plus accrued interest at June 30, 2008.

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 Activities</u>	<u>Business Type Activities</u>
Accounts receivable:		
Services	\$ -0-	\$ 10,805
Taxes receivable:		
Gasoline taxes	\$ 920	\$
Gross receipts tax	19,349	452
Franchise taxes	2,970	
Property taxes	539	
Motor vehicle taxes	1,027	
Cigarette tax	<u>251</u>	
	<u>\$ 25,056</u>	<u>\$ 452</u>
 Total	 <u>\$ 25,056</u>	 <u>\$ 11,257</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, 2008 was as follows:

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 61,858	\$ 47,758	\$ -0-	\$ 109,616
Construction in progress	<u>2,117,849</u>	<u>459,946</u>	<u>-0-</u>	<u>2,577,795</u>
	<u>\$2,179,707</u>	<u>\$ 507,704</u>	<u>\$ -0-</u>	<u>\$ 2,687,411</u>
Other capital assets:				
Buildings and improvements	\$ 336,610	\$ -0-	\$ -0-	\$ 336,610
Infrastructure	1,176,958	-0-	-0-	1,176,958
Equipment	<u>765,827</u>	<u>-0-</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	\$ (103,738)	\$ (6,588)	\$ -0-	\$ (110,326)
Infrastructure	(149,287)	(16,364)		(165,651)
Equipment	<u>(540,301)</u>	<u>(98,195)</u>		<u>(638,496)</u>
Total accumulated depreciation	<u>\$ (793,326)</u>	<u>\$ (121,147)</u>	<u>\$ -0-</u>	<u>\$ (914,473)</u>
Governmental activities, capital assets, net	<u>\$ 3,665,776</u>	<u>\$ 386,557</u>	<u>\$ -0-</u>	<u>\$ 4,052,333</u>
Business Type Activities: Capital assets not being depreciated:				
Land	\$ 21,838	\$ -0-	\$ -0-	\$ 21,838
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	\$ (55,868)	\$ (102)	\$ -0-	\$ (55,970)
Utility plant	(897,053)	(64,876)		(961,929)
Equipment	<u>(58,180)</u>	<u>(1,254)</u>		<u>(59,434)</u>
Total accumulated depreciation	<u>\$(1,011,101)</u>	<u>\$ (66,232)</u>	<u>\$ -0-</u>	<u>\$(1,077,333)</u>
Business-type activities capital assets, net	<u>\$ 2,382,800</u>	<u>\$ (66,232)</u>	<u>\$ -0-</u>	<u>\$ 2,316,568</u>

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

Depreciation was charged to the Governmental Activities as follows:

General Government	\$ 52,093
Public Safety	49,670
Highways and Streets	6,057
Health and Welfare	6,058
Culture-Recreation	<u>7,269</u>
	<u>\$ 121,147</u>

Note 5 Long-Term Debt

Changes in long-term debt were as follows during the year ended June 30, 2008.

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retire-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Notes payable	\$ 30,007	\$ -0-	\$ 14,835	\$ 15,172	\$ 15,172
Compensated absences	<u>629</u>	<u>5,750</u>	<u>5,203</u>	<u>1,176</u>	<u>-0-</u>
	<u>\$ 30,636</u>	<u>\$ 5,750</u>	<u>\$ 20,038</u>	<u>\$ 16,348</u>	<u>\$ 15,172</u>
Business Type Activities:					
Compensated absences	\$ 812	\$ 4,831	\$ 832	\$ 4,811	\$ -0-
	<u>\$ 812</u>	<u>\$ 4,831</u>	<u>\$ 832</u>	<u>\$ 4,811</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.

Business-Type Activities Note Payable

The Village entered into a loan agreement with the New Mexico Department of Finance and Administration for water/sewer line improvements. The payments are to be made solely from the Water/Sewer/Sanitation Fund. The term call for annual payments of \$3,285, without interest, until paid in full. The note matures in 2009, but was retired in the 2005-2006 fiscal year.

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 water and sewer funds bear the majority of the compensated absences cost.

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2008 is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 15,172	\$ 358	\$ _____	\$ _____
	<u>\$ 15,172</u>	<u>\$ 358</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	\$ (13,062)
Recreation	(11,151)
Fire	<u>58,839</u>
	<u>\$ 34,626</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, 2008 is as follows:

	<u>General</u>	<u>Fire</u>	<u>DWI</u>
Revenues and other sources over (under) expenditures and other uses (GAAP Basis)	\$ (38,895)	\$ 36,542	\$ (36,923)
Revenue accruals	(136,699)	(14,088)	27,269
Expenditure accruals	152,615	14,949	82
Transfers net	<u>4,812</u>	<u> </u>	<u>-0-</u>
Revenues and other sources over (under) expenditures and other uses (NON- GAAP) Budgetary Basis	<u>\$ (18,167)</u>	<u>\$ 37,403</u>	<u>\$ (9,572)</u>

Note 11 Deficit Unreserved Fund Balance

The deficit unreserved fund balances; DWI Grant (\$13,062), CDBG (\$93,782), State Highway Co-op (\$94,880) and MAP and Roadways (\$113,864), 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.

Note 12 Interfund Activity

Interfund balances were as follows at June 30, 2008:

	<u>Interfund Payable</u>				<u>Total</u>
	<u>State Highway Co-op</u>	<u>CDBG</u>	<u>MAP and Roadways</u>	<u>Other Funds</u>	
<u>Interfund Receivable</u>					
General	\$ 63,528	\$ 8,888	\$ 51,938	\$	\$124,354
Other Funds			<u>78,223</u>	<u>11,235</u>	<u>89,458</u>
	<u>\$ 63,528</u>	<u>\$ 8,888</u>	<u>\$ 130,161</u>	<u>\$ 11,235</u>	<u>\$213,812</u>

The purpose of these activities was to fund ongoing activities, and all amounts are expected to be repaid within one year.

<u>Transfers To</u>	<u>Transfers From</u>			
	<u>General</u>	<u>DWI</u>	<u>Other Funds</u>	<u>Total</u>
General	\$	\$ 33,921	\$ 3,492	\$ 37,413
CDBG	5,229			5,229
Enterprise			<u>15,276</u>	<u>15,276</u>
	<u>\$ 5,229</u>	<u>\$ 33,921</u>	<u>\$ 18,768</u>	<u>\$ 57,918</u>

These transactions were to fund operating activities, and are within the funds intended purposes.

Note 13 Expenditures in Excess of Budgetary Authority

The Village had expenditures in excess of budgetary authority in the following funds:

General	\$ 12,316
Enterprise	\$ 44,960
Recreation	\$ 2,483

The Village intends to monitor future expenditures and make budget adjustments as necessary.

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.

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.

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.

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

Multipurpose Facility – to account for state revenues to be expended to construct a multipurpose facility for Village residents.

Downtown Revitalization – to account for state revenues to be utilized to plan, design and construct improvements for mainstreet projects.

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, 2008

	Special Revenue Funds	Capital Projects Funds	
	Recreation	Multipurpose Facility	Downtown Revitalization
Assets			
Cash and investments	\$ -	\$ -	\$ -
Taxes receivable	84		
Interfund receivable		29,472	37,257
	\$ 84	\$ 29,472	\$ 37,257
Total assets	\$ 84	\$ 29,472	\$ 37,257
 Liabilities and Fund Balance			
Accounts payable	\$ -	\$ -	\$ -
Interfund payable	11,235		
Deferred revenue			
	\$ 11,235	\$ -	\$ -
Total liabilities	\$ 11,235	\$ -	\$ -
Fund balances:			
Unreserved	\$ (11,151)	\$ 29,472	\$ 37,257
	\$ (11,151)	\$ 29,472	\$ 37,257
Total fund balances	\$ (11,151)	\$ 29,472	\$ 37,257
Total liabilities and fund balances	\$ 84	\$ 29,472	\$ 37,257

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

Capital
Projects
Funds

<u>TPE</u>	<u>Total</u>
\$ -	\$ -
22,729	84
<u>22,729</u>	<u>89,458</u>
<u>\$ 22,729</u>	<u>\$ 89,542</u>
\$ -	\$ -
22,729	11,235
<u>22,729</u>	<u>22,729</u>
<u>\$ 22,729</u>	<u>\$ 33,964</u>
<u>\$ -</u>	<u>\$ 55,578</u>
<u>\$ -</u>	<u>\$ 55,578</u>
<u>\$ 22,729</u>	<u>\$ 89,542</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, 2008

	Special Revenue Funds			Capital Projects Funds
	Recreation	Municipal Road	Literacy	Multipurpose Facility
Revenues:				
Cigarette taxes	\$ 812	\$ -	\$ -	\$ -
Intergovernmental			15,500	37,110
Miscellaneous			105	
Total revenues	\$ 812	\$ -	\$ 15,605	\$ 37,110
Expenditures:				
Current:				
Public safety	\$ -	\$ -	\$ -	\$ -
Highways and streets				
Culture and recreation	11,795		329	
Capital Outlay				7,638
Debt service:				
Principal				
Interest				
Total expenditures	\$ 11,795	\$ -	\$ 329	\$ 7,638
Net change in fund balance	\$ (10,983)	\$ -	\$ 15,276	\$ 29,472
Other financing sources (uses):				
Transfer out		(3,492)	(15,276)	
Transfer in				
Net change in fund balance after other financing sources (uses)	\$ (10,983)	\$ (3,492)	\$ -	\$ 29,472
Fund balance, July 1, 2007	(168)	3,492	-	-
Fund balance, June 30, 2008	<u>\$ (11,151)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,472</u>

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

<u>Capital Projects Funds</u>	
<u>Downtown Revitalization</u>	<u>Total</u>
\$ -	\$ 812
37,257	89,867
	105
<u>\$ 37,257</u>	<u>\$ 90,784</u>
\$ -	\$ -
	-
	12,124
	7,638
	-
	-
<u>\$ -</u>	<u>\$ 19,762</u>
\$ 37,257	\$ 71,022
	(18,768)
	-
<u>\$ 37,257</u>	<u>\$ 52,254</u>
-	3,324
<u>\$ 37,257</u>	<u>\$ 55,578</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, 2008

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 300	\$ 300	\$ 795	\$ 495
Expenditures:				
Current:				
Culture recreation	<u>9,600</u>	<u>9,600</u>	<u>12,083</u>	<u>(2,483)</u>
Net change in fund balance	\$ (9,300)	\$ (9,300)	\$ (11,288)	\$ (1,988)
Other financing sources (uses):				
Transfers in	<u>9,300</u>	<u>9,300</u>	<u></u>	<u>(9,300)</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ (11,288)	\$ (11,288)
Fund balance, July 1, 2007	<u>-</u>	<u>-</u>	<u>53</u>	<u>53</u>
Fund balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (11,235)</u></u>	<u><u>\$ (11,235)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (10,983)
Revenue accruals (net)				(17)
Expenditure accruals (net)				<u>(288)</u>
Net change in fund balance, NON-GAAP budgetary basis				<u><u>\$ (11,288)</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, 2008

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Expenditures:				
Current:				
Highways and streets	<u>100,000</u>	<u>100,000</u>	<u>57,465</u>	<u>42,535</u>
Net change in fund balance	\$ -	\$ -	\$ (57,465)	\$ (57,465)
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ (57,465)	\$ (57,465)
Fund balance, July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (57,465)</u></u>	<u><u>\$ (57,465)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (88,817)
Revenue accruals (net)				(12,961)
Expenditure accruals (net)				<u>44,313</u>
Net change in fund balance, NON-GAAP budgetary basis				<u><u>\$ (57,465)</u></u>

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

Village of Reserve
LITERACY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ -	\$ 15,000	\$ 15,500	\$ 500
Miscellaneous			105	105
Total revenues	\$ -	\$ 15,000	\$ 15,605	\$ 605
Expenditures:				
Current:				
Culture recreation	-	15,000	329	14,671
Net change in fund balance	\$ -	\$ -	\$ 15,276	\$ 15,276
Other financing sources (uses):				
Transfers out	-	-	(15,276)	(15,276)
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2007			-	-
Fund balance, June 30, 2008	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ -
Revenue accruals (net)				-
Other financing uses (net)				-
Net change in fund balance, NON-GAAP budgetary basis				\$ -

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, 2008

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 5,004	\$ 5,004	\$ -	\$ (5,004)
Expenditures:				
Current:				
Highways and streets	<u>5,004</u>	<u>5,004</u>	<u> </u>	<u>5,004</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(3,075)</u>	<u>(3,075)</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ (3,075)	\$ (3,075)
Fund balance, July 1, 2007	<u> </u>	<u> </u>	<u>3,075</u>	<u>3,075</u>
Fund balance, June 30, 2008	<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				\$ (3,492)
Revenue accruals (net)				
Other financing uses (net)				<u>417</u>
Net change in fund balance, NON-GAAP budgetary basis				<u><u>\$ (3,075)</u></u>

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

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, 2008

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</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 other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2007	<u> </u>	<u> </u>	<u>22,729</u>	<u>22,729</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,729</u>	<u>\$ 22,729</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 budgetary basis				<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, 2008

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 398,000	\$ 398,000	\$ 154,471	\$ (243,529)
Expenditures:				
Capital outlay	<u>398,000</u>	<u>398,000</u>	<u>163,359</u>	<u>234,641</u>
Net change in fund balance	\$ -	\$ -	\$ (8,888)	\$ (8,888)
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ (8,888)	\$ (8,888)
Fund balance, July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (8,888)</u></u>	<u><u>\$ (8,888)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (93,782)
Revenue accruals (net)				145,066
Expenditure accruals (net)				(54,943)
Transfers (net)				<u>(5,229)</u>
Net change in fund balance, NON-GAAP budgetary basis				<u><u>\$ (8,888)</u></u>

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

Village of Reserve
MAPS 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, 2008

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 421,467	\$ 421,467	\$ -	\$ (421,467)
Expenditures:				
Capital outlay	<u>421,467</u>	<u>421,467</u>	<u>51,337</u>	<u>370,130</u>
Net change in fund balance	\$ -	\$ -	\$ (51,337)	\$ (51,337)
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ (51,337)	\$ (51,337)
Fund balance, July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (51,337)</u></u>	<u><u>\$ (51,337)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (35,040)
Revehue accruals (net)				(207,074)
Expenditure accruals (net)				<u>190,777</u>
Net change in fund balance, NON-GAAP budgetary basis				<u><u>\$ (51,337)</u></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, 2008

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 140,000	\$ 140,000	\$ 37,110	\$ (102,890)
Expenditures:				
Capital outlay	<u>140,000</u>	<u>140,000</u>	<u>7,638</u>	<u>132,362</u>
Net change in fund balance	\$ -	\$ -	\$ 29,472	\$ 29,472
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ 29,472	\$ 29,472
Fund balance, July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29,472</u></u>	<u><u>\$ 29,472</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 29,472
Revenue accruals (net)				-
Expenditure accruals (net)				<u>-</u>
Net change in fund balance, NON-GAAP budgetary basis				<u><u>\$ 29,472</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, 2008

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 37,257	\$ (62,743)
Expenditures:				
Capital outlay	100,000	100,000	-	100,000
Net change in fund balance	\$ -	\$ -	\$ 37,257	\$ 37,257
Other financing sources (uses):				
Transfers in	-	-	-	-
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ 37,257	\$ 37,257
Fund balance, July 1, 2007	-	-	-	-
Fund balance, June 30, 2008	\$ -	\$ -	\$ 37,257	\$ 37,257
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 37,257
Revenue accruals (net)				-
Expenditure accruals (net)				-
Net change in fund balance, NON-GAAP budgetary basis				\$ 37,257

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, 2008

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ -	\$ -	\$ 1,968	\$ 1,968
Charges for services	148,000	148,000	121,354	(26,646)
Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>17,705</u>	<u>2,705</u>
Total revenues	<u>\$ 163,000</u>	<u>\$ 163,000</u>	<u>\$ 141,027</u>	<u>\$ (21,973)</u>
Expenses:				
Current:				
Personnel	\$ 90,000	\$ 90,000	\$ 89,679	\$ 321
Operating	<u>40,347</u>	<u>40,347</u>	<u>85,628</u>	<u>(45,281)</u>
Total expenditures	<u>\$ 130,347</u>	<u>\$ 130,347</u>	<u>\$ 175,307</u>	<u>\$ (44,960)</u>
Net change in fund balance	\$ 32,653	\$ 32,653	\$ (34,280)	\$ (1,627)
Other financing sources (uses):				
Transfers in/(out)	<u> </u>	<u> </u>	<u>-</u>	<u>-</u>
Net change in fund balance after other financing sources (uses)	\$ 32,653	\$ 32,653	\$ (34,280)	\$ (1,627)
Fund balance, July 1, 2006	<u> </u>	<u> </u>	<u>47,719</u>	<u>47,719</u>
Fund balance, June 30, 2007	<u>\$ 32,653</u>	<u>\$ 32,653</u>	<u>\$ 13,439</u>	<u>\$ 46,092</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (107,729)
Revenue accruals (net)				17,611
Expenditure accruals (net)				71,114
Other financing uses (net)				<u>(15,276)</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ (34,280)</u>

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

Village of Reserve
SCHEDULE OF DEPOSITORY COLLATERAL
 June 30, 2008

	Ambank
Total deposits	\$ 152,966
FDIC Insurance	(100,000)
Total uninsured public funds	\$ 52,966
50% collateralization requirement (Section 6-10-17 NMSA)	\$ 26,483
Pledged securities	
US Treasury Notes #9128275N8	311,224
Total pledged	\$ 311,224
Pledged securities over (under) requirement	\$ 258,258

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, 2008

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>First State Bank</u>			
General	Checking	\$ 152,966	\$ 118,046
Total First State Bank		<u>\$ 152,966</u>	<u>\$ 118,046</u>
United States Treasury Bills			\$ 10,000
Cash on deposit with paying agent			<u>587</u>
Cash per balance sheet			<u><u>\$ 128,633</u></u>

Village of Reserve
SCHEDULE OF JOINT POWERS AGREEMENTS
 June 30, 2008

Catron County

Participants	Village of Reserve Catron County
Responsible Party	Village of Reserve 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 Responsibility	Both parties

Catron County

Participants	Village of Reserve Catron County
Responsible Party	Village of Reserve 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 Responsibility	Both parties

Village of Reserve
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2008

	<u>Current Year Status</u>
Findings - Financial Statement Audit	
2003-1 Separation of duties	Resolved
2007-1 Financial report and general ledger reconciliation	Repeated
2003-3 Late audit report	Repeated
2007-2 Reimbursement requests not approved	Resolved

Findings - Major Federal Award Programs

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

This was a compliance comment noting that the Data Collection Form had not been filed within the nine month time frame allowed under OMB Circular A-133. For the current year, the Village is not subject to OMB Circular A-133, so the compliance feature is considered satisfied.

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.

RYAN MONTOYA, C.P.A.

1311 N. GRANT ST.
P.O. BOX 2828
SILVER CITY, NEW MEXICO 88062
TELEPHONE (575) 388-1777
(575) 538-3795
FAX (575) 388-5040
E-MAIL: stonemcgee@qwestoffice.net

**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, 2008, which collectively comprise the Village of Reserve's basic financial statements and have issued our report thereon dated April 18, 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, 2008, and have issued our report thereon dated April 18, 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 responses to be significant deficiencies in internal control over financial reporting. The findings are identified in the accompanying schedule of findings and responses as findings 2007-1 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* paragraphs 5.14 and 5.16 and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as finding 2008-1.

The Village of Reserve's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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 18, 2009

Stone, McGee & Co.
Certified Public Accountants

Village of Reserve
SCHEDULE OF FINDINGS AND RESPONSES
For The Fiscal Year Ended June 30, 2008

Summary of Auditor's Results

1. The Auditors' report expresses an unqualified opinion on the financial statements of the Village of Reserve.
2. Two 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. The Village of Reserve was not subject to the provisions of OMB Circular A-133, since federal expenditures were below the A-133 threshold amount.

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 in 2007, 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 have become familiar with the software, and reconciliations will be performed during the 2008-2009 fiscal year.

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 2008 Rule requires submission of the report by December 1, 2008.

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, 2007 and 2008 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 are in the process of contracting with an auditing firm for the 2009 fiscal years, and believe that we will be able to submit future audits in a timely manner.

OTHER INSTANCES OF NON-COMPLIANCE

2008-1 Expenditures in Excess of Budgetary Control

Condition – The Village had expenditures in excess of budgetary authority in the following funds:

- General \$12,316
- Enterprise \$44,960
- Recreation \$2,483

Criteria – Sections 6-3-1 through 6-3-25 NMSA 1978 require, in part, that actual expenditures not exceed budgetary authority. For municipalities, the fund is the legal level of budgetary control.

Cause – The Village did not make the necessary budget adjustments to account for additional expenditures during the fiscal year.

Effect – The internal controls established by the budget management process have been compromised, and there is an increased likelihood that non-priority expenditures could be made. In addition, New Mexico statutes have been violated.

Recommendation – We recommend that a policy be adopted which requires periodic budgetary review to insure that actual expenditures do not exceed budgetary authority.

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.

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