

State of New Mexico

Village of Reserve

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITORS' REPORT THEREON**

For The Fiscal Year Ended June 30, 2009

Village of Reserve
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Village of Reserve
Directory of Officials
June 30, 2009

Elected Officials

Greg Baca	Mayor
Connie Wehrheim	Mayor ProTem
Keith Riddle	Council Member
Eddie Varela	Council Member
Wilford Estrada	Council Member

Administrative Staff

Lori Martinez	Administrator
Kathy Harris	Assistant Clerk
Bonnie Armijo	Assistant Clerk

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 AUDITOR'S 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 (Village) as of and for the year ended June 30, 2009, 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 non-major governmental 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, 2009, as listed in the table of contents. These financial statements are the responsibility of the Village'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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Reserve as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison 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 non-major governmental fund of the Village of Reserve as of June 30, 2009, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the non-major 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 November 20, 2009, on our consideration of the 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 statements 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 also 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, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Stone, McGee & Co., CPAs

November 20, 2009

Village of Reserve
STATEMENT OF NET ASSETS
June 30, 2009

ASSETS	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current:			
Cash and investments	\$ 288,093	\$ -	\$ 288,093
Receivables, net	105,394	13,298	118,692
Loan costs	5,495		5,495
Prepays	7,200		7,200
Interfund balances	13,150		
	<hr/>	<hr/>	<hr/>
Total current assets	\$ 419,332	\$ 13,298	\$ 419,480
Noncurrent assets:			
Restricted:			
Cash and investments	\$ -	\$ 13,150	\$ 13,150
Capital assets, net	5,620,834	2,250,093	7,870,927
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	\$ 5,620,834	\$ 2,263,243	\$ 7,884,077
	<hr/>	<hr/>	<hr/>
Total assets	\$ 6,040,166	\$ 2,276,541	\$ 8,303,557
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Current:			
Accounts payable	\$ 27,914	\$ 5,030	\$ 32,944
Interfund balances		13,150	
Interest payable	203		203
Deferred revenue	24,474		24,474
Current maturities of long-term debt	20,171		20,171
	<hr/>	<hr/>	<hr/>
Total current liabilities	\$ 72,762	\$ 18,180	\$ 77,792
	<hr/>	<hr/>	<hr/>
Noncurrent:			
Payable from restricted assets:			
Customer deposits	\$ -	\$ 13,150	\$ 13,150
Notes payable	351,624		351,624
Compensated absences	2,780	4,432	7,212
	<hr/>	<hr/>	<hr/>
Total noncurrent liabilities	\$ 354,404	\$ 17,582	\$ 371,986
	<hr/>	<hr/>	<hr/>

Village of Reserve
STATEMENT OF NET ASSETS (concluded)
June 30, 2009

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Total liabilities	\$ 427,166	\$ 35,762	\$ 449,778
NET ASSETS			
Invested in capital assets, net of related debt	\$ 5,519,089	\$ 2,250,093	\$ 7,769,182
Restricted for:			
Capital projects	(145,674)		(145,674)
Debt service	678		678
Other purposes	6,028		6,028
Unrestricted	<u>232,879</u>	<u>(9,314)</u>	<u>223,565</u>
Total net assets	<u>\$ 5,613,000</u>	<u>\$ 2,240,779</u>	<u>\$ 7,853,779</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, 2009

<u>Functions/Programs</u>	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 300,341	\$ 4,185	\$ 56,645
Public safety	252,752	2,520	213,849
Highways and streets			
Health and welfare			13,451
Culture-recreation	36,165	121	
Unallocated interest expense	617		
	<u>\$ 589,875</u>	<u>\$ 6,826</u>	<u>\$ 283,945</u>
 Business-type activities:			
Enterprise	\$ 220,267	\$ 120,762	\$ -
	<u>\$ 220,267</u>	<u>\$ 120,762</u>	<u>\$ -</u>
 Total government	<u>\$ 810,142</u>	<u>\$ 127,588</u>	<u>\$ 283,945</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
\$ -	\$ (239,511)	\$ -	\$ (239,511)
	(36,383)		(36,383)
1,676,670	1,676,670		1,676,670
	13,451		13,451
	(36,044)		(36,044)
	(617)		(617)
<u>\$ 1,676,670</u>	<u>\$ 1,377,566</u>	<u>\$ -</u>	<u>\$ 1,377,566</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (99,505)</u>	<u>\$ (99,505)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (99,505)</u>	<u>\$ (99,505)</u>
<u><u>\$ 1,676,670</u></u>	<u><u>\$ 1,377,566</u></u>	<u><u>\$ (99,505)</u></u>	<u><u>\$ 1,278,061</u></u>
	\$ 10,786	\$ -	\$ 10,786
	162,639	3,871	166,510
	15,219		15,219
	7,679		7,679
	1,346		1,346
	3,193		3,193
	5,618	3,600	9,218
	(10,577)	10,577	-
	<u>\$ 195,903</u>	<u>\$ 18,048</u>	<u>\$ 213,951</u>
	\$ 1,573,469	\$ (81,457)	\$ 1,492,012
	<u>4,039,531</u>	<u>2,322,236</u>	<u>6,361,767</u>
	<u><u>\$ 5,613,000</u></u>	<u><u>\$ 2,240,779</u></u>	<u><u>\$ 7,853,779</u></u>

Village of Reserve
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General Fund	Multipurpose Facility	Downtown Revitalization
Assets			
Cash and investments	\$ -	\$ 3,190	\$ 250,004
Prepays	7,200		
Taxes receivable	28,651		
Interfund receivable	193,788	17,294	118,257
Due from other governments	15,569	17,086	
	<u>\$ 245,208</u>	<u>\$ 37,570</u>	<u>\$ 368,261</u>
Total assets	\$ 245,208	\$ 37,570	\$ 368,261
 Liabilities and Fund Balance			
Accounts payable	\$ 13,299	\$ 8,098	\$ -
Interfund payable			37,257
Deferred revenue	1,745		81,000
	<u>\$ 15,044</u>	<u>\$ 8,098</u>	<u>\$ 118,257</u>
Total liabilities	\$ 15,044	\$ 8,098	\$ 118,257
Fund balance:			
Reserved for:			
Capital projects	\$ -	\$ 29,472	\$ 250,004
Debt service			
Unreserved, reported in:			
General fund	230,164		
Special revenue funds			
	<u>230,164</u>	<u>29,472</u>	<u>250,004</u>
Total fund balance	\$ 230,164	\$ 29,472	\$ 250,004
Total liabilities and fund balance	\$ 245,208	\$ 37,570	\$ 368,261

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>
\$ -	\$ -	\$ -	\$ 34,899	\$ 288,093
				7,200
			24	28,675
	59,285	162,704	85,689	637,017
		40,112	3,952	76,719
<u>\$ -</u>	<u>\$ 59,285</u>	<u>\$ 202,816</u>	<u>\$ 124,564</u>	<u>\$ 1,037,704</u>
\$ -	\$ -	\$ 5,836	\$ 681	\$ 27,914
8,904	249,767	253,744	74,195	623,867
			22,729	105,474
<u>\$ 8,904</u>	<u>\$ 249,767</u>	<u>\$ 259,580</u>	<u>\$ 97,605</u>	<u>\$ 757,255</u>
\$ (8,904)	\$ (190,482)	\$ (56,764)	\$ -	\$ 23,326
			20,931	20,931
				230,164
			6,028	6,028
<u>\$ (8,904)</u>	<u>\$ (190,482)</u>	<u>\$ (56,764)</u>	<u>\$ 26,959</u>	<u>\$ 280,449</u>
<u>\$ -</u>	<u>\$ 59,285</u>	<u>\$ 202,816</u>	<u>\$ 124,564</u>	<u>\$ 1,037,704</u>

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

Total governmental fund balances	\$ 280,449
 <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.	5,620,834
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	81,000
Loan issue costs are capitalized and amortized over the life of the loan	5,495
Long-term liabilities, including interest payable are not reported in the funds.	<u>(374,778)</u>
<i>Net assets of governmental activities</i>	<u><u>\$ 5,613,000</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, 2009

	<u>General Fund</u>	<u>Multipurpose Facility</u>	<u>Downtown Revitalization</u>
Revenues:			
Property taxes	\$ 10,811	\$ -	\$ -
Gross receipts taxes	162,639		
MVD taxes	15,219		
Gas taxes	7,679		
Cigarette taxes	907		
Franchise taxes	3,193		
Intergovernmental	70,096	687,165	21,993
Fines, licenses and permits	4,306		
Miscellaneous	983	142	4
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 275,833</u>	<u>\$ 687,307</u>	<u>\$ 21,997</u>
Expenditures:			
Current:			
General government	\$ 249,939	\$ -	\$ -
Public safety	32,000		
Culture recreation	29,690		
Debt service:			
Principal			
Interest			
Loan issue costs		1,500	4,051
Capital outlay		787,307	21,993
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 311,629</u>	<u>\$ 788,807</u>	<u>\$ 26,044</u>
Net change in fund balance	\$ (35,796)	\$ (101,500)	\$ (4,047)
Other financing sources (uses):			
Loan proceeds		101,500	254,051
Transfer out	(15,629)		(37,257)
Transfer in	89,684		
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance after other financing sources (uses)	\$ 38,259	\$ -	\$ 212,747
Fund balance, July 1, 2008	<u>191,905</u>	<u>29,472</u>	<u>37,257</u>
Fund balance, June 30, 2009	<u>\$ 230,164</u>	<u>\$ 29,472</u>	<u>\$ 250,004</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>
\$ -	\$ -	\$ -	\$ -	\$ 10,811
				162,639
				15,219
				7,679
			439	1,346
				3,193
369,043		530,256	213,849	1,892,402
			2,520	6,826
			4,489	5,618
<u>\$ 369,043</u>	<u>\$ -</u>	<u>\$ 530,256</u>	<u>\$ 221,297</u>	<u>\$ 2,105,733</u>
\$ -	\$ 2,269	\$ -	\$ -	\$ 252,208
			181,418	213,418
			885	30,575
			18,978	18,978
			358	358
				5,551
377,498		473,156		1,659,954
<u>\$ 377,498</u>	<u>\$ 2,269</u>	<u>\$ 473,156</u>	<u>\$ 201,639</u>	<u>\$ 2,181,042</u>
\$ (8,455)	\$ (2,269)	\$ 57,100	\$ 19,658	\$ (75,309)
			20,050	375,601
	(93,333)		(52,427)	(198,646)
93,333			5,052	188,069
\$ 84,878	\$ (95,602)	\$ 57,100	\$ (7,667)	\$ 289,715
(93,782)	(94,880)	(113,864)	34,626	(9,266)
<u>\$ (8,904)</u>	<u>\$ (190,482)</u>	<u>\$ (56,764)</u>	<u>\$ 26,959</u>	<u>\$ 280,449</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	\$ 289,715
 <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.	1,568,501
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes subject to the 60 day availability period.	(25)
Intergovernmental revenue subject to the 60 day availability period	68,213
Repayment of debt is an expenditure in the governmental funds, but the payment reduces long term liabilities in the Statement of Net Assets.	18,978
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. This is the net change during the year.	(203)
Bond and loan proceeds are reported as financing sources in the funds, In the Statement of Activities, however, issuing debt increased long term liabilities	(375,601)
Loan issue costs are expenditures in the funds but are capitalized and amortized in the Statement of Activities	
Loan issue costs	5,551
Amortization	(56)
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. This is the net change for the year.	<u>(1,604)</u>
 <i>Change in Net Assets of Governmental Activities</i>	 <u><u>\$ 1,573,469</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, 2009

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 165,274	\$ 165,274	\$ 170,720	\$ 5,446
Licenses and permits	16,810	16,810	21,266	4,456
Intergovernmental	62,500	62,500	71,841	9,341
Miscellaneous	-	-	3,934	3,934
Total revenues	\$ 244,584	\$ 244,584	\$ 267,761	\$ 23,177
Expenditures:				
Current:				
General government	\$ 223,136	\$ 223,136	\$ 244,345	\$ (21,209)
Public safety	32,000	32,000	24,000	8,000
Highways and streets	100,405	100,405	-	100,405
Health and welfare	4,000	4,000	10,796	(6,796)
Culture - recreation	15,620	15,620	29,913	(14,293)
Capital outlay	-	-	-	-
Total expenditures	\$ 375,161	\$ 375,161	\$ 309,054	\$ 66,107
Net change in fund balance	\$ (130,577)	\$ (130,577)	\$ (41,293)	\$ 89,284
Other financing sources (uses):				
Transfers out	(14,629)	(14,629)	(16,374)	(1,745)
Transfers in	54,172	54,172	57,838	3,666
Total other financing sources (uses)	\$ 39,543	\$ 39,543	\$ 41,464	\$ 1,921
Net change in fund balance after other financing sources (uses)	\$ (91,034)	\$ (91,034)	\$ 171	\$ 91,205
Fund balance, July 1, 2008	94,202	94,202	94,202	-
Fund balance, June 30, 2009	\$ 3,168	\$ 3,168	\$ 94,373	\$ 91,205

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

Village of Reserve
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	<u>Water/Sewer/Sanitation</u>
Assets	
Current:	
Cash and investments	\$ -
Accounts receivable	12,706
Taxes receivable	592
	13,298
Total current assets	\$ 13,298
Noncurrent assets:	
Restricted cash and investments	\$ 13,150
Capital assets net of accumulated depreciation	2,250,093
	2,263,243
Total noncurrent assets	\$ 2,263,243
Total assets	\$ 2,276,541
Liabilities	
Current:	
Accounts payable	\$ 5,030
Interfund payable	13,150
	18,180
Total current liabilities	\$ 18,180
Noncurrent liabilities:	
Customer deposits, payable from restricted assets	\$ 13,150
Compensated absences	4,432
	35,762
Total liabilities	\$ 35,762
Net Assets	
Invested in capital assets	\$ 2,250,093
Unrestricted	(9,314)
	2,240,779
Total net assets	\$ 2,240,779

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, 2009

	Water/Sewer/ Sanitation
Operating revenues:	
Charges for services	\$ 120,762
Operating expenses:	
Personnel	\$ 96,169
Operating	57,633
Depreciation	66,465
Total operating expenses	\$ 220,267
Net operating income	\$ (99,505)
Non-operating revenue (expense):	
Dedicated gross receipts tax	\$ 3,871
Miscellaneous income	3,600
Total non-operating revenue (expense)	\$ 7,471
Income before contributions and operating transfers	\$ (92,034)
Transfers out	
Transfers in	10,577
Change in net assets	\$ (81,457)
Net assets, beginning of year	2,322,236
Net assets, end of year	\$ 2,240,779

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, 2009

	<u>Water/Sewer/Sanitation</u>
Cash flows from operating activities:	
Receipts from customers	\$ 119,761
Payments to suppliers	(54,560)
Payments to employees	(96,548)
	<hr/>
Net cash provided (used) by operating activities	\$ (31,347)
	<hr/>
Cash flows from noncapital financing activities:	
Dedicated tax receipts	\$ 3,731
Miscellaneous receipts	3,600
Transfers from other funds	10,577
Transfers to other funds	
	<hr/>
Net cash provided (used) by noncapital financing activities	\$ 17,908
	<hr/>
Cash flows from capital and related financing activities:	
Principal paid on capital debt	
Interest paid on capital debt	
	<hr/>
Net cash provided (used) by capital and related financing activities	\$ -
	<hr/>
Cash flows from investing activities:	
Earnings on investments	\$ -
	<hr/>
Net increase (decrease) in cash and cash equivalents	\$ (13,439)
	<hr/>
Cash and equivalents, beginning of year	13,439
	<hr/>
Cash and equivalents, end of year	\$ -
	<hr/> <hr/>

Village of Reserve
STATEMENT OF CASH FLOWS (concluded)
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2009

	<u>Water/Sewer/Sanitation</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (99,505)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	66,465
Changes in assets and liabilities:	
Receivables, net	(1,901)
Accounts payable	3,073
Customer deposits	900
Compensated absences	(379)
	<hr/>
Net cash provided (used) by operating activities	<u>\$ (31,347)</u>

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

Village of Reserve
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 sue din 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

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 non-exchange 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.

Multipurpose Facility – to account for the state grant revenue and expenditures to construct a multipurpose facility for the Village residents. This is a Capital Project Fund.

Downtown Revitalization – to account for the federal and state grant revenues to complete improvements to the downtown area. This is a Capital Project 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 non-current) 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. Debt Service Funds are handled by the New Mexico Finance Authority and are not budgeted.

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 re-appropriated 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 Treasurer’s 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 inter-fund loans are reported as “inter-fund receivables and payables”. Inter-fund receivables and payables between funds within governmental and proprietary 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. Non-exchange 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, 2009 was \$1.992 per \$1,000 for nonresidential property and \$2.138 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 Non-operating

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. INTER-FUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity are classified as inter-fund transfers. For the purposes of the Statement of Activities, all inter-fund 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, 2009, the Village’s bank balance of \$24,864 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized		\$ <u>-0-</u>
		<u>Bank Balance</u> <u>Carrying Amount</u>
Deposits by custodial risk		
Category:		
Insured	\$ 24,864	\$ 20,308
Collateral held by the pledging Bank’s agent in Village’s name	<u>-0-</u>	<u>-0-</u>
	<u>\$ 24,864</u>	<u>\$ 20,308</u>

The cash on deposit with NMFA is, in effect, loan payments made by the Village but not yet disbursed. Such deposits are subject to the collateral requirements of NMFA. Such deposits total \$270,935.

Note 3 Investments

At June 30, 2009, the Village had the following investments:

<u>Investment Type</u>	<u>Amortized 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, 2009.

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 4 Receivables

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Accounts receivable:		
Services	\$ -0-	\$ 12,706
Intergovernmental grants	\$ 72,399	\$ -0-
Taxes receivables:		
Gasoline taxes	\$ 1,140	\$ 592
Gross receipts tax	28,643	
Franchise taxes		
Property taxes	643	
Motor vehicle taxes	2,498	
Cigarette tax	71	
	<u>\$ 32,995</u>	<u>\$ 592</u>
Total	<u>\$ 105,394</u>	<u>\$ 13,298</u>

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

Note 5 Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance <u>July 1, 2008</u>	<u>Increase</u>	<u>Decreases</u>	Balance <u>June 30, 2009</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 109,616	\$	\$	\$ 109,616
Construction in progress	<u>2,577,795</u>	<u>1,659,954</u>	<u>3,347,790</u>	<u>889,959</u>
	<u>\$2,687,411</u>	<u>\$1,659,954</u>	<u>\$3,347,790</u>	<u>\$ 999,575</u>
Other capital assets:				
Buildings and improvements	\$ 336,610	\$	\$	\$ 336,610
Infrastructure	1,176,958	3,347,790		4,524,748
Equipment	<u>765,827</u>			<u>765,827</u>
Total other assets, at historical cost	<u>\$2,279,395</u>	<u>\$3,347,790</u>	<u>\$ -0-</u>	<u>\$ 5,627,185</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 110,326	\$ 6,690	\$	\$ 117,016
Infrastructure	165,651	59,008		224,659
Equipment	<u>638,496</u>	<u>25,755</u>	<u>-0-</u>	<u>664,251</u>
Total accumulated depreciation	<u>\$ 914,473</u>	<u>\$ 91,453</u>	<u>\$ -0-</u>	<u>\$ 1,005,926</u>
Governmental activities, Capital assets, net	<u>\$4,052,333</u>	<u>\$4,916,291</u>	<u>\$3,347,790</u>	<u>\$ 5,620,834</u>
Business Type Activities:				
Capital assets not being depreciated:				
Land	\$ 21,838	\$	\$	\$ 21,838
Other capital assets:				
Buildings	\$ 80,869	\$	\$	\$ 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:				
Building	\$ 55,970	\$ 1,617	\$	\$ 57,587
Utility plant	961,929	62,259		1,024,188

Equipment	<u>59,444</u>	<u>2,589</u>	<u> </u>	<u>62,033</u>
Total accumulated depreciation	<u>\$1,077,333</u>	<u>\$ 66,465</u>	<u>\$ -0-</u>	<u>\$ 1,143,808</u>
Business-type activities capital				
Assets, net	<u>\$2,316,568</u>	<u>\$ 66,465</u>	<u>\$ -0-</u>	<u>\$ 2,250,093</u>

The Village has various construction projects ongoing at various stages of completion. Future commitments total approximately \$500,000.

Depreciation was charged to the Governmental Activities as follows:

General Government	\$ 46,529
Public Safety	39,334
Culture-Recreation	<u>5,590</u>
	<u>\$ 91,453</u>

Note 6 Long-term Debt

Changes in long-term debt were as follows during the year ended June 30, 2009.

	<u>Balance</u>		<u>Retire-</u>	<u>Balance</u>	<u>Due Within</u>
	<u>July 1, 2008</u>	<u>Additions</u>	<u>ments</u>	<u>June 30, 2009</u>	<u>One Year</u>
Governmental activities:					
Notes payable	\$ 15,172	\$ 375,601	\$ 18,978	\$371,795	\$ 20,171
Compensated absences	<u>1,176</u>	<u>6,733</u>	<u>5,129</u>	<u>2,780</u>	<u>-0-</u>
	<u>\$ 16,348</u>	<u>\$ 382,334</u>	<u>\$ 24,107</u>	<u>\$374,575</u>	<u>\$ 20,171</u>
Business Type Activities:					
Compensated absences	<u>\$ 4,811</u>	<u>\$ 4,655</u>	<u>\$ 5,034</u>	<u>\$ 4,432</u>	<u>\$ -0-</u>
	<u>\$ 4,811</u>	<u>\$ 4,655</u>	<u>\$ 5,034</u>	<u>\$ 4,432</u>	<u>\$ -0-</u>

Governmental Activities Note Payable

The Village entered into loans and intercept agreements with the New Mexico Finance Authority to acquire a fire pumper, and fund a multi-purpose facility and street improvements. The payments are to be made solely from the distributions of law enforcement protection funds, and gross receipts tax revenues. These payments from the State Treasurer will be made directly to New Mexico Finance Authority pursuant to the intercept agreements for the payment of principal and interest. The terms call for annual payments of \$22,370, including interest at rates between -0% and 1.48%. The notes mature in 2024 and 2028.

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 employees 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, 2009 is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 20,171	\$ 2,199	\$ -0-	\$ -0-
2011	22,854	2,337		
2012	22,910	2,281		
2013	22,978	2,213		
2014	23,065	2,126		
2015-2019	117,248	8,708		
2020-2024	122,005	3,953		
2025-2029	<u>20,564</u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 371,795</u>	<u>\$ 23,817</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Note 7 Retirement Plan

Plan Description

Substantially all of the Village of Reserve's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be

obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute 7% of their gross salary. The Village of Reserve is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the Village of Reserve are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Village of Reserve's contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$27,246, \$23,769, and \$17,659, respectively, which equal the amount of the required contribution for each year.

Note 8 Post-Employment Benefits – State Retiree Health Care Plan

Plan Description

The Village of Reserve contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; (4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle N.E., Suite 104, Albuquerque, New Mexico 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional

participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary.

Employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State legislature.

The Village of Reserve's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$3,795, \$3,165 and \$2,440, respectively, which equal the required contributions for each year.

Note 9 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	\$ 3,710
Recreation	(11,211)
Fire	<u>13,529</u>
	<u>\$ 6,028</u>

Note 10 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 11 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 12 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 13 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 for the General Fund for the year ended June 30, 2009 is as follows:

	<u>General</u>
Revenues and other sources over (under) expenditures and other uses (GAAP Basis)	\$ 38,259
Revenue accruals	(8,072)
Expenditure accruals	2,575
Transfers net	<u>(32,591)</u>
Revenues and other sources over (under) expenditures and other uses (NON-GAAP) Budgetary Basis	<u>\$ 171</u>

Note 14 Deficit Unreserved Fund Balance

The deficit unreserved fund balances; Recreation (\$11,211), CDBG (\$8,904), State Highway Co-op (\$190,482) and MAP and Roadways (\$56,764), 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 15 Inter-fund Activity

Inter-fund balances were as follows at June 30, 2009:

<u>Inter-fund Payable</u>						
<u>Downtown</u>	<u>State</u>		<u>MAP and</u>	<u>Other</u>	<u>Enterprise</u>	<u>Total</u>
<u>Revitali-</u>	<u>Highway</u>	<u>CDBG</u>	<u>Roadways</u>	<u>Funds</u>	<u>Funds</u>	
<u>zation</u>	<u>Co-op</u>					

Inter-fund Receivable

Downtown Re-vitalization	\$	\$ 81,000	\$	\$ 37,257	\$	\$118,257
State Hwy Co-op				59,285		59,285
Map & Roadways		162,704				162,704
Multipurpose Fac. General	37,257	6,063		4,144	13,150	17,294
Other Funds			8,904	2,590	74,195	85,689
	<u>\$ 37,257</u>	<u>\$249,767</u>	<u>\$ 8,904</u>	<u>\$253,744</u>	<u>\$ 74,195</u>	<u>\$637,017</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>Total</u>
	<u>State Hwy Co-op</u>	<u>General</u>	<u>Revit- alization</u>	<u>Other Funds</u>	
General	\$	\$	\$ 37,257	\$ 52,427	\$ 89,684
CDBG	93,333				93,333
Enterprise		10,577			10,577
Other Funds		5,052			5,052
	<u>\$ 93,333</u>	<u>\$ 15,629</u>	<u>\$ 37,257</u>	<u>\$ 52,427</u>	<u>\$198,646</u>

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

Note 16 Expenditures in Excess of Budgetary Authority

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

DWI	\$ 9,997
-----	----------

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 there from. 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.

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

DEBT SERVICE FUNDS

Multipurpose Facility – to account for the funds held by NMFA to pay the principal and interest on the loan for the multipurpose facility.

Street Improvement – to account for the funds held by NMFA to pay the principal and interest on the loan for street improvements.

CAPITAL PROJECTS FUNDS

CDGB Comprehensive Plan – to account for the federal grant (CDBG) revenues and the New Mexico Highway Department revenues and expenditures there from 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.

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.

School Bus Route – to account for the state revenues to be utilized to plan and design safe routes to school for Village children.

TPE – to account for the state revenues to be utilized for improvements and/or construction to the Village's roads and streets.

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, 2009

	Special Revenue Funds		
	Fire Protection	Recreation	DWI
Assets			
Cash and investments	\$ 13,968	\$ -	\$ -
Taxes receivable		24	
Interfund receivable			
Due from governments			3,952
Total assets	\$ 13,968	\$ 24	\$ 3,952
Liabilities and Fund Balance			
Accounts payable	\$ 439	\$ -	\$ 242
Interfund payable		11,235	
Deferred revenue			
Total liabilities	\$ 439	\$ 11,235	\$ 242
Fund balances:			
Reserved for debt service	\$ -	\$ -	\$ -
Unreserved	13,529	(11,211)	3,710
Total fund balances	\$ 13,529	\$ (11,211)	\$ 3,710
Total liabilities and fund balances	\$ 13,968	\$ 24	\$ 3,952

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

<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>		
<u>Multipurpose Facility</u>	<u>Street Improvement</u>	<u>TPE</u>	<u>School Bus Route</u>	<u>Total</u>
\$ 880	\$ 20,051	\$ -	\$ -	\$ 34,899
		22,729	62,960	85,689
				3,952
<u>\$ 880</u>	<u>\$ 20,051</u>	<u>\$ 22,729</u>	<u>\$ 62,960</u>	<u>\$ 124,564</u>
\$ -	\$ -	\$ -	\$ -	\$ 681
		22,729	62,960	74,195
				22,729
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,729</u>	<u>\$ 62,960</u>	<u>\$ 97,605</u>
\$ 880	\$ 20,051	\$ -	\$ -	\$ 20,931
-	-	-	-	6,028
<u>\$ 880</u>	<u>\$ 20,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,959</u>
<u>\$ 880</u>	<u>\$ 20,051</u>	<u>\$ 22,729</u>	<u>\$ 62,960</u>	<u>\$ 124,564</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, 2009

	Special Revenue Funds		
	Fire Protection	Recreation	DWI
Revenues:			
Cigarette taxes	\$ -	\$ 439	\$ -
Intergovernmental	63,945		149,904
Fines, licenses and permits			2,520
Miscellaneous	1,544		2,924
	\$ 65,489	\$ 439	\$ 155,348
Expenditures:			
Current:			
Public safety	\$ 67,825	\$ -	\$ 113,593
Culture and recreation		885	
Debt service:			
Principal	15,172		
Interest	358		
	\$ 83,355	\$ 885	\$ 113,593
Net change in fund balance	\$ (17,866)	\$ (446)	\$ 41,755
Other financing sources (uses):			
Loan proceeds			
Transfer out	(27,444)		(24,983)
Transfer in		386	
	\$ (45,310)	\$ (60)	\$ 16,772
Fund balance, July 1, 2008	58,839	(11,151)	(13,062)
Fund balance, June 30, 2009	\$ 13,529	\$ (11,211)	\$ 3,710

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

<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>		
<u>Multipurpose Facility</u>	<u>Street Improvement</u>	<u>TPE</u>	<u>School Bus Route</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 439
				213,849
				2,520
<u>20</u>	<u>1</u>			<u>4,489</u>
<u>\$ 20</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,297</u>
\$ -	\$ -	\$ -	\$ -	\$ 181,418
				885
3,806				18,978
				358
<u>\$ 3,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,639</u>
\$ (3,786)	\$ 1	\$ -	\$ -	\$ 19,658
	\$ 20,050			20,050
				(52,427)
<u>4,666</u>				<u>5,052</u>
\$ 880	\$ 20,051	\$ -	\$ -	\$ (7,667)
-	-	-	-	34,626
<u>\$ 880</u>	<u>\$ 20,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,959</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, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ -	\$ 885	\$ 499	\$ (386)
Expenditures:				
Current:				
Culture recreation	<u>-</u>	<u>885</u>	<u>885</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ (386)	\$ (386)
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>386</u>	<u>386</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>(11,235)</u>	<u>(11,235)</u>
Fund balance, June 30, 2009	<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				\$ (60)
Revenue accruals (net)				60
Expenditure accruals (net)				<u>-</u>
Net change in fund balance, NON-GAAP budgetary basis				<u><u>\$ -</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, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 103,493	\$ 103,493	\$ 110,291	\$ 6,798
Miscellaneous	15,000	15,000	3,833	(11,167)
Total revenues	<u>\$ 118,493</u>	<u>\$ 118,493</u>	<u>\$ 114,124</u>	<u>\$ (4,369)</u>
Expenditures:				
Current:				
Public safety	\$ 103,493	\$ 103,493	\$ 113,490	\$ (9,997)
Total expenditures	<u>\$ 103,493</u>	<u>\$ 103,493</u>	<u>\$ 113,490</u>	<u>\$ (9,997)</u>
Net change in fund balance	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 634</u>	<u>\$ (14,366)</u>
Other financing sources (uses):				
Transfers out	-	-	(24,983)	(24,983)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (24,983)</u>	<u>\$ (24,983)</u>
Net change in fund balance after other financing sources (uses)	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ (24,349)</u>	<u>\$ (39,349)</u>
Fund balance, July 1, 2008	<u>24,349</u>	<u>24,349</u>	<u>24,349</u>	<u>-</u>
Fund balance, June 30, 2009	<u><u>\$ 39,349</u></u>	<u><u>\$ 39,349</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (39,349)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 16,772
Revenue accruals (net)				(41,224)
Expenditure accruals (net)				<u>103</u>
Net change in fund balance, NON-GAAP budgetary basis				<u><u>\$ (24,349)</u></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, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 58,584	\$ 208,584	\$ 48,963	\$ (159,621)
Miscellaneous			1,546	1,546
	<u>\$ 58,584</u>	<u>\$ 208,584</u>	<u>\$ 50,509</u>	<u>\$ (158,075)</u>
Total revenues				
Expenditures:				
Current:				
Public safety	\$ 51,002	\$ 51,002	\$ 67,349	\$ (16,347)
Capital outlay	55,834	205,834		205,834
	<u>\$ 106,836</u>	<u>\$ 256,836</u>	<u>\$ 67,349</u>	<u>\$ 189,487</u>
Total expenditures				
Net change in fund balance	\$ (48,252)	\$ (48,252)	\$ (16,840)	\$ 31,412
Other financing sources (uses):				
Transfers in (out)	-	-	(27,444)	(27,444)
Net change in fund balance after other financing sources (uses)	\$ (48,252)	\$ (48,252)	\$ (44,284)	\$ 3,968
Fund balance, July 1, 2008	<u>58,252</u>	<u>58,252</u>	<u>58,252</u>	<u>-</u>
Fund balance, June 30, 2009	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 13,968</u>	<u>\$ 3,968</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (45,310)
Revenue accruals (net)				(14,980)
Expenditure accruals (net)				<u>16,006</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ (44,284)</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, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 160,000	\$ 160,000	\$ 273,239	\$ 113,239
Expenditures:				
Capital outlay	<u>160,000</u>	<u>160,000</u>	<u>156,489</u>	<u>3,511</u>
Net change in fund balance	\$ -	\$ -	\$ 116,750	\$ 116,750
Fund balance, July 1, 2008	<u> </u>	<u> </u>	<u>(57,465)</u>	<u>(57,465)</u>
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,285</u>	<u>\$ 59,285</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, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 400,000	\$ 400,000	\$ 382,004	\$ (17,996)
Expenditures:				
Capital outlay	<u>400,000</u>	<u>400,000</u>	<u>382,020</u>	<u>17,980</u>
Net change in fund balance	\$ -	\$ -	\$ (16)	\$ (16)
Fund balance, July 1, 2008	<u> </u>	<u> </u>	<u>(8,888)</u>	<u>(8,888)</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (8,904)</u></u>	<u><u>\$ (8,904)</u></u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis				
Revenue accruals (net)				
Expenditure accruals (net)				
Transfers (net)				<u> </u>
Net change in fund balance, NON-GAAP budgetary basis				<u><u>\$ -</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, 2009

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 380,000	\$ 380,000	\$ 316,100	\$ (63,900)
Expenditures:				
Capital outlay	380,000	380,000	376,723	3,277
Net change in fund balance	\$ -	\$ -	\$ (60,623)	\$ (60,623)
Fund balance, July 1, 2008			(51,337)	(51,337)
Fund balance, June 30, 2009	\$ -	\$ -	\$ (111,960)	\$ (111,960)
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis				
Revehue accruals (net)				
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis				\$ -

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, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 795,998	\$ 795,998	\$ 670,079	\$ (125,919)
Expenditures:				
Capital outlay	<u>795,998</u>	<u>795,998</u>	<u>779,209</u>	<u>16,789</u>
Net change in fund balance	\$ -	\$ -	\$ (109,130)	\$ (109,130)
Other financing sources (uses):				
Loan proceeds	<u>-</u>	<u>-</u>	<u>100,142</u>	<u>100,142</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ (8,988)	\$ (8,988)
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>29,472</u>	<u>29,472</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 20,484</u></u>	<u><u>\$ 20,484</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ -
Revenue accruals (net)				(17,225)
Expenditure accruals (net)				9,595
Other financing sources (net)				<u>(1,358)</u>
Net change in fund balance, NON-GAAP budgetary basis				<u><u>\$ (8,988)</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, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 42,613	\$ 42,613	\$ 21,993	\$ (20,620)
Expenditures:				
Capital outlay	<u>42,613</u>	<u>42,613</u>	<u>21,993</u>	<u>20,620</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2008	<u> </u>	<u> </u>	<u>37,257</u>	<u>37,257</u>
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,257</u>	<u>\$ 37,257</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 212,747
Revenue accruals (net)				(4)
Expenditure accruals (net)				4,051
Other financing sources (net)				<u>(216,794)</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
SCHOOL BUS ROUTE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 260,000	\$ 260,000	\$ 188,879	\$ (71,121)
Expenditures:				
Capital outlay	<u>260,000</u>	<u>260,000</u>	<u>251,839</u>	<u>8,161</u>
Net change in fund balance	\$ -	\$ -	\$ (62,960)	\$ (62,960)
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (62,960)</u>	<u>\$ (62,960)</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
ENTERPRISE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ -	\$ -	\$ 3,691	\$ 3,691
Charges for services	145,300	145,300	119,761	(25,539)
Miscellaneous	<u>2,950</u>	<u>2,950</u>	<u>3,600</u>	<u>650</u>
Total revenues	<u>\$ 148,250</u>	<u>\$ 148,250</u>	<u>\$ 127,052</u>	<u>\$ (21,198)</u>
Expenses:				
Current:				
Personnel	\$ 111,367	\$ 111,367	\$ 96,548	\$ 14,819
Operating	<u>41,000</u>	<u>41,000</u>	<u>54,520</u>	<u>(13,520)</u>
Total expenditures	<u>\$ 152,367</u>	<u>\$ 152,367</u>	<u>\$ 151,068</u>	<u>\$ 1,299</u>
Net change in fund balance	\$ (4,117)	\$ (4,117)	\$ (24,016)	\$ (28,133)
Other financing sources (uses):				
Transfers in/(out)	<u>-</u>	<u>-</u>	<u>10,577</u>	<u>10,577</u>
Net change in fund balance after other financing sources (uses)	\$ (4,117)	\$ (4,117)	\$ (13,439)	\$ (17,556)
Fund balance, July 1, 2008	<u>13,439</u>	<u>13,439</u>	<u>13,439</u>	<u>-</u>
Fund balance, June 30, 2009	<u>\$ 9,322</u>	<u>\$ 9,322</u>	<u>\$ -</u>	<u>\$ (17,556)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (81,457)
Revenue accruals (net)				(1,181)
Expenditure accruals (net)				69,199
Other financing uses (net)				<u>-</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ (13,439)</u>

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

Village of Reserve
SCHEDULE OF DEPOSITORY COLLATERAL
 June 30, 2009

	Ambank
Total deposits	\$ 24,864
FDIC Insurance	(24,864)
Total uninsured public funds	\$ -
50% collateralization requirement (Section 6-10-17 NMSA)	\$ -
Pledged securities:	
Total pledged	\$ -
Pledged securities over (under) requirement	\$ -

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, 2009

	Type of Account	Bank Balance	Reconciled Balance
<u>First State Bank</u>			
General	Checking	\$ 24,864	\$ 20,308
Total First State Bank		\$ 24,864	\$ 20,308
United States Treasury Bills			\$ 10,000
Cash on deposit with paying agent			270,935
Cash per balance sheet			\$ 301,243

Village of Reserve
SCHEDULE OF JOINT POWERS AGREEMENT
 June 30, 2009

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
SCHEDULE OF LEGISLATIVE GRANTS
 June 30, 2009

	Roads ST-7503 (200)	Multi Purpose Facility 05-LG-260	Multi Purpose Facility 06-LG-1513	Fire Dept Substation 08-LG-3207	Main Street 06-LG-1521
Original appropriation	\$ 250,000	\$ 50,000	\$ 90,000	\$ 100,000	\$ 100,000
Funds reverted	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Appropriation remaining	<u>\$ 250,000</u>	<u>\$ 50,000</u>	<u>\$ 90,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>
Expended through June 30, 2009	250,000	50,000	90,000	-	59,250
Encumbrances	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>40,750</u>
Total committed	<u><u>\$ 250,000</u></u>	<u><u>\$ 50,000</u></u>	<u><u>\$ 90,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 100,000</u></u>
Project expiration date	06/30/10	06/30/09	06/30/10	06/30/12	06/30/10

Multi Purpose Facility <u>08-LG-3208</u>	Roads <u>SP-GA-7503</u>
\$ 205,000	\$ 100,000
<hr/>	<hr/>
<u>\$ 205,000</u>	<u>\$ 100,000</u>
88,445	100,000
<hr/>	<hr/>
<u>115,532</u>	
<u><u>\$ 203,977</u></u>	<u><u>\$ 100,000</u></u>

06/30/12

06/30/11

Village of Reserve
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2009

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed through New Mexico Dept. of Finance and Administration:			
Community Development Block Grants-States Program	14.228	06-C-RS-I-3-G-11	\$ 400,000
Community Development Block Grants-States Program	14.228	07-C-R-I-1-G-14	<u>382,004</u>
Total U.S. Dept. of Housing and Urban Development			<u>\$ 782,004</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through N.M. Highway Department:			
Highway Planning and Construction Grants	20.205	7503-900	<u>\$ 316,100</u>
Total expenditures of federal awards			<u><u>\$ 1,098,104</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, 2009

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 State, 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, 2009:

Workers compensation	\$ Unlimited
Employer's liability	1,050,000
Persona injury:	
Per person	400,000
Per occurrence	750,000
Per occurrence property damage	100,000
Auto Liability	Limits
Auto physical damage	Per auto

Village of Reserve
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2009

Findings – Financial Statement Audit

Current Status

2007-1 Financial reports do not agree to general ledger

Resolved

2003-3 Audit report not timely filed

Resolved

2008-1 Expenditures exceeded budgetary authority

Repeated

Findings – Major Federal Award Programs

None

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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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

Hector H. Balderas, State Auditor
and
Mayor and Village 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, 2009, which collectively comprise The Village of Reserve's basic financial statements and have issued our report thereon dated November 20, 2009. We have also audited the financial statements of each of the Village's non-major governmental funds and enterprise funds presented as other supplementary information as of and for the year ended June 30, 2009 and have issued our report thereon dated November 20 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.

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 a 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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 Questioned Costs as findings 09-1 and 08-1.

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 Village Council, management, 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

November 20, 2009

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
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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, 2009. 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, the 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, 2009.

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.

This report is intended solely for the information and use of management, the Mayor and 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

November 20, 2009

Village of Reserve
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2009

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Village of Reserve.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *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*.
3. No instances of noncompliance material to the financial statements of the Village of Reserve, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award 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 award programs for the Village of Reserve expresses an unqualified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 were noted during the audit.
7. The programs tested as major programs included: Community Development Block Grants – States Program, CFDA No. 14.228.
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

OTHER INSTANCES OF NONCOMPLIANCE

09-1 Travel and Per Diem

Condition – The travel and per diem reimbursement requests are not approved by the appropriate supervisor.

Criteria – Sound internal controls and Sections 10-8-1 to 10-8-8 NMSA 1978 require, in part, that travel reimbursement requests be properly approved by supervisory personnel prior to disbursement.

Effect – There is an increased likelihood that reimbursements will be made that are not correct, or are not due the employee.

Cause – The supervisors were unaware that final approval for reimbursement was necessary.

Recommendation – We recommend that the Village require supervisory review and approval of all travel reimbursement requests prior to disbursement.

Agency Response – The recommendation will be adopted.

08-1 Expenditures in Excess of Budgetary Authority

Condition – The Village had expenditures in excess of budgetary authority of \$9,997 in the DWI Fund.

Criteria – Section 6-6-6 NMSA 1978 requires, in part, that actual expenditures not exceed budgetary authority at the legal level of control. For municipalities, the fund is the legal level of control.

Effect – The internal controls established by the use of budgetary control has been circumvented, and state statutes have been violated.

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

Recommendation – We recommend that the Village establish procedures that provide periodic review and adjustment of budgets to insure that actual expenditures do not exceed budgetary authorization.

Agency Response – These procedures are already in place, and this was an unusual circumstance caused by expenditures late in the fiscal year. The Village will continue to monitor budgetary compliance as part of its internal control process.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s.

EXIT CONFERENCE

The contents of this report were discussed November 11, 2009. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Wilford Estrada	Councilor	Village of Reserve
Lori Martinez	Village Clerk	Village of Reserve
Kay Stone	Shareholder	Stone, McGee & Co., CPA's