

State of New Mexico

Village of Reserve

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

For The Fiscal Year Ended June 30, 2011

Village of Reserve
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Village of Reserve
Directory of Officials
June 30, 2011

Elected Officials

Connie Cordell-Wehrheim

Mayor

Keith Riddle

Mayor Pro Tem

Wilford Estrada

Council Member

Eddie Varela

Council Member

Edward Romero

Council Member

Administrative Staff

Kathy Harris

Municipal Clerk

Lori Martinez

Grant Coordinator/Treasurer

Alex Smith

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.

RYAN MONTOYA, 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, the aggregate remaining fund information, and the budgetary comparison for the general fund of the Village of Reserve (Village) as of and for the year ended June 30, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Village's non-major governmental funds, and the budgetary comparisons for the non-major special revenue funds, the capital projects funds, and the enterprise fund presented as other supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Village'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 statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Reserve as of June 30, 2011, 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, 2011, 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 fund 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 March 30, 2013, 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. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 financial statements. 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stone, McGee & Co CPAs

March 30, 2013

Stone, McGee & Co.
Certified Public Accountants

Village of Reserve
STATEMENT OF NET ASSETS
June 30, 2011

ASSETS	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current:			
Cash and investments	\$ 166,497	\$ 1,827	\$ 168,324
Receivables, net	469,854	16,945	486,799
Interfund balances	14,350	(14,350)	-
Total current assets	\$ 650,701	\$ 4,422	\$ 655,123
Noncurrent assets:			
Restricted:			
Cash and investments	\$ -	\$ 14,500	\$ 14,500
Loan costs	4,862		4,862
Capital assets, net	7,444,811	2,094,838	9,539,649
Total noncurrent assets	\$ 7,449,673	\$ 2,109,338	\$ 9,559,011
Total assets	\$ 8,100,374	\$ 2,113,760	\$ 10,214,134
 LIABILITIES			
Current:			
Accounts payable	\$ 365,299	\$ 5,428	\$ 370,727
NMFA payable	429		429
Interest payable	377		377
Deferred revenue	22,729		22,729
Current maturities of long-term debt	22,910		22,910
Total current liabilities	\$ 411,744	\$ 5,428	\$ 417,172
Noncurrent:			
Payable from restricted assets:			
Customer deposits	\$ -	\$ 14,500	\$ 14,500
Notes payable	305,860		305,860
Compensated absences	2,706	4,430	7,136
Total noncurrent liabilities	\$ 308,566	\$ 18,930	\$ 327,496

Village of Reserve
STATEMENT OF NET ASSETS (concluded)
June 30, 2011

	Governmental Activities	Business- Type Activities	Total
Total liabilities	\$ 720,310	\$ 24,358	\$ 744,668
NET ASSETS			
Invested in capital assets, net of related debt	\$ 7,116,458	\$ 2,094,838	\$ 9,211,296
Restricted for:			
Capital projects	269,158		269,158
Debt service	23,582		23,582
Other purposes	45,385		45,385
Unrestricted	(74,519)	(5,436)	(79,955)
Total net assets	\$ 7,380,064	\$ 2,089,402	\$ 9,469,466

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

Village of Reserve
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

<u>Functions/Programs</u>	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 175,342	\$ 2,604	\$ 40,852
Public safety	290,326	8,503	172,908
Highways and streets	9,392		
Health and welfare	5,519		
Culture-recreation	29,613		5,107
Unallocated interest expense	2,658		
	<u>\$ 512,850</u>	<u>\$ 11,107</u>	<u>\$ 218,867</u>
Total governmental activities			
Business-type activities:			
Water and Sewer	\$ 255,106	\$ 131,740	\$ -
	<u>\$ 255,106</u>	<u>\$ 131,740</u>	<u>\$ -</u>
Total business-type activities			
	<u>\$ 767,956</u>	<u>\$ 142,847</u>	<u>\$ 218,867</u>

General revenues:
Property taxes
Gross receipts taxes
MVD taxes
Gas taxes
Franchise taxes
Miscellaneous
Transfers

Total general revenues

Change in net assets

Net assets--beginning, as originally stated

Restatement

Net assets--beginning, as restated

Change in net assets

Net assets--ending

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

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenue and Changes in Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
\$ -	\$ (131,886)	\$ -	\$ (131,886)
	(108,915)		(108,915)
1,550,685	1,541,293		1,541,293
	(5,519)		(5,519)
	(24,506)		(24,506)
	(2,658)		(2,658)
<u>\$ 1,550,685</u>	<u>\$ 1,267,809</u>	<u>\$ -</u>	<u>\$ 1,267,809</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (123,366)</u>	<u>\$ (123,366)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (123,366)</u>	<u>\$ (123,366)</u>
<u>\$ 1,550,685</u>	<u>\$ 1,267,809</u>	<u>\$ (123,366)</u>	<u>\$ 1,144,443</u>
	\$ 11,661	\$ -	\$ 11,661
	145,541	3,480	149,021
	14,680		14,680
	8,571		8,571
	6,136		6,136
	9,515		9,515
	(37,896)	37,896	-
	<u>\$ 158,208</u>	<u>\$ 41,376</u>	<u>\$ 199,584</u>
	<u>\$ 1,426,017</u>	<u>\$ (81,990)</u>	<u>\$ 1,344,027</u>
	\$ 5,947,071	\$ 2,171,392	\$ 8,118,463
	6,976		6,976
	\$ 5,954,047	\$ 2,171,392	\$ 8,125,439
	1,426,017	(81,990)	1,344,027
	<u>\$ 7,380,064</u>	<u>\$ 2,089,402</u>	<u>\$ 9,469,466</u>

Village of Reserve
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Downtown Revitalization	State Highway Co-op
Assets			
Cash and investments	\$ 46,230	\$ -	\$ 2,671
Taxes receivable	33,073		
Interfund receivable	110,650	326,014	56,197
Interest receivable			
Due from other governments		357,177	
	<u>\$ 189,953</u>	<u>\$ 683,191</u>	<u>\$ 58,868</u>
Total assets	\$ 189,953	\$ 683,191	\$ 58,868
 Liabilities and Fund Balance			
Accounts payable	\$ 2,623	\$ 343,597	\$ -
Interfund payable	131	91,199	249,767
NMFA payable			
Deferred revenue			
	<u>\$ 2,754</u>	<u>\$ 434,796</u>	<u>\$ 249,767</u>
Total liabilities	\$ 2,754	\$ 434,796	\$ 249,767
Fund balance:			
Restricted:			
Public safety	\$ -	\$ -	\$ -
Debt service			
Construction		248,395	
Unassigned	187,199		(190,899)
	<u>\$ 187,199</u>	<u>\$ 248,395</u>	<u>\$ (190,899)</u>
Total fund balance	\$ 187,199	\$ 248,395	\$ (190,899)
Total liabilities and fund balance	\$ 189,953	\$ 683,191	\$ 58,868

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

<u>Maps and Roads</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ 48,165	\$ 69,431	\$ 166,497
		33,073
202,816	114,000	809,677
	7,272	7,272
	72,332	429,509
<u>\$ 250,981</u>	<u>\$ 263,035</u>	<u>\$ 1,446,028</u>
\$ -	\$ 19,079	\$ 365,299
310,899	143,331	795,327
	429	429
	22,729	22,729
<u>\$ 310,899</u>	<u>\$ 185,568</u>	<u>\$ 1,183,784</u>
\$ -	\$ 45,385	\$ 45,385
	24,376	24,376
	20,763	269,158
(59,918)	(13,057)	(76,675)
<u>\$ (59,918)</u>	<u>\$ 77,467</u>	<u>\$ 262,244</u>
<u>\$ 250,981</u>	<u>\$ 263,035</u>	<u>\$ 1,446,028</u>

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

Total governmental fund balances	\$ 262,244
<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.	7,444,811
Loan issue costs are capitalized and amortized over the life of the loan	4,862
Long-term liabilities, including interest payable are not reported in the funds.	<u>(331,853)</u>
<i>Net assets of governmental activities</i>	<u><u>\$ 7,380,064</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, 2011

	<u>General Fund</u>	<u>Downtown Revitalization</u>	<u>State Highway Co-op</u>
Revenues:			
Property taxes	\$ 11,661	\$ -	\$ -
Gross receipts taxes	145,541		
MVD taxes	14,680		
Gas taxes	8,571		
Franchise taxes	6,136		
Intergovernmental	45,959	1,493,919	
Fines, licenses and permits	1,503		
Charges for services	1,101		
Miscellaneous	8,740	121	
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 243,892</u>	<u>\$ 1,494,040</u>	<u>\$ -</u>
Expenditures:			
Current:			
General government	\$ 126,363	\$ -	\$ -
Public safety	36,200		
Public works	6,352		
Health and welfare	4,000		
Culture recreation	18,974		
Debt service:			
Principal			
Interest			
Capital outlay		1,699,480	417
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 191,889</u>	<u>\$ 1,699,480</u>	<u>\$ 417</u>
Excess (Deficiency) of revenues over expenditures	\$ 52,003	\$ (205,440)	\$ (417)
Other financing sources (uses):			
Loan proceeds			
Transfer out	(63,944)	(11)	
Transfer in			
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balances	<u>\$ (11,941)</u>	<u>\$ (205,451)</u>	<u>\$ (417)</u>
Fund balance, July 1, 2010, as originally stated	\$ 199,140	\$ 453,846	\$ (190,482)
Restatement (Note 16)			
	<u> </u>	<u> </u>	<u> </u>
Fund balance, July 1, 2010, as restated	\$ 199,140	\$ 453,846	\$ (190,482)
Net change in fund balance	<u>(11,941)</u>	<u>(205,451)</u>	<u>(417)</u>
Fund balance, June 30, 2011	<u>\$ 187,199</u>	<u>\$ 248,395</u>	<u>\$ (190,899)</u>

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

<u>Maps and Roads</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 11,661
		145,541
		14,680
		8,571
		6,136
	229,674	1,769,552
		1,503
	8,503	9,604
	654	9,515
<u>\$ -</u>	<u>\$ 238,831</u>	<u>\$ 1,976,763</u>
\$ -	\$ -	\$ 126,363
	165,974	202,174
		6,352
		4,000
		18,974
	22,854	22,854
	2,337	2,337
	9,845	1,709,742
<u>\$ -</u>	<u>\$ 201,010</u>	<u>\$ 2,092,796</u>
\$ -	\$ 37,821	\$ (116,033)
		-
		(63,955)
	26,059	26,059
<u>\$ -</u>	<u>\$ 63,880</u>	<u>\$ (153,929)</u>
\$ (59,918)	\$ 6,611	\$ 409,197
	6976	6,976
<u>\$ (59,918)</u>	<u>\$ 13,587</u>	<u>\$ 416,173</u>
-	63,880	(153,929)
<u>\$ (59,918)</u>	<u>\$ 77,467</u>	<u>\$ 262,244</u>

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

Net changes in fund balances - total governmental funds \$ (153,929)

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

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. 1,557,756

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.

Intergovernmental revenue subject to the 60 day availability period

Repayment of debt is an expenditure in the governmental funds, but the payment reduces long term liabilities in the Statement of Net Assets. 22,854

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. 13

Bond and loan proceeds are reported as financing sources in the funds, In the Statement of Activities, however, issuing debt increased long term liabilities

Loan issue costs are expenditures in the funds but are capitalized and amortized in the Statement of Activities

Loan issue costs	
Amortization	(334)

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. (343)

Change in Net Assets of Governmental Activities \$ 1,426,017

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, 2011

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 186,913	\$ 186,913	\$ 151,339	\$ (35,574)
Licenses and permits	1,200	1,200	2,604	1,404
Intergovernmental	46,196	46,196	45,959	(237)
Miscellaneous	750	750	9,737	8,987
Total revenues	\$ 235,059	\$ 235,059	\$ 209,639	\$ (25,420)
Expenditures:				
Current:				
General government	\$ 133,296	\$ 133,296	\$ 123,331	\$ 9,965
Public safety	36,200	36,200	36,200	-
Highways and streets	5,004	5,004	6,352	(1,348)
Health and welfare	4,000	4,000	4,000	-
Culture - recreation	3,200	3,200	18,972	(15,772)
Capital outlay				-
Total expenditures	\$ 181,700	\$ 181,700	\$ 188,855	\$ (7,155)
Net change in fund balance	\$ 53,359	\$ 53,359	\$ 20,784	\$ (32,575)
Other financing sources (uses):				
Transfers out	\$ -	\$ -	\$ (38,744)	\$ (38,744)
Transfers in				-
Total other financing sources (uses)	\$ -	\$ -	\$ (38,744)	\$ (38,744)
Net change in fund balance after other financing sources (uses)	\$ 53,359	\$ 53,359	\$ (17,960)	\$ (71,319)
Fund balance, July 1, 2010	28,155	28,155	75,425	47,270
Fund balance, June 30, 2011	\$ 81,514	\$ 81,514	\$ 57,465	\$ (24,049)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (11,941)
Revenue accruals (net)				(34,253)
Expenditure accruals (net)				3,034
Other financing sources (net)				25,200
Net change in fund balance, NON-GAAP budgetary basis				\$ (17,960)

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

Village of Reserve
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	<u>Water and Sewer</u>
Assets	
Current:	
Cash and investments	\$ 1,827
Accounts receivable	16,267
Taxes receivable	678
	18,772
Total current assets	\$ 18,772
Noncurrent assets:	
Restricted cash and investments	\$ 14,500
Capital assets net of accumulated depreciation	2,094,838
	2,109,338
Total noncurrent assets	\$ 2,109,338
Total assets	\$ 2,128,110
Liabilities	
Current:	
Accounts payable	\$ 5,428
Interfund payable	14,350
	19,778
Total current liabilities	\$ 19,778
Noncurrent liabilities:	
Customer deposits, payable from restricted assets	\$ 14,500
Compensated absences	4,430
	38,708
Total liabilities	\$ 38,708
Net Assets	
Invested in capital assets	\$ 2,094,838
Unrestricted	(5,436)
	2,089,402
Total net assets	\$ 2,089,402

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, 2011

	Water and Sewer
Operating revenues:	
Charges for services	\$ 131,740
Operating expenses:	
Personnel	\$ 104,322
Operating	61,994
Depreciation	88,790
Total operating expenses	\$ 255,106
Net operating income (loss)	\$ (123,366)
Non-operating revenue (expense):	
Dedicated gross receipts tax	\$ 3,480
Miscellaneous income	
Total non-operating revenue (expense)	\$ 3,480
Income before contributions and operating transfers	\$ (119,886)
Transfers out	
Transfers in	37,896
Change in net assets	\$ (81,990)
Net assets, beginning of year	2,171,392
Net assets, end of year	\$ 2,089,402

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, 2011

	Water and Sewer
Cash flows from operating activities:	
Receipts from customers	\$ 128,275
Payments to suppliers	(63,499)
Payments to employees	(103,999)
	(39,223)
Net cash provided (used) by operating activities	\$ (39,223)
Cash flows from noncapital financing activities:	
Dedicated tax receipts	\$ 3,304
Miscellaneous receipts	
Transfers from other funds	37,896
Interfund activity	
	41,200
Net cash provided (used) by noncapital financing activities	\$ 41,200
Cash flows from capital and related financing activities:	
Principal paid on capital debt	\$ -
Interest paid on capital debt	
	-
Net cash provided (used) by capital and related financing activities	\$ -
Cash flows from investing activities:	
Earnings on investments	\$ -
	-
Net increase (decrease) in cash and cash equivalents	\$ 1,977
Cash and equivalents, beginning of year	14,350
Cash and equivalents, end of year	\$ 16,327

Village of Reserve
STATEMENT OF CASH FLOWS (concluded)
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2011

	<u>Water and Sewer</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (123,366)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	88,790
Changes in assets and liabilities:	
Receivables, net	(3,615)
Accounts payable	(1,505)
Customer deposits	150
Compensated absences	323
	<u>323</u>
Net cash provided (used) by operating activities	\$ (39,223)

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

Village of Reserve
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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.

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.

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, expense, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Derived tax revenues, such as gross receipts taxes and motor vehicle taxes, are recognized when the underlying exchange has occurred. Voluntary non-exchange transactions, such as governmental grants, are recognized when all eligibility requirements have been met.

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.

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. Inter-fund balances are eliminated completely in the total column of 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.

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. Assets acquired with an original cost of \$5,000 or more are capitalized. Construction period interest is capitalized in proprietary funds.

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

During the year ended June 30 2011, the Village implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change its constraints.
- Assigned fund balance – amounts a government intends to use for a specific purpose, intent can be expressed by the governing body or by an official or body to which the government body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Village Council establishes (and modifies or rescinds) fund balance commitments by adoption of a resolution or a vote of the Council. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the Village Council through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

N. REVENUES, EXPENDITURES, AND EXPENSES

Gross Receipts Tax

The Village levies a 6.9375% 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, 2011 was \$2.066 per \$1,000 for nonresidential property and \$2.225 for residential property. The Village's tax rate for debt service was -0- per \$1,000 for both residential and nonresidential property.

Property tax receivables 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 statements.

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. Program revenues for governmental activities normally include license fees, user fees, copy charges and charges for recreational and special events.

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, 2011, the Village's bank balance of \$155,989 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized \$ -0-

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk		
Category:		
Insured	\$ 155,989	\$ 148,020
Collateral held by the pledging Bank's agent in Village's name	<u>-0-</u>	<u>-0-</u>
	<u>\$ 155,989</u>	<u>\$ 148,020</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 \$24,805.

Note 3 Investments

At June 30, 2011, 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, 2011.

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	<u>\$ -0-</u>	<u>\$ 16,267</u>
Intergovernmental grants	<u>\$ 436,781</u>	<u>\$ -0-</u>
Taxes receivables:		
Gasoline taxes	\$ 1,526	\$
Gross receipts tax	28,341	678
Franchise taxes		
Property taxes	635	

Motor vehicle taxes	2,571	
Cigarette tax	<u>- 0-</u>	
	<u>\$ 33,073</u>	<u>\$ 678</u>
Total	<u>\$ 469,854</u>	<u>\$ 16,945</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, 2011 was as follows:

	Balance				Balance
	July 1, 2010	Adjustment	Increase	Decreases	June 30, 2011
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 175,420	\$	\$	\$	\$ 175,420
Construction in progress	<u>409,135</u>		<u>1,709,742</u>		<u>2,118,877</u>
	<u>\$ 584,555</u>	<u>\$ -0-</u>	<u>\$1,709,742</u>	<u>\$ -0-</u>	<u>\$ 2,294,297</u>
Other capital assets:					
Buildings/improvements	\$1,195,141	\$	\$	\$	\$ 1,195,141
Infrastructure	4,524,748				4,524,748
Equipment	<u>765,827</u>				<u>765,827</u>
Total other assets, at historical cost	<u>\$6,485,716</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 6,485,716</u>
Less accumulated depreciation for:					
Buildings/improvements	\$ 140,877	\$	\$ 24,852	\$	\$ 165,729
Infrastructure	353,623		126,695		480,318
Equipment	<u>688,716</u>		<u>439</u>	<u>-0-</u>	<u>689,155</u>
Total accumulated depreciation	<u>\$1,183,216</u>	<u>\$ -0-</u>	<u>\$ 151,986</u>	<u>\$ -0-</u>	<u>\$ 1,335,202</u>
Governmental activities, Capital assets, net	<u>\$5,887,055</u>	<u>\$ -0-</u>	<u>\$1,557,756</u>	<u>\$ -0-</u>	<u>\$ 7,444,811</u>

Business Type Activities:

Capital assets not being depreciated:

Land	\$ 21,838	\$ -0-	\$ -0-	\$ -0-	\$ 21,838
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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

\$3,372,067	\$ -0-	\$ -0-	\$ -0-	\$ 3,372,063
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Less accumulated depreciation for:

Building	\$ 59,204	\$	\$ 1,617	\$	\$ 60,821
Utility plant	1,086,447		83,113		1,169,560
Equipment	<u>64,622</u>		<u>4,060</u>		<u>68,682</u>

Total accumulated depreciation

\$1,210,273	\$ -0-	\$ 88,790	\$ -0-	\$ 1,299,063
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Business-type activities capital assets, net

<u>\$2,183,628</u>	<u>\$ -0-</u>	<u>\$ (88,790)</u>	<u>\$ -0-</u>	<u>\$ 2,094,838</u>
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The Village has various construction projects ongoing at various stages of completion. Future commitments total approximately \$2,000,000.

Depreciation was charged to the Governmental Activities as follows:

General Government	\$ 48,636
Public Safety	88,152
Culture-Recreation	10,639
Public Works	3,040
Health and Welfare	<u>1,519</u>
	<u>\$ 151,986</u>

Note 6 Long-term Debt

Changes in long-term debt were as follows during the year ended June 30, 2011.

	Balance July 1, 2010	Additions	Retire- ments	Balance June 30, 2011	Due Within One Year
Governmental activities:					
Notes payable	\$ 351,624	\$	\$ 22,854	\$328,770	\$ 22,910

Compensated absences	<u>2,363</u>	<u>3,850</u>	<u>3,507</u>	<u>2,706</u>	<u>-0-</u>
	<u>\$ 353,987</u>	<u>\$ 3,850</u>	<u>\$ 26,361</u>	<u>\$331,476</u>	<u>\$ 22,910</u>
Business Type Activities:					
Compensated absences	<u>\$ 4,107</u>	<u>\$ 4,850</u>	<u>\$ 4,527</u>	<u>\$ 4,430</u>	<u>\$ -0-</u>

Governmental Activities Note Payable

The Village entered into loans and intercept agreements with the New Mexico Finance Authority to fund a multi-purpose facility and street improvements. The payments are to be made solely from the distributions of 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 \$25,200, including interest at rates between -0-% and 1.48%. The notes mature in 2024 and 2028. The revenues pledged totaled \$340,966, at June 30, 2011, which is 14% of future gross receipts tax collections at their current rate. During the year ended June 30, 2011, the Village recognized \$145,541 in pledged revenues, and retired \$25,191 in loan principal and interest.

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, 2011 is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 22,910	\$ 2,281	\$ -0-	\$ -0-
2013	22,978	2,213		
2014	23,065	2,126		
2015	23,174	2,017		
2016	23,297	1,894		
2017-2021	118,873	1,665		
2022-2026	84,193	-0-		
2027-2030	<u>10,280</u>	<u>-0-</u>		
	<u>\$ 328,770</u>	<u>\$ 12,196</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, 2011, 2010 and 2009 were \$23,150, \$23,129, and \$27,246, 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 plan 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. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .833% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY2012	1.834%	.917%
FY2013	2.000%	1.000%

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, 2011, 2010 and 2009 were \$4,132, \$3,324 and \$3,795, 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:

Fire	<u>\$ 45,385</u>
------	------------------

The Village reports \$338,125 in restricted net assets of which \$338,125 is restricted by enabling legislation.

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 Future Commitments

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 Deficit Fund Balance

The deficit fund balances; Recreation (\$11,104), DWI (\$1,953), State Highway Co-op (\$190,899), MAP and Roadways (\$59,918), is the result of the application of the modified accrual basis limitation of 60 days on the accrual of revenue, or the timing of transfers to be made from the General Fund. As the revenue is collected and/or the transfers are made, the deficit fund balance will be reduced.

Note 14 Inter-fund Activity

Inter-fund balances were as follows at June 30, 2011:

		<u>Inter-fund Payable</u>					
		Downtown	State		Other	Enterprise	
		Revitali- zation	MAP and Roadways	Highway Co-op	Funds	Funds	<u>Total</u>
<u>General</u>	<u>Receivable</u>						
General	\$	\$ 37,257	\$ 56,095	\$ 6,063	\$ 11,235		\$ 110,650

Downtown						
Revitalization		112,918	81,000	132,096		326,014
Map & Roadways	40,112		162,704			202,816
State Highway						
Coop		56,197				56,197
Other Funds	<u>131</u>	<u>13,830</u>	<u>85,689</u>		<u>14,350</u>	<u>114,000</u>
	<u>\$ 131</u>	<u>\$ 91,199</u>	<u>\$ 310,899</u>	<u>\$249,767</u>	<u>\$143,331</u>	<u>\$ 14,350</u>
						<u>\$ 809,677</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>Transfer From</u>
	<u>General</u>
Other Fund	\$ 26,059
Enterprise Funds	<u>37,896</u>
	<u>\$ 63,955</u>

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

Note 15 Expenditures in Excess of Budgetary Authority

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

DWI	\$ 12,456
General	7,155
Water System	9,845
Enterprise	8,081
State Highway Coop	417

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

Note 16 Restatement

The Village holds a U.S. Savings Bond held as an investment in the Fire Fund. During the year ended June 30, 2011, the Village discovered that it had not recorded the accrued interest on the bond, in the amount of \$6,976, and it was recorded. Prior year net assets/fund balances have been restated to show the effects of the change, where necessary.

Note 17 Subsequent Events

The Village has evaluated subsequent events through March 30, 2013, the date which the financial statements were available to be issued. No events have occurred which would have a material effect on the financial statements of the Village as of that date.

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.

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, 2011

	<u>Special Revenue Funds</u>			<u>Debt Service Funds</u>	
	<u>Fire Protection</u>	<u>DWI</u>	<u>Recreation</u>	<u>Multipurpose Facility</u>	<u>Street Improvement</u>
Assets					
Cash and investments	\$ 38,189	\$ 1,484	\$ -	\$ 1,330	\$ 23,475
Taxes receivable					
Interest receivable	7,272				
Interfund receivable			131		
Due from governments		15,566			
Total assets	<u>\$ 45,461</u>	<u>\$ 17,050</u>	<u>\$ 131</u>	<u>\$ 1,330</u>	<u>\$ 23,475</u>
Liabilities and Fund Balance					
Accounts payable	\$ 76	\$ 19,003	\$ -	\$ -	\$ -
Interfund payable			11,235		
NMFA payable				429	
Deferred revenue					
Total liabilities	<u>\$ 76</u>	<u>\$ 19,003</u>	<u>\$ 11,235</u>	<u>\$ 429</u>	<u>\$ -</u>
Fund balances:					
Restricted:					
Public safety	\$ 45,385	\$ -	\$ -	\$ -	\$ -
Culture and recreation					
Debt service				901	23,475
Construction					
Unassigned		(1,953)	(11,104)		
Total fund balances	<u>\$ 45,385</u>	<u>\$ (1,953)</u>	<u>\$ (11,104)</u>	<u>\$ 901</u>	<u>\$ 23,475</u>
Total liabilities and fund balances	<u>\$ 45,461</u>	<u>\$ 17,050</u>	<u>\$ 131</u>	<u>\$ 1,330</u>	<u>\$ 23,475</u>

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

Capital Projects Funds

<u>Water System</u>	<u>CDBG Streets</u>	<u>Multipurpose Facility</u>	<u>TPE</u>	<u>School Bus Route</u>	<u>Total</u>
\$ -	\$ -	\$ 4,953	\$ -	\$ -	\$ 69,431
					-
	13,830	14,350	22,729	62,960	7,272
<u>56,766</u>					<u>114,000</u>
					72,332
<u>\$ 56,766</u>	<u>\$ 13,830</u>	<u>\$ 19,303</u>	<u>\$ 22,729</u>	<u>\$ 62,960</u>	<u>\$ 263,035</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,079
56,766	12,370			62,960	143,331
					429
			22,729		22,729
<u>\$ 56,766</u>	<u>\$ 12,370</u>	<u>\$ -</u>	<u>\$ 22,729</u>	<u>\$ 62,960</u>	<u>\$ 185,568</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,385
					-
	1,460	19,303			24,376
					20,763
					(13,057)
<u>\$ -</u>	<u>\$ 1,460</u>	<u>\$ 19,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,467</u>
<u>\$ 56,766</u>	<u>\$ 13,830</u>	<u>\$ 19,303</u>	<u>\$ 22,729</u>	<u>\$ 62,960</u>	<u>\$ 263,035</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, 2011

	Special Revenue Funds		
	Fire Protection	DWI	Recreation
Revenues:			
Intergovernmental	\$ 75,495	\$ 97,413	\$ -
Fines, licenses and permits			
Charges for services	3,996	4,507	
Miscellaneous	296	320	
	\$ 79,787	\$ 102,240	\$ -
Expenditures:			
Current:			
Public safety	\$ 50,040	\$ 115,934	\$ -
Culture and recreation			
Debt service:			
Principal			
Interest			
Capital outlay			
	\$ 50,040	\$ 115,934	\$ -
Net change in fund balance	\$ 29,747	\$ (13,694)	\$ -
Other financing sources (uses):			
Loan proceeds			
Transfer out			
Transfer in	848		
	\$ 30,595	\$ (13,694)	\$ -
Net change in fund balance after other financing sources (uses)	\$ 30,595	\$ (13,694)	\$ -
Fund balance, July 1, 2010 originally stated	\$ 7,814	\$ 11,741	\$ (11,104)
Restatement (Note 16)	6,976		
Fund balance, July 1, 2010, as restated	\$ 14,790	\$ 11,741	\$ (11,104)
Net change in fund balance	30,595	(13,694)	-
Fund balance, June 30, 2011	\$ 45,385	\$ (1,953)	\$ (11,104)

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>Water System</u>	<u>CDBG Streets</u>	<u>Multipurpose Facility</u>	<u>Total</u>
\$ -	\$ -	\$ 56,766	\$ -	\$ -	\$ 229,674
					-
					8,503
<u>5</u>	<u>33</u>				<u>654</u>
<u>\$ 5</u>	<u>\$ 33</u>	<u>\$ 56,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,831</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 165,974
					-
5,142	17,712				22,854
	2,337				2,337
		9,845			9,845
<u>5,142</u>	<u>20,049</u>	<u>9,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,010</u>
\$ (5,137)	\$ (20,016)	\$ 46,921	\$ -	\$ -	\$ 37,821
					-
					-
<u>5,148</u>	<u>20,063</u>				<u>26,059</u>
<u>\$ 11</u>	<u>\$ 47</u>	<u>\$ 46,921</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,880</u>
\$ 890	\$ 23,428	\$ (46,921)	\$ 1,460	\$ 19,303	\$ 6,611
					6,976
<u>890</u>	<u>23,428</u>	<u>(46,921)</u>	<u>1,460</u>	<u>19,303</u>	<u>13,587</u>
<u>11</u>	<u>47</u>	<u>46,921</u>	<u>-</u>	<u>-</u>	<u>63,880</u>
<u>\$ 901</u>	<u>\$ 23,475</u>	<u>\$ -</u>	<u>\$ 1,460</u>	<u>\$ 19,303</u>	<u>\$ 77,467</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, 2011

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Culture recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2010	<u>-</u>	<u>-</u>	<u>(11,235)</u>	<u>(11,235)</u>
Fund balance, June 30, 2011	<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				\$ -
Revenue accruals (net)				
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
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, 2011

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 75,495	\$ 75,495	\$ 75,495	\$ -
Miscellaneous			3,996	3,996
Total revenues	\$ 75,495	\$ 75,495	\$ 79,491	\$ 3,996
Expenditures:				
Current:				
Public safety	\$ 75,495	\$ 75,495	\$ 53,935	\$ 21,560
Capital outlay				-
Total expenditures	\$ 75,495	\$ 75,495	\$ 53,935	\$ 21,560
Net change in fund balance	\$ -	\$ -	\$ 25,556	\$ 25,556
Other financing sources (uses):				
Transfers in (out)	-	-	848	848
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ 26,404	\$ 26,404
Fund balance, July 1, 2010			11,785	11,785
Fund balance, June 30, 2011	\$ -	\$ -	\$ 38,189	\$ 38,189
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 30,595
Revenue accruals (net)				(296)
Expenditure accruals (net)				(3,895)
Net change in fund balance, NON-GAAP budgetary basis				\$ 26,404

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, 2011

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 104,000	\$ 104,000	\$ 113,613	\$ 9,613
Miscellaneous	500	500	4,827	4,327
Total revenues	<u>\$ 104,500</u>	<u>\$ 104,500</u>	<u>\$ 118,440</u>	<u>\$ 13,940</u>
Expenditures:				
Current:				
Public safety	\$ 104,500	\$ 104,500	\$ 116,956	\$ (12,456)
Total expenditures	<u>\$ 104,500</u>	<u>\$ 104,500</u>	<u>\$ 116,956</u>	<u>\$ (12,456)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,484</u>	<u>\$ 1,484</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance after other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,484</u>	<u>\$ 1,484</u>
Fund balance, July 1, 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2011	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,484</u></u>	<u><u>\$ 1,484</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (13,694)
Revenue accruals (net)				16,200
Expenditure accruals (net)				(1,022)
Other financing sources (net)				<u> </u>
Net change in fund balance, NON-GAAP budgetary basis				<u><u>\$ 1,484</u></u>

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

Village of Reserve
CDBG STREETS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses):				
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2010	<u>-</u>	<u>-</u>	<u>(12,370)</u>	<u>(12,370)</u>
Fund balance, June 30, 2011	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (12,370)</u></u>	<u><u>\$ (12,370)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ -
Revenue accruals (net)				-
Expenditure accruals (net)				-
Other financing sources (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
TPE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2011

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses):				
Transfers in	-	-	-	-
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2010			(22,729)	(22,729)
Fund balance, June 30, 2011	\$ -	\$ -	\$ (22,729)	\$ (22,729)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ -
Revenue 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, 2011

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses):				
Transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2010	<u>-</u>	<u>-</u>	<u>4,953</u>	<u>4,953</u>
Fund balance, June 30, 2011	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,953</u></u>	<u><u>\$ 4,953</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ -
Revenue accruals (net)				-
Expenditure accruals (net)				-
Other financing sources (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
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, 2011

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2010			(62,960)	(62,960)
Fund balance, June 30, 2011	\$ -	\$ -	\$ (62,960)	\$ (62,960)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ -
Revenue 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
WATER SYSTEM IMPROVEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 56,766	\$ 56,766
Expenditures:				
Capital outlay			<u>9,845</u>	<u>(9,845)</u>
Net change in fund balance	\$ -	\$ -	\$ 46,921	\$ 46,921
Other financing sources (uses):				
Loan proceeds				<u>-</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ 46,921	\$ 46,921
Fund balance, July 1, 2010	<u>-</u>	<u>-</u>	<u>(46,921)</u>	<u>(46,921)</u>
Fund balance, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 46,921
Revenue accruals (net)				(46,921)
Expenditure accruals (net)				-
Other financing sources (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
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, 2011

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2010	<u> </u>	<u> </u>	<u>48,165</u>	<u>48,165</u>
Fund balance, June 30, 2011	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 48,165</u></u>	<u><u>\$ 48,165</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ -
Revenue accruals (net)				-
Expenditure accruals (net)				-
Other financing sources (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
SH CO-OP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	<u>-</u>	<u>-</u>	<u>417</u>	<u>(417)</u>
Net change in fund balance	\$ -	\$ -	\$ (417)	\$ (417)
 Fund balance, July 1, 2010	 <u>-</u>	 <u>-</u>	 <u>59,285</u>	 <u>59,285</u>
Fund balance, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,868</u>	<u>\$ 58,868</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (417)
Revenue accruals (net)				
Expenditure accruals (net)				
Other financing sources (net)				<u> </u>
 Net change in fund balance, NON-GAAP budgetary basis				 <u>\$ (417)</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, 2011

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 2,753,609	\$ 2,753,609	\$ 1,410,322	\$ (1,343,287)
Expenditures:				
Capital outlay	<u>2,807,609</u>	<u>2,807,609</u>	<u>1,371,680</u>	<u>1,435,929</u>
Net change in fund balance	\$ (54,000)	\$ (54,000)	\$ 38,642	\$ 92,642
Fund balance, July 1, 2010	<u>54,000</u>	<u>54,000</u>	<u>37,257</u>	<u>(16,743)</u>
Fund balance, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,899</u>	<u>\$ 75,899</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (205,451)
Revenue accruals (net)				(83,718)
Expenditure accruals (net)				327,800
Other financing sources (net)				<u>11</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ 38,642</u>

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

Village of Reserve
ENTERPRISE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 3,500	\$ 3,500	\$ 3,213	\$ (287)
Charges for services	128,000	128,000	128,275	275
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 131,500</u>	<u>\$ 131,500</u>	<u>\$ 131,488</u>	<u>\$ (12)</u>
Expenses:				
Current:				
Personnel	\$ 92,976	\$ 92,976	\$ 103,999	\$ (11,023)
Operating	<u>66,350</u>	<u>66,350</u>	<u>63,408</u>	<u>2,942</u>
Total expenditures	<u>\$ 159,326</u>	<u>\$ 159,326</u>	<u>\$ 167,407</u>	<u>\$ (8,081)</u>
Revenues over expenditures	\$ (27,826)	\$ (27,826)	\$ (35,919)	\$ (8,093)
Other financing sources (uses):				
Transfers in/(out)	<u>37,896</u>	<u>37,896</u>	<u>37,896</u>	<u>-</u>
Net change in net assets	\$ 10,070	\$ 10,070	\$ 1,977	\$ (8,093)
Net assets, July 1, 2010	<u>-</u>	<u>-</u>	<u>14,350</u>	<u>14,350</u>
Net assets, June 30, 2011	<u>\$ 10,070</u>	<u>\$ 10,070</u>	<u>\$ 16,327</u>	<u>\$ 6,257</u>
 Budgetary reconciliation:				
Net change in net assets, GAAP basis				\$ (81,990)
Revenue accruals (net)				(3,732)
Expenditure accruals (net)				87,699
Other financing uses (net)				<u>-</u>
Net change in net assets, NON-GAAP budgetary basis				<u>\$ 1,977</u>

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

Village of Reserve
SCHEDULE OF DEPOSITORY COLLATERAL
 June 30, 2011

	<u>First State Bank</u>
Total deposits	\$ 155,989
FDIC Insurance	(155,989)
Total uninsured public funds	\$ -
50% collateralization requirement (Section 6-10-17 NMSA)	\$ -
Pledged securities: FFCB 31331V2J4 1-1-12	\$ 301,228
Total pledged	\$ 301,228
Pledged securities over (under) requirement	\$ 301,228

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

Village of Reserve
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2011

	Type of Account	Bank Balance	Reconciled Balance
<u>First State Bank</u>			
General	Checking	\$ 155,989	\$ 148,019
Total First State Bank		\$ 155,989	\$ 148,019
United States Treasury Bills			\$ 10,000
Cash on deposit with paying agent			24,805
Cash per balance sheet			\$ 182,824

Village of Reserve
SCHEDULE OF JOINT POWERS AGREEMENT
 June 30, 2011

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	Continuing
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, 2011

	Fire Dept Substation <u>08-LG-3207</u>	Mult Purpose Facility <u>08-LG-3208</u>
Original appropriation	\$ 100,000	\$ 205,000
Funds reverted	<u>(100,000)</u>	<u>(3,072)</u>
Appropriation remaining	<u>\$ -</u>	<u>\$ 201,928</u>
Expended through June 30, 2011		201,928
Encumbrances	<u> </u>	<u> </u>
Total committed	<u><u>\$ -</u></u>	<u><u>\$ 201,928</u></u>
Project expiration date	06/30/12	06/30/12

Village of Reserve
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2011

<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	09-C-RS-I-01-G-25	<u>\$ 490,000</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through N.M. Department of Transportation: ARRA Highway Planning and Construction Grants	20.205	ES61150	<u>\$ 895,056</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct: Water and Waste Water Systems for Rural Communities	10.760	N/A	<u>\$ 6,766</u>
Total expenditures of federal awards			<u><u>\$ 1,391,822</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, 2011

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of 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 coverage during the year ended June 30, 2011:

Buildings and personal property	\$ 4,675,000
Inland Marine	150,000
Crime	500,000
Workman's compensation	Unlimited
Liability	1,050,000

Village of Reserve
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2011

Findings – Financial Statement Audit	<u>Current Status</u>
2010-1 Financial statements were restated due to accounting errors	Repeated
09-1 Travel and per diem requests not approved	Resolved
08-1 Expenditures made in excess of budgetary authority	Repeated
2010-2 Payroll and gross receipts tax reports not filed timely	Repeated
2010-3 The Village had pooled cash overdrafts	Resolved
2010-4 The audit report was not delivered by the mandated deadline	Repeated

Findings – Major Federal Award Programs

The Village of Reserve expended less than \$500,000 in federal awards during the year ended June 30, 2010.

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, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the Village of Reserve as of and for the year ended June 30, 2011, which collectively comprise Village of Reserve's basic financial statements and have issued our report thereon dated March 30, 2013. We have also audited the financial statements of each of the Village's non-major governmental funds, and the respective budgetary comparisons for the non-major special revenue funds, the capital projects funds, and the enterprise fund presented as other supplementary information as of and for the year ended June 30, 2011 and have issued our report thereon dated March 30, 2013. 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

Management of the Village of Reserve is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered 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 Village of Reserve's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Village of Reserve's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been

identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2011-1 and 2011-2 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2010-1, 08-1, 2010-2 and 2010-4 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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 Village of Reserve's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Mayor and Village Council, others within the organization, the New Mexico Department of Finance and Administration, 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

March 30, 2013

MIKE STONE, C.P.A.
LINDA STONE McGEE, C.P.A.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 Village of Reserve's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Village of Reserve's major federal programs for the year ended June 30, 2011. 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 Village of Reserve's management. Our responsibility is to express an opinion on 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 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 of Village of Reserve's compliance with those requirements.

In our opinion, Village of Reserve complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Village of Reserve's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as finding 2011-3. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of management, the Mayor and Village Council, others within the organization, the N.M. Department of Finance and Administration, 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

March 30, 2013

Stone, McGee & Co.
Certified Public Accountants

Village of Reserve
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Village of Reserve.
2. Six 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*. Two are considered material weaknesses.
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. One significant deficiency related to the audit of the major federal award programs is 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*. It is not reported as a material weakness.
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. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included: ARRA Highway Planning and Construction, CFDA No. 20.205.
8. The threshold for distinguishing types A and B programs was \$300,000.
9. The Village of Reserve did not qualify as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

2011-1 Grant Reporting (Material Weakness)

Condition – The Village has entered into a contract with a former employee to administer all aspects of its grant proposals and grant expenditures. The contract calls for monthly payments of \$4,166. The fees paid to this contractor have not been charged as an allowable cost to the projects being funded by grants.

Criteria – Administrative costs associated with grant projects must be determined to be eligible by the grantor, and the costs should be included in the cost of the project.

Effect – The costs associated with the contract have not been charged to specific grants, and may have to be borne by the General Fund, if reimbursement is not budgeted as a part of specific projects.

Cause – The Village, in conjunction with the engineering firm administering the project, have not included the consultants costs in the budget or actual expenditures for the various projects currently being administered by the Village.

Recommendation – We recommend that the Village include the consultant’s costs in the budgeted and actual expenditures for projects funded by grants.

Agency Response – The recommendation will be adopted.

2011-2 Financial Reporting (Material Weakness)

Condition – The twelve monthly cash reports to The New Mexico Department of Finance and Administration do not reflect the correct cash balance by fund.

Criteria – Department of Finance and Administration regulations require that the cash reported to the Department reflect the reconciled cash balance by fund.

Effect – The Department of Finance and Administration regulations have been violated, and the Department cannot make an accurate by-fund analysis for regulatory purposes.

Cause – The Village lumps all capital projects into one fund, with sub-categories for revenue and expenses by project. However, no balance sheet information is available by project. Therefore, all projects are carried in one fund with a corresponding cash balance, which, absent analysis, cannot be tied to a specific project.

Recommendation – We recommend that the Village establish separate funds for each capital project, and carry the appropriate balance sheet information on a by-project basis.

Agency response – The Village will make every attempt to separate these projects into individual funds.

2010-1 Restatement of Prior Year Financial Statements (Significant Deficiency)

Condition – The Village was required to restate its beginning net assets by \$6,976, due to not recording interest earned on U.S. savings bonds held by the Fire Fund.

Criteria – Generally accepted accounting principles require that interest be accrued as earned on investments.

Effect – The prior year financial statements did not include interest earned and due on this investment.

Cause – The bond does not remit cash to the investor. Rather, the interest earned is paid when the bond is redeemed. The Village, since it did not receive cash, did not record the interest earned in prior periods.

Recommendation – We recommend that Village personnel record the interest as earned on the bond.

Agency response – The recommended will be adopted. Interest earned on the bond will be recorded as earned.

08-1 Expenditures in Excess of Budgetary Authority (Significant Deficiency)

Condition – The Village had expenditures in excess of budgetary authority of \$7,155 in the General Fund, \$12,456 in the DWI Fund, \$9,845 in the Water System Capital Project Fund, \$417 in the State Highway Co-op Capital Project Fund, and \$8,081 in the Enterprise 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, but the person charged with this task left the Village, and other personnel were not appropriately trained to make the budgetary adjustments. The Village will continue to monitor budgetary compliance as part of its internal control process.

2010-2 Regulatory Reporting (Significant Deficiency)

Condition – The Village has filed its payroll and gross receipts tax reports late in six instances, and the four quarterly payroll reports do not reconcile to general ledger amounts.

Criteria – Internal Revenue Service regulations and New Mexico Taxation and Revenue Department regulations establish specific reporting dates for payroll reports and gross receipts tax reports, which must be met in order to avoid penalties for late-filed reports. Payroll reports should be generated from and reconcile to general ledger amounts.

Effect – The Village has incurred penalties and interest on reports which were not timely filed, and payroll reports, including W-2s, may require revision.

Cause – The Village position assigned the task of filing these reports incurred continued turnover, and no oversight was provided by the Village Council.

Recommendation – We recommend that Village personnel be cross-trained in the preparation and filing of these reports so that, in the event of personnel absence, the reports can be timely filed.

Agency Response – The Village has limited personnel, but intends to oversight these reports in the future. Village personnel are currently reviewing and reconciling past reports, to determine if amended filings are necessary.

2010-4 Late Audit Report (Significant Deficiency)

Condition – The audit report was submitted to the New Mexico State Auditor by common carrier on April 4, 2013.

Criteria – Section 2.2.2.9 A. NMAC, commonly called the Audit Rule, requires submission of the audit report to The New Mexico State Auditor by December 1, 2011.

Effect – The report is not available to legislative and regulatory bodies in a timely manner, and 2.2.2 NMAC has been violated.

Cause – During the conduct of the audit, an Attorney General’s investigation was launched into the Village’s financial and governing policies. It was determined that the issuance of the audit report should be delayed until the investigation was complete. It was subsequently learned that the investigator was awaiting the filing of the audit, so the audit was completed.

Recommendation – We recommend that the Village comply with the mandated deadline in the issuance of future audits.

Agency response – We will make every attempt to comply with the mandated deadline in future audits.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

Department of Transportation

2011-3 ARRA Highway Planning and Construction – CFDA No. 20.205, Passed through the NM Dept. of Transportation, Grant No. ES61150, Year ended June 30, 2011 (Significant Deficiency)

Condition – The Data Collection Form, the online submission required by OMB Circular A-133 to report federal funds expended was not submitted until April, 2013, for the year ended June 30, 2011.

Criteria – The Data Collection Form is required to be filed no later than the earlier of 30 days after receipt of the auditor’s report or nine months after the fiscal year end.

Effect – The Village has violated federal regulations, and could jeopardize future federal funding.

Cause – The Village’s 2011 audit report was delayed pending resolution of an Attorney General’s investigation.

Recommendation – We recommend that the Data Collection Form be filed timely in future years.

Agency Response – The Village agrees with the finding and believes that future filings will be timely.

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 February 23, 2013. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Connie Cordell-Wehrheim	Mayor	Village of Reserve
Lori Martinez	Village Consultant	Village of Reserve
Kay Stone	Shareholder	Stone, McGee & Co., CPAs
Mike Stone CPA	Shareholder	Stone, McGee & Co., CPAs