

State of New Mexico

**Village of Reserve**

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

For The Fiscal Year Ended June 30, 2012

Village of Reserve  
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 June 30, 2012

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Village of Reserve  
**Directory of Officials**  
June 30, 2012

**Elected Officials**

Connie Cordell-Wehrheim

Mayor

Keith Riddle

Mayor Pro Tem

Wilford Estrada

Council Member

Clay Snyder

Council Member

Edward Romero

Council Member

**Administrative Staff**

Andre Giron

Municipal Clerk

Lori Martinez

Grant Coordinator/Treasurer

Nancy Berglund

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 and major special revenue funds of the Village of Reserve (Village) as of and for the year ended June 30, 2012, 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, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General and DWI funds 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, 2012, 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 April 3, 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 financial information listed as other supplemental data in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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

April 3, 2013

Stone, McGee & Co.  
Certified Public Accountants

Village of Reserve  
**STATEMENT OF NET ASSETS**  
June 30, 2012

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and investments	\$ 121,231	\$ 3,741	\$ 124,972
Receivables, net	338,461	16,550	355,011
Loan costs	4,522		4,522
Interfund balances	14,350	(14,350)	-
	<u>478,564</u>	<u>5,941</u>	<u>484,505</u>
Total current assets			
Noncurrent assets:			
Restricted:			
Cash and investments	\$ -	\$ 14,500	\$ 14,500
Capital assets, net	7,960,316	2,006,048	9,966,364
	<u>7,960,316</u>	<u>2,020,548</u>	<u>9,980,864</u>
Total noncurrent assets			
	<u>\$ 8,438,880</u>	<u>\$ 2,026,489</u>	<u>\$ 10,465,369</u>
Total assets			
<b>LIABILITIES</b>			
Current:			
Accounts payable	\$ 53,660	\$ 2,738	\$ 56,398
NMFA payable	429		429
Interest payable	365		365
Deferred revenue	22,729		22,729
Current maturities of long-term debt	22,978		22,978
	<u>100,161</u>	<u>2,738</u>	<u>102,899</u>
Total current liabilities			
Noncurrent:			
Payable from restricted assets:			
Customer deposits	\$ -	\$ 14,500	\$ 14,500
Notes payable	282,882		282,882
Compensated absences	3,818	4,835	8,653
	<u>286,700</u>	<u>19,335</u>	<u>306,035</u>
Total noncurrent liabilities			

Village of Reserve  
**STATEMENT OF NET ASSETS (concluded)**  
June 30, 2012

	Governmental Activities	Business- Type Activities	Total
Total liabilities	\$ 386,861	\$ 22,073	\$ 408,934
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 7,654,456	\$ 2,006,048	\$ 9,660,504
Restricted for:			
Capital projects	486,810		486,810
Debt service	24,109		24,109
Other purposes	59,321		59,321
Unrestricted	(172,677)	(1,632)	(174,309)
Total net assets	\$ 8,052,019	\$ 2,004,416	\$ 10,056,435

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



Village of Reserve  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues	
<u>Functions/Programs</u>		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 200,335	\$ 1,360	\$ 41,000
Public safety	394,306		205,349
Highways and streets	10,074		
Health and welfare	2,823		
Culture-recreation	33,572		
Unallocated interest expense	2,609		
	<u>\$ 643,719</u>	<u>\$ 1,360</u>	<u>\$ 246,349</u>
Business-type activities:			
Water and Sewer	\$ 257,911	\$ 155,443	\$ -
	<u>\$ 257,911</u>	<u>\$ 155,443</u>	<u>\$ -</u>
<b>Total government</b>	<u>\$ 901,630</u>	<u>\$ 156,803</u>	<u>\$ 246,349</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

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>
\$ -	\$ (157,975)	\$ -	\$ (157,975)
	(188,957)		(188,957)
886,950	876,876		876,876
	(2,823)		(2,823)
	(33,572)		(33,572)
	(2,609)		(2,609)
<u>\$ 886,950</u>	<u>\$ 490,940</u>	<u>\$ -</u>	<u>\$ 490,940</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (102,468)</u>	<u>\$ (102,468)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (102,468)</u>	<u>\$ (102,468)</u>
<u>\$ 886,950</u>	<u>\$ 490,940</u>	<u>\$ (102,468)</u>	<u>\$ 388,472</u>
	\$ 12,342	\$ -	\$ 12,342
	135,339	3,236	138,575
	14,884		14,884
	9,164		9,164
	5,810		5,810
	17,722		17,722
	(14,246)	14,246	-
	<u>\$ 181,015</u>	<u>\$ 17,482</u>	<u>\$ 198,497</u>
	\$ 671,955	\$ (84,986)	\$ 586,969
	<u>7,380,064</u>	<u>2,089,402</u>	<u>9,469,466</u>
	<u>\$ 8,052,019</u>	<u>\$ 2,004,416</u>	<u>\$ 10,056,435</u>

Village of Reserve  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2012

	General Fund	DWI	Downtown Revitalization	Water System
<b>Assets</b>				
Cash and investments	\$ -		\$ -	\$ -
Taxes receivable	24,735			
Interfund receivable	194,749		250,115	
Interest receivable				
Due from other governments		13,615	173,876	118,723
	<u>\$ 219,484</u>	<u>\$ 13,615</u>	<u>\$ 423,991</u>	<u>\$ 118,723</u>
 <b>Liabilities and Fund Balance</b>				
Accounts payable	\$ 2,189	\$ 139	\$ 1,347	\$ 17,979
Interfund payable	16,798		195,767	100,744
NMFA payable				
Deferred revenue			173,876	111,957
	<u>\$ 18,987</u>	<u>\$ 139</u>	<u>\$ 370,990</u>	<u>\$ 230,680</u>
 Fund balance:				
Restricted:				
Public safety	\$ -	\$ 13,476	\$ -	\$ -
Debt service				
Construction			53,001	
Unassigned	200,497			(111,957)
	<u>\$ 200,497</u>	<u>\$ 13,476</u>	<u>\$ 53,001</u>	<u>\$ (111,957)</u>
Total fund balance	<u>\$ 219,484</u>	<u>\$ 13,615</u>	<u>\$ 423,991</u>	<u>\$ 118,723</u>
Total liabilities and fund balance	<u>\$ 219,484</u>	<u>\$ 13,615</u>	<u>\$ 423,991</u>	<u>\$ 118,723</u>

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

<u>State Highway Coop</u>	<u>Street Improvements</u>	<u>Maps and Roads</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ 43,210	\$ -	\$ 48,165	\$ 29,856	\$ 121,231
15,658	151,258	202,816	160,294	24,735
			7,512	974,890
				7,512
				306,214
<u>\$ 58,868</u>	<u>\$ 151,258</u>	<u>\$ 250,981</u>	<u>\$ 197,662</u>	<u>\$ 1,434,582</u>
\$ -	\$ 24,045	\$ -	\$ 7,961	\$ 53,660
249,767		310,899	86,565	960,540
			429	429
			22,729	308,562
<u>\$ 249,767</u>	<u>\$ 24,045</u>	<u>\$ 310,899</u>	<u>\$ 117,684</u>	<u>\$ 1,323,191</u>
\$ -	\$ -	\$ -	\$ 45,845	\$ 59,321
			24,474	24,474
	127,213		20,763	200,977
(190,899)		(59,918)	(11,104)	(173,381)
<u>\$ (190,899)</u>	<u>\$ 127,213</u>	<u>\$ (59,918)</u>	<u>\$ 79,978</u>	<u>\$ 111,391</u>
<u>\$ 58,868</u>	<u>\$ 151,258</u>	<u>\$ 250,981</u>	<u>\$ 197,662</u>	<u>\$ 1,434,582</u>

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

Total governmental fund balances	\$ 111,391
 <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.	7,960,316
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Intergovernmental grants subject to the 60 day availability period	285,833
Loan issue costs are capitalized and amortized over the life of the loan	4,522
Long-term liabilities, including interest payable are not reported in the funds.	(310,043)
<i>Net assets of governmental activities</i>	<u>\$ 8,052,019</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, 2012

	General Fund	DWI	Downtown Revitalization	Water System
<b>Revenues:</b>				
Property taxes	\$ 12,342	\$ -	\$ -	\$ -
Gross receipts taxes	135,339			
MVD taxes	14,884			
Gas taxes	9,164			
Franchise taxes	5,810			
Federal sources			108,772	
State sources	41,000	115,608	242,345	
Fines, licenses and permits	1,255			
Charges for services	105			
Miscellaneous	17,393			
	<u>\$ 237,292</u>	<u>\$ 115,608</u>	<u>\$ 351,117</u>	<u>\$ -</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	\$ 108,849	\$ -	\$ -	\$ -
Public safety	36,200	104,783		
Public works	4,425			
Health and welfare				
Culture recreation	13,803			
<b>Debt service:</b>				
Principal				
Interest				
Capital outlay			546,511	111,957
	<u>\$ 163,277</u>	<u>\$ 104,783</u>	<u>\$ 546,511</u>	<u>\$ 111,957</u>
Excess (Deficiency) of revenues over expenditures	\$ 74,015	\$ 10,825	\$ (195,394)	\$ (111,957)
<b>Other financing sources (uses):</b>				
Loan proceeds				
Transfer out	(60,717)			
Transfer in		4,604		
	<u>\$ 13,298</u>	<u>\$ 15,429</u>	<u>\$ (195,394)</u>	<u>\$ (111,957)</u>
Net change in fund balances	\$ 13,298	\$ 15,429	\$ (195,394)	\$ (111,957)
Fund balance, July 1, 2011	187,199	(1,953)	248,395	
Fund balance, June 30, 2012	<u>\$ 200,497</u>	<u>\$ 13,476</u>	<u>\$ 53,001</u>	<u>\$ (111,957)</u>

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

<u>State Highway Coop</u>	<u>Street Improvements</u>	<u>Maps and Roads</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 12,342
				135,339
				14,884
				9,164
				5,810
			89,741	198,513
	250,000			648,953
				1,255
				105
			329	17,722
<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 90,070</u>	<u>\$ 1,044,087</u>
\$ -	\$ -	\$ -	\$ -	\$ 108,849
			89,521	230,504
				4,425
				-
				13,803
			22,910	22,910
			2,281	2,281
	139,454			797,922
<u>\$ -</u>	<u>\$ 139,454</u>	<u>\$ -</u>	<u>\$ 114,712</u>	<u>\$ 1,180,694</u>
\$ -	\$ 110,546	\$ -	\$ (24,642)	\$ (136,607)
				-
				(60,717)
	16,667		25,200	46,471
\$ -	\$ 127,213	\$ -	\$ 558	\$ (150,853)
(190,899)	-	(59,918)	79,420	262,244
<u>\$ (190,899)</u>	<u>\$ 127,213</u>	<u>\$ (59,918)</u>	<u>\$ 79,978</u>	<u>\$ 111,391</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 \$ (150,853)

*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. 515,505

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 285,833

Repayment of debt is an expenditure in the governmental funds, but the payment reduces long term liabilities in the Statement of Net Assets. 22,910

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. 12

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	(340)

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. (1,112)

*Change in Net Assets of Governmental Activities* \$ 671,955



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, 2012

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 149,541	\$ 149,541	\$ 157,685	\$ 8,144
Licenses and permits	1,400	1,400	1,360	(40)
State sources	44,815	44,815	41,000	(3,815)
Miscellaneous	1,700	1,700	17,393	15,693
Total revenues	\$ 197,456	\$ 197,456	\$ 217,438	\$ 19,982
Expenditures:				
Current:				
General government	\$ 110,766	\$ 110,766	\$ 105,943	\$ 4,823
Public safety	36,200	36,200	36,200	-
Highways and streets	5,004	5,004	4,425	579
Health and welfare				-
Culture - recreation	18,731	18,731	14,151	4,580
Capital outlay				-
Total expenditures	\$ 170,701	\$ 170,701	\$ 160,719	\$ 9,982
Net change in fund balance	\$ 26,755	\$ 26,755	\$ 56,719	\$ 29,964
Other financing sources (uses):				
Transfers out	\$ -	\$ -	\$ (18,850)	\$ (18,850)
Transfers in				-
Total other financing sources (uses)	\$ -	\$ -	\$ (18,850)	\$ (18,850)
Net change in fund balance after other financing sources (uses)	\$ 26,755	\$ 26,755	\$ 37,869	\$ 11,114
Fund balance, July 1, 2011			57,465	57,465
Fund balance, June 30, 2012	\$ 26,755	\$ 26,755	\$ 95,334	\$ 68,579
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 13,298
Revenue accruals (net)				(19,854)
Expenditure accruals (net)				2,558
Other financing sources (net)				41,867
Net change in fund balance, NON-GAAP budgetary basis				\$ 37,869

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, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 90,000	\$ 90,000	\$ 117,559	\$ 27,559
Miscellaneous	4,300	4,300		(4,300)
<b>Total revenues</b>	<u>\$ 94,300</u>	<u>\$ 94,300</u>	<u>\$ 117,559</u>	<u>\$ 23,259</u>
Expenditures:				
Current:				
Public safety	\$ 90,000	\$ 90,000	\$ 123,647	\$ (33,647)
<b>Total expenditures</b>	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 123,647</u>	<u>\$ (33,647)</u>
<b>Net change in fund balance</b>	<u>\$ 4,300</u>	<u>\$ 4,300</u>	<u>\$ (6,088)</u>	<u>\$ (10,388)</u>
Other financing sources (uses):				
Transfers in	-	-	4,604	4,604
<b>Total other financing sources (uses)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,604</u>	<u>\$ 4,604</u>
<b>Net change in fund balance after other financing sources (uses)</b>	<u>\$ 4,300</u>	<u>\$ 4,300</u>	<u>\$ (1,484)</u>	<u>\$ (5,784)</u>
<b>Fund balance, July 1, 2011</b>	<u>-</u>	<u>-</u>	<u>1,484</u>	<u>1,484</u>
<b>Fund balance, June 30, 2012</b>	<u>\$ 4,300</u>	<u>\$ 4,300</u>	<u>\$ -</u>	<u>\$ (4,300)</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 15,429
Revenue accruals (net)				1,951
Expenditure accruals (net)				(18,864)
Other financing sources (net)				<u>          </u>
<b>Net change in fund balance, NON-GAAP budgetary basis</b>				<u>\$ (1,484)</u>

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

Village of Reserve  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2012

	<u>Water and Sewer</u>
<b>Assets</b>	
Current:	
Cash and investments	\$ 3,741
Accounts receivable	16,073
Taxes receivable	477
	20,291
Total current assets	\$ 20,291
Noncurrent assets:	
Restricted cash and investments	\$ 14,500
Capital assets net of accumulated depreciation	2,006,048
	2,020,548
Total noncurrent assets	\$ 2,020,548
Total assets	\$ 2,040,839
<b>Liabilities</b>	
Current:	
Accounts payable	\$ 2,738
Interfund payable	14,350
	17,088
Total current liabilities	\$ 17,088
Noncurrent liabilities:	
Customer deposits, payable from restricted assets	\$ 14,500
Compensated absences	4,835
	19,335
Total liabilities	\$ 36,423
<b>Net Assets</b>	
Invested in capital assets	\$ 2,006,048
Unrestricted	(1,632)
	1,376
Total net assets	\$ 2,004,416

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, 2012

	Water and Sewer
Operating revenues:	
Charges for services	\$ 155,443
Operating expenses:	
Personnel	\$ 97,286
Operating	71,835
Depreciation	88,790
Total operating expenses	\$ 257,911
Net operating income (loss)	\$ (102,468)
Non-operating revenue (expense):	
Dedicated gross receipts tax	\$ 3,236
Miscellaneous income	
Total non-operating revenue (expense)	\$ 3,236
Income before contributions and operating transfers	\$ (99,232)
Transfers out	
Transfers in	14,246
Change in net assets	\$ (84,986)
Net assets, beginning of year	2,089,402
Net assets, end of year	\$ 2,004,416

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, 2012

	Water and Sewer
Cash flows from operating activities:	
Receipts from customers	\$ 155,637
Payments to suppliers	(75,856)
Payments to employees	(95,550)
	(15,769)
Net cash provided (used) by operating activities	\$ (15,769)
Cash flows from noncapital financing activities:	
Dedicated tax receipts	\$ 3,437
Miscellaneous receipts	
Transfers from other funds	14,246
Interfund activity	
	17,683
Net cash provided (used) by noncapital financing activities	\$ 17,683
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	\$ 1,914
Cash and equivalents, beginning of year	16,327
Cash and equivalents, end of year	18,241

Village of Reserve  
**STATEMENT OF CASH FLOWS (concluded)**  
**PROPRIETARY FUNDS**  
For The Fiscal Year Ended June 30, 2012

	<u>Water and Sewer</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (102,468)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	88,790
Changes in assets and liabilities:	
Receivables, net	194
Accounts payable	(4,021)
Customer deposits	
Payroll taxes payable	1,331
Compensated absences	405
	<u>          </u>
Net cash provided (used) by operating activities	\$ (15,769)

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

Village of Reserve  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

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.

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

Downtown Revitalization – to account for the federal and state grant revenues to complete improvements to the downtown area. This is a Capital Project Fund.

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

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

Street Improvements – to account for federal and state grant revenue for the improvements of Village Streets. This is a capital projects fund.

Water System – to account for federal and state revenues to be utilized to improve the water distribution system within the Village. This is a Capital Projects 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, 2012 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, 2012, the Village's bank balance of \$151,032 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized		<u>\$ -0-</u>
	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk		
Category:		
Insured	\$ 151,032	\$ 104,569
Collateral held by the pledging		
Bank's agent in Village's name	<u>-0-</u>	<u>-0-</u>
	<u>\$ 151,032</u>	<u>\$ 104,569</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 \$24,903.

Note 3 Investments

At June 30, 2012, 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, 2012.

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>\$ 16,073</u>

Intergovernmental grants	\$ 306,214	\$ -0-
Interest receivable	\$ 7,512	\$ -0-
Taxes receivables:		
Gasoline taxes	\$ 1,786	\$ -0-
Gross receipts tax	19,920	477
Property taxes	505	
Motor vehicle taxes	2,524	
Cigarette tax	<u>- 0-</u>	<u>          </u>
	\$ 32,247	\$ 477
 Total	 <u>\$ 338,461</u>	 <u>\$ 16,550</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, 2012 was as follows:

	Balance July 1, 2011	Increase	Decreases	Balance June 30, 2012
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 175,420	\$	\$	\$ 175,420
Construction in progress	<u>2,118,877</u>	<u>797,922</u>	<u>2,608,622</u>	<u>308,177</u>
	<u>\$2,294,297</u>	<u>\$ 797,922</u>	<u>\$2,608,622</u>	<u>\$ 483,597</u>
Other capital assets:				
Buildings/improvements	\$1,195,141	\$	\$	\$ 1,195,141
Infrastructure	4,524,748	2,608,622		7,133,370
Equipment	<u>765,827</u>	<u>          </u>	<u>          </u>	<u>765,827</u>
Total other assets, at historical cost	<u>\$6,485,716</u>	<u>\$2,608,622</u>	<u>\$ -0-</u>	<u>\$ 9,094,338</u>
Less accumulated depreciation for:				
Buildings/improvements	\$ 165,729	\$ 20,792	\$	\$ 186,521
Infrastructure	480,318	193,481		673,799

Equipment	<u>689,155</u>	<u>68,144</u>	<u>-0-</u>	<u>757,299</u>
Total accumulated depreciation	<u>\$1,335,202</u>	<u>\$ 282,417</u>	<u>\$ -0-</u>	<u>\$ 1,617,619</u>
Governmental activities, Capital assets, net	<u>\$7,444,811</u>	<u>\$3,124,127</u>	<u>\$2,608,622</u>	<u>\$ 7,960,316</u>
<b>Business Type Activities:</b>				
Capital assets not being depreciated:				
Land	<u>\$ 21,838</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 21,838</u>
Other capital assets:				
Buildings	<u>\$ 80,869</u>	<u>\$</u>	<u>\$</u>	<u>\$ 80,869</u>
Utility plant	<u>3,195,651</u>			<u>3,195,651</u>
Equipment	<u>95,543</u>			<u>95,543</u>
Total other assets at historical cost	<u>\$3,372,063</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,372,063</u>
Less accumulated depreciation for:				
Building	<u>\$ 60,821</u>	<u>\$ 1,617</u>	<u>\$</u>	<u>\$ 62,438</u>
Utility plant	<u>1,169,560</u>	<u>83,113</u>		<u>1,252,673</u>
Equipment	<u>68,682</u>	<u>4,060</u>		<u>72,742</u>
Total accumulated depreciation	<u>\$1,299,063</u>	<u>\$ 88,790</u>	<u>\$ -0-</u>	<u>\$ 1,387,853</u>
Business-type activities capital assets, net	<u>\$2,094,838</u>	<u>\$ (88,790)</u>	<u>\$ -0-</u>	<u>\$ 2,006,048</u>

The Village has various construction projects ongoing at various stages of completion. Future commitments total approximately \$1,900,000.

Depreciation was charged to the Governmental Activities as follows:

General Government	\$ 90,374
Public Safety	163,802
Culture-Recreation	19,769
Public Works	5,649
Health and Welfare	<u>2,823</u>
	<u>\$ 282,417</u>

Note 6 Long-term Debt

Changes in long-term debt were as follows during the year ended June 30, 2012.

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retire-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Notes payable	\$ 328,770	\$	\$ 22,910	\$305,860	\$ 22,978
Compensated absences	<u>2,706</u>	<u>3,179</u>	<u>2,067</u>	<u>3,818</u>	<u>-0-</u>
	<u>\$ 331,476</u>	<u>\$ 3,179</u>	<u>\$ 24,977</u>	<u>\$309,678</u>	<u>\$ 22,978</u>
Business Type Activities:					
Compensated absences	<u>\$ 4,430</u>	<u>\$ 4,815</u>	<u>\$ 4,410</u>	<u>\$ 4,835</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 \$322,859, at June 30, 2012, which is 15% of future gross receipts tax collections at their current rate. During the year ended June 30, 2012, the Village recognized \$135,339 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, 2012 is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 22,978	\$ 2,213	\$ -0-	\$ -0-
2014	23,065	2,126		
2015	23,174	2,017		
2016	23,297	1,894		
2017	23,434	1,758		
2018-2022	119,820	6,137		
2023-2027	64,954	854		

2028-2030	<u>5,138</u>	<u>-0-</u>	<u>          </u>	<u>          </u>
	<u>\$ 305,860</u>	<u>\$ 16,999</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](http://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, 2012, 2011 and 2010 were \$24,302, \$23,150, and \$23,129, 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](http://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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal years ending 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>
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, 2012, 2011 and 2010 were \$4,775, \$4,132 and \$3,324, 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	\$ 45,845
DWI	<u>13,476</u>
	<u>\$ 59,321</u>

The Village reports \$570,240 in restricted net assets of which \$546,131 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, and as disclosed in Note 5, total approximately \$1,900,000.

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), Water System (\$111,957), 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, 2012:

	<u>Inter-fund Payable</u>							<u>Total</u>
	<u>General</u>	<u>Downtown Revitalization</u>	<u>Water System</u>	<u>State Highway Coop</u>	<u>Maps and Roads</u>	<u>Other Funds</u>	<u>Enterprise Funds</u>	
<u>Inter-fund Receivable</u>								
General	\$	\$ 46,026	\$	\$ 6,063	\$ 56,095	\$ 86,565	\$	\$194,749
Downtown Revitalization				81,000	169,115			250,115
State Highway Coop		15,658						15,658
Street Im- provements	16,667	33,847	100,744					151,258
Maps and Roads		40,112		162,704				202,816
Other Funds	<u>131</u>	<u>60,124</u>	<u>_____</u>	<u>_____</u>	<u>85,689</u>	<u>_____</u>	<u>14,350</u>	<u>160,294</u>
	<u>\$ 16,798</u>	<u>\$195,767</u>	<u>\$ 100,744</u>	<u>\$249,767</u>	<u>\$ 310,899</u>	<u>\$ 86,565</u>	<u>\$ 14,350</u>	<u>\$974,890</u>

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

Transfers To

Transfer From

	<u>General</u>
Street Improvements	\$ 16,667
DWI	4,604
Other Fund	25,200
Enterprise Funds	<u>14,246</u>
	<u>\$ 60,717</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	\$ 33,647
Fire	27,555



Water System

43,978

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

Note 16 Subsequent Events

The Village has evaluated subsequent events through April 3, 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, 2012

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	
	<u>Fire Protection</u>	<u>Recreation</u>	<u>Multipurpose Facility</u>	<u>Street Improvements</u>
<b>Assets</b>				
Cash and investments	\$ -	\$ -	\$ 1,337	\$ 23,566
Taxes receivable				
Interest receivable	7,512			
Interfund receivable	46,294	131		
Due from governments				
<b>Total assets</b>	<b><u>\$ 53,806</u></b>	<b><u>\$ 131</u></b>	<b><u>\$ 1,337</u></b>	<b><u>\$ 23,566</u></b>
<b>Liabilities and Fund Balance</b>				
Accounts payable	\$ 7,961	\$ -	\$ -	\$ -
Interfund payable		11,235		
NMFA payable			429	
Deferred revenue				
<b>Total liabilities</b>	<b><u>\$ 7,961</u></b>	<b><u>\$ 11,235</u></b>	<b><u>\$ 429</u></b>	<b><u>\$ -</u></b>
<b>Fund balances:</b>				
<b>Restricted:</b>				
Public safety	\$ 45,845	\$ -	\$ -	\$ -
Culture and recreation				
Debt service			908	23,566
Construction				
Unassigned		(11,104)		
<b>Total fund balances</b>	<b><u>\$ 45,845</u></b>	<b><u>\$ (11,104)</u></b>	<b><u>\$ 908</u></b>	<b><u>\$ 23,566</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 53,806</u></b>	<b><u>\$ 131</u></b>	<b><u>\$ 1,337</u></b>	<b><u>\$ 23,566</u></b>

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

<u>CDBG Streets</u>	<u>Multipurpose Facility</u>	<u>TPE</u>	<u>School Bus Route</u>	<u>Total</u>
\$ -	\$ 4,953	\$ -	\$ -	\$ 29,856
				-
13,830	14,350	22,729	62,960	7,512
				160,294
				-
<u>\$ 13,830</u>	<u>\$ 19,303</u>	<u>\$ 22,729</u>	<u>\$ 62,960</u>	<u>\$ 197,662</u>
\$ -	\$ -	\$ -	\$ -	\$ 7,961
12,370			62,960	86,565
		22,729		429
				22,729
<u>\$ 12,370</u>	<u>\$ -</u>	<u>\$ 22,729</u>	<u>\$ 62,960</u>	<u>\$ 117,684</u>
\$ -	\$ -	\$ -	\$ -	\$ 45,845
				-
1,460	19,303			24,474
				20,763
				(11,104)
<u>\$ 1,460</u>	<u>\$ 19,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,978</u>
<u>\$ 13,830</u>	<u>\$ 19,303</u>	<u>\$ 22,729</u>	<u>\$ 62,960</u>	<u>\$ 197,662</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, 2012

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	
	<u>Fire Protection</u>	<u>Recreation</u>	<u>Multipurpose Facility</u>	<u>Street Improvement</u>
Revenues:				
Federal sources	\$ 89,741	\$ -	\$ -	\$ -
State sources				
Fines, licenses and permits				
Charges for services				
Miscellaneous	240		1	88
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>\$ 89,981</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 88</u>
Expenditures:				
Current:				
Public safety	\$ 89,521	\$ -	\$ -	\$ -
Culture and recreation				
Debt service:				
Principal			5,142	17,768
Interest				2,281
Capital outlay				
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>\$ 89,521</u>	<u>\$ -</u>	<u>\$ 5,142</u>	<u>\$ 20,049</u>
Net change in fund balance	\$ 460	\$ -	\$ (5,141)	\$ (19,961)
Other financing sources (uses):				
Loan proceeds				
Transfer out				
Transfer in			5,148	20,052
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net change in fund balance after other financing sources (uses)	\$ 460	\$ -	\$ 7	\$ 91
Fund balance, July 1, 2011	<u>45,385</u>	<u>(11,104)</u>	<u>901</u>	<u>23,475</u>
Fund balance, June 30, 2012	<u>\$ 45,845</u>	<u>\$ (11,104)</u>	<u>\$ 908</u>	<u>\$ 23,566</u>

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

Capital Projects Funds

CDBG Streets	Multipurpose Facility	Total
\$ -	\$ -	\$ 89,741
		-
		-
		329
\$ -	\$ -	\$ 90,070
\$ -	\$ -	\$ 89,521
		-
		22,910
		2,281
		-
\$ -	\$ -	\$ 114,712
\$ -	\$ -	\$ (24,642)
		-
		-
		25,200
\$ -	\$ -	\$ 558
1,460	19,303	79,420
\$ 1,460	\$ 19,303	\$ 79,978

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, 2012

	<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, 2011	<u>-</u>	<u>-</u>	<u>(11,235)</u>	<u>(11,235)</u>
Fund balance, June 30, 2012	<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, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 58,584	\$ 58,584	\$ 94,244	\$ 35,660
Miscellaneous				-
Total revenues	<u>\$ 58,584</u>	<u>\$ 58,584</u>	<u>\$ 94,244</u>	<u>\$ 35,660</u>
Expenditures:				
Current:				
Public safety	\$ 58,584	\$ 58,584	\$ 86,139	\$ (27,555)
Capital outlay				-
Total expenditures	<u>\$ 58,584</u>	<u>\$ 58,584</u>	<u>\$ 86,139</u>	<u>\$ (27,555)</u>
Net change in fund balance	\$ -	\$ -	\$ 8,105	\$ 8,105
Other financing sources (uses):				
Transfers in (out)	<u>-</u>	<u>-</u>		<u>-</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ 8,105	\$ 8,105
Fund balance, July 1, 2011			<u>38,189</u>	<u>38,189</u>
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,294</u>	<u>\$ 46,294</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 460
Revenue accruals (net)				4,263
Expenditure accruals (net)				<u>3,382</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ 8,105</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, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
 Fund balance, July 1, 2011	 <u>-</u>	 <u>-</u>	 <u>58,868</u>	 <u>58,868</u>
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,868</u>	<u>\$ 58,868</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>

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, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
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, 2011	<u>-</u>	<u>-</u>	<u>(12,370)</u>	<u>(12,370)</u>
Fund balance, June 30, 2012	<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  
**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, 2012

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2011			48,165	48,165
Fund balance, June 30, 2012	\$ -	\$ -	\$ 48,165	\$ 48,165
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ -
Revenue accruals (net)				
Expenditure accruals (net)				
Other financing sources (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, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
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, 2011	<u>-</u>	<u>-</u>	<u>4,953</u>	<u>4,953</u>
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,953</u>	<u>\$ 4,953</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>

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, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 2,479,170	\$ 2,479,170	\$ 465,949	\$ (2,013,221)
State sources	<u>796,485</u>	<u>796,485</u>	<u>242,345</u>	<u>(554,140)</u>
Total revenues	<u>\$ 3,275,655</u>	<u>\$ 3,275,655</u>	<u>\$ 708,294</u>	<u>\$ (2,567,361)</u>
Expenditures:				
Current:				
Public works	\$ -	\$ -	\$ -	\$ -
Capital outlay	<u>3,507,369</u>	<u>3,507,369</u>	<u>888,761</u>	<u>2,618,608</u>
Total expenditures	<u>\$ 3,507,369</u>	<u>\$ 3,507,369</u>	<u>\$ 888,761</u>	<u>\$ 2,618,608</u>
Net change in fund balance	\$ (231,714)	\$ (231,714)	\$ (180,467)	\$ 51,247
Other financing sources (uses):				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance after other financing sources (uses)	\$ (231,714)	\$ (231,714)	\$ (180,467)	\$ 51,247
Fund balance, July 1, 2011	<u>231,714</u>	<u>231,714</u>	<u>75,899</u>	<u>(155,815)</u>
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (104,568)</u>	<u>\$ (104,568)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (195,394)
Revenue accruals (net)				357,177
Expenditure accruals (net)				(342,250)
Other financing sources (net)				<u>-</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ (180,467)</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, 2012

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2011	-	-	(62,960)	(62,960)
Fund balance, June 30, 2012	\$ -	\$ -	\$ (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, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Expenditures:				
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>93,978</u>	<u>(43,978)</u>
Net change in fund balance	\$ -	\$ -	\$ (43,978)	\$ (43,978)
Other financing sources (uses):				
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ (43,978)	\$ (43,978)
Fund balance, July 1, 2011	<u>-</u>	<u>-</u>	<u>(56,766)</u>	<u>(56,766)</u>
Fund balance, June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (100,744)</u></u>	<u><u>\$ (100,744)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (111,957)
Revenue accruals (net)				50,000
Expenditure accruals (net)				17,979
Other financing sources (net)				<u>-</u>
Net change in fund balance, NON-GAAP budgetary basis				<u><u>\$ (43,978)</u></u>

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

Village of Reserve  
**STREET IMPROVEMENTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
For The Fiscal Year Ended June 30, 2012

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 250,000	\$ 250,000	\$ 250,000	\$ -
Expenditures:				
Capital outlay	250,000	250,000	115,409	134,591
Net change in fund balance	\$ -	\$ -	\$ 134,591	\$ 134,591
Other financing sources (uses):				
Loan proceeds	-	-	-	-
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ 134,591	\$ 134,591
Fund balance, July 1, 2011	-	-	-	-
Fund balance, June 30, 2012	\$ -	\$ -	\$ 134,591	\$ 134,591
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 127,213
Revenue accruals (net)				
Expenditure accruals (net)				24,045
Other financing sources (net)				(16,667)
Net change in fund balance, NON-GAAP budgetary basis				\$ 134,591

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, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2011	<u>                    </u>	<u>                    </u>	<u>(22,729)</u>	<u>(22,729)</u>
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,729)</u>	<u>\$ (22,729)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ -
Revenue accruals (net)				-
Expenditure accruals (net)				<u>-</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ -</u>

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

Village of Reserve  
**ENTERPRISE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
For The Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 3,000	\$ 3,000	\$ 3,325	\$ 325
Charges for services	170,238	170,238	151,887	(18,351)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>3,750</u>	<u>2,750</u>
Total revenues	<u>\$ 174,238</u>	<u>\$ 174,238</u>	<u>\$ 158,962</u>	<u>\$ (15,276)</u>
Expenses:				
Current:				
Personnel	\$ 95,600	\$ 95,600	\$ 95,550	\$ 50
Operating	<u>76,095</u>	<u>76,095</u>	<u>75,744</u>	<u>351</u>
Total expenditures	<u>\$ 171,695</u>	<u>\$ 171,695</u>	<u>\$ 171,294</u>	<u>\$ 401</u>
Revenues over expenditures	\$ 2,543	\$ 2,543	\$ (12,332)	\$ (14,875)
Other financing sources (uses):				
Transfers in/(out)	<u>-</u>	<u>-</u>	<u>14,246</u>	<u>14,246</u>
Net change in net assets	\$ 2,543	\$ 2,543	\$ 1,914	\$ (629)
Net assets, July 1, 2011	<u>-</u>	<u>-</u>	<u>1,827</u>	<u>1,827</u>
Net assets, June 30, 2012	<u>\$ 2,543</u>	<u>\$ 2,543</u>	<u>\$ 3,741</u>	<u>\$ 1,198</u>
Budgetary reconciliation:				
Net change in net assets, GAAP basis				\$ (84,986)
Revenue accruals (net)				283
Expenditure accruals (net)				86,617
Other financing uses (net)				<u>-</u>
Net change in net assets, NON-GAAP budgetary basis				<u>\$ 1,914</u>

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

Village of Reserve  
**SCHEDULE OF DEPOSITORY COLLATERAL**  
 June 30, 2012

	<u>First State Bank</u>
Total deposits	\$ 151,032
FDIC Insurance	(151,032)
Total uninsured public funds	\$ -
50% collateralization requirement (Section 6-10-17 NMSA)	\$ -
Pledged securities:	
FFCB 31331V2J4 1-1-13	\$ 301,077
FFCB 31364VKU9 1-1-13	209,000
Total pledged	\$ 510,077
Pledged securities over (under) requirement	\$ 510,077

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, 2012

	Type of Account	Bank Balance	Reconciled Balance
<u>First State Bank</u>			
General	Checking	\$ 150,932	\$ 104,469
State Well	Checking	100	100
Total First State Bank		\$ 151,032	\$ 104,569
United States Treasury Bills			\$ 10,000
Cash on deposit with paying agent			24,903
Cash per balance sheet			\$ 139,472

Village of Reserve  
**SCHEDULE OF JOINT POWERS AGREEMENT**  
 June 30, 2012

***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  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
 For the Fiscal Year Ended June 30, 2012

<b>Findings – Financial Statement Audit</b>	<u>Current Status</u>
2011-1 Grant administrator costs have not been charged to specific grants	Repeated
2011-2 Cash report does not reflect correct cash balance by fund	Repeated
2010-1 Financial statements were restated due to accounting errors	Resolved
08-1 Expenditures made in excess of budgetary authority	Repeated
2010-2 Payroll and gross receipts tax reports not filed timely	Repeated
2010-4 The audit report was not delivered by the mandated deadline	Repeated

**Findings – Major Federal Award Programs**

Department of Transportation

ARRA Highway Planning and Construction – CFDA No. 20.205  
 Grant No. ES61150, Year ended June 30, 2011

2011-3 This was a significant deficiency indicating that the Data Collection Form had not been filed timely.

The Village of Reserve expended less than \$500,000 in federal funds during the year ended June 30, 2012, therefore the Data Collection Form was not required to be filed.

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 and DWI funds of the Village of Reserve as of and for the year ended June 30, 2012, which collectively comprise Village of Reserve's basic financial statements and have issued our report thereon dated April 3, 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, 2012 and have issued our report thereon dated April 3, 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 responses, 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 responses 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 responses as findings 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 responses. 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 CPA=

April 3, 2013



Village of Reserve  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Village of Reserve.
2. Five 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. The Village of Reserve expended less than \$500,000 in federal funds during the year ended June 30, 2012.

**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 \$4166. 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, commencing with the 2012-2013 fiscal year.

2011-2 Financial Reporting (Material Weakness)

Condition – The twelve monthly cash reports to The New Mexico Department of Finance and Administration did 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.

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

Condition – The Village had expenditures in excess of budgetary authority of \$33,647 in the DWI Fund, \$43,978 in the Water System Improvement Capital Project Fund, and \$27,555 in the Fire 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 three instances, and payroll reports for all quarters 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 8, 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, 2012.

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 2011 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. This, in turn, delayed the submission of the 2012 audit.

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.

#### **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