

State of New Mexico

# VILLAGE OF RESERVE

FOR YEAR ENDED JUNE 30, 2013

(WITH AUDITOR'S REPORT THEREON)

***RICE & ASSOCIATES***

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
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STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Official Roster  
Year Ended June 30, 2013

Village Council

<u>Name</u>	<u>Title</u>
Ms. Constance Cordell	Mayor
Mr. Eddilu Brown	Mayor Pro-tem
Mr. Clay Snyder	Council Member
Mr. Wilford Estrada	Council Member
Mr. Hilda Kellar	Council Member

Village Administration

Mr. Andre Giron	Clerk
Ms. Amanda Cox	Deputy Clerk

# *Rice and Associates, C.P.A.*

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BOOKKEEPING  
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## INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller  
New Mexico State Auditor  
and  
Honorable Mayor and Village Council  
Village of Reserve  
Reserve, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the General and Fire Protection and DWI Funds of the Village of Reserve, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Village of Reserve's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village of Reserve's non-major governmental and enterprise funds and the budgetary comparisons for the Major Capital Project Funds and all non-major governmental and enterprise funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013 as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### 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, 2013, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Fire Protection and DWI Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor enterprise fund of the Village of Reserve, as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the Major Capital Project Funds and the nonmajor governmental and enterprise funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other Matters

##### Required Supplementary Information

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB 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.

#### Other Information

Our audit was conducted for the purpose of forming opinions on the Village of Reserve's financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The budgetary comparison for the Major Capital Project Funds, the non-major governmental funds and the non-major enterprise funds are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparisons for the Major Capital Project Funds, and non-major governmental funds and non-major enterprise fund are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basis financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of



America. In our opinion, the budgetary comparisons for the Major Capital Project Funds, the non-major governmental funds and non-major enterprise fund fairly states, in all material respects, in relation to the basic financial statements as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 20, 2015 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 in considering the Village of Reserve's internal control over financial reporting and compliance.

*Rice & Associates, LLP*

Albuquerque, New Mexico  
April 20, 2015

**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Statement of Net Position  
June 30, 2013

Statement 1  
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash	\$ 212,054	\$ -	\$ 212,054
Due from grantor	4,048	13,691	17,739
Accounts receivable (net of uncollectible accounts)	7,685	116,099	123,784
Total current assets	223,787	129,790	353,577
Restricted Assets (Cash)			
Customer meter deposits	-	14,500	14,500
NMFA Loan	-	113,400	113,400
NMFA Reserves	24,984	-	24,984
Total restricted assets	24,984	127,900	152,884
Capital Assets			
Land	61,242	165,039	226,281
Land improvements	-	-	-
Buildings and improvements	1,193,027	84,869	1,277,896
Equipment	703,696	95,543	799,239
Vehicles	394,998	62,756	457,754
Furniture and fixtures	24,589	-	24,589
Plant/Infrastructure	5,792,326	3,500,625	9,292,951
Total capital assets	8,169,878	3,908,832	12,078,710
Less accumulated depreciation	(3,898,404)	(2,494,122)	(6,392,526)
Total capital assets (net of accumulated depreciation)	4,271,474	1,414,710	5,686,184
Total assets	\$ 4,520,245	\$ 1,672,400	\$ 6,192,645

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

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Statement of Net Position  
June 30, 2013

Statement 1  
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
<b>LIABILITIES AND NET POSITION</b>			
<b>Current Liabilities</b>			
Cash overdraft	\$ -	\$ 130,887	\$ 130,887
Accounts payable	42,419	-	42,419
Customer meter deposits (restricted)	-	14,500	14,500
NMFA Loan (current portion)	23,065	567	23,632
Due to grantor	22,600	-	22,600
<b>Total current liabilities</b>	<b>88,084</b>	<b>145,954</b>	<b>234,038</b>
<b>Non-Current Liabilities</b>			
Compensated absences payable	1,433	5,668	7,101
NMFA Loan payable	259,817	10,773	270,590
<b>Total non-current liabilities</b>	<b>261,250</b>	<b>16,441</b>	<b>277,691</b>
<b>Total liabilities</b>	<b>349,334</b>	<b>162,395</b>	<b>511,729</b>
<b>Net Position</b>			
Net investment in capital assets	3,988,592	1,414,710	5,403,302
Restricted for Capital outlay	99,948	-	99,948
Restricted for Debt Service	24,984	-	24,984
Restricted for Special Grants	71,197	-	71,197
Unrestricted	(13,810)	95,295	81,485
<b>Total net position</b>	<b>4,170,911</b>	<b>1,510,005</b>	<b>5,680,916</b>
<b>Total liabilities and net position</b>	<b>\$ 4,520,245</b>	<b>\$ 1,672,400</b>	<b>\$ 6,192,645</b>

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

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Statement of Activities  
Year Ended June 30, 2013

Statement 2

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 159,278	\$ 3,609	\$ 1,676	\$ -	\$ (153,993)	\$ -	\$ (153,993)
Highways and streets	2,372	-	-	66,485	64,113	-	64,113
Public safety	173,460	3,120	139,025	-	(31,315)	-	(31,315)
Health and welfare	66	-	-	-	(66)	-	(66)
Culture and recreation	21,239	-	2,250	-	(18,989)	-	(18,989)
Interest	1,848	-	-	-	(1,848)	-	(1,848)
Depreciation - unallocated	480,252	-	-	-	(480,252)	-	(480,252)
Total governmental activities	838,515	6,729	142,951	66,485	(622,350)	-	(622,350)
Business-type activities:							
Water services	253,872	141,708	-	102,060	-	(10,104)	(10,104)
Total business-type activities	253,872	141,708	-	102,060	-	(10,104)	(10,104)
<b>Total all activities</b>	<b>\$ 1,092,387</b>	<b>\$ 148,437</b>	<b>\$ 142,951</b>	<b>\$ 168,545</b>	<b>(622,350)</b>	<b>(10,104)</b>	<b>(632,454)</b>
<b>General Revenues:</b>							
Property taxes					12,431	-	12,431
Franchise tax					10,373	-	10,373
Lodger's tax					3,545	-	3,545
Gross receipts taxes					108,644	2,375	111,019
Gasoline taxes					8,822	-	8,822
Motor vehicle taxes					14,501	-	14,501
State aid not restricted to special purpose							
General					35,000	-	35,000
Transfers					-	-	-
Investment earnings					2,616	-	2,616
Total general revenues					195,932	2,375	198,307
Change in net position					(426,418)	(7,729)	(434,147)
Net position - beginning of year					8,052,019	2,004,416	10,056,435
Restatement					(3,454,690)	(486,682)	(3,941,372)
Net position - beginning of year - restated					4,597,329	1,517,734	6,115,063
Net position - ending					\$ 4,170,911	\$ 1,510,005	\$ 5,680,916

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Balance Sheet  
 Governmental Funds  
 June 30, 2013

	Street							Total Governmental Funds
	General Fund	Fire Fund	DWI Fund	State Co-op Grant Fund	Improvement MAP-903 Fund	Other Governmental Funds		
<b>ASSETS</b>								
Cash on deposit	\$ 6,902	\$ 60,814	\$ 17,654	\$ 16,361	\$ 126,006	\$ 9,301	\$ 237,038	
Accounts receivable	5,705	-	-	-	-	1,980	7,685	
Due from grantor	-	-	4,048	-	-	-	4,048	
<b>Total assets</b>	<b>\$ 12,607</b>	<b>\$ 60,814</b>	<b>\$ 21,702</b>	<b>\$ 16,361</b>	<b>\$ 126,006</b>	<b>\$ 11,281</b>	<b>\$ 248,771</b>	
<b>LIABILITIES</b>								
Due to grantor	\$ -	\$ -	\$ 22,600	\$ -	\$ -	\$ -	\$ 22,600	
Accounts payable	-	-	-	16,361	26,058	-	42,419	
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>22,600</b>	<b>16,361</b>	<b>26,058</b>	<b>-</b>	<b>65,019</b>	
<b>FUND BALANCE</b>								
Nonspendable	-	-	-	-	-	-	-	
Restricted	24,984	60,814	-	-	99,948	11,281	197,027	
Committed	-	-	-	-	-	-	-	
Unassigned	(12,377)	-	(898)	-	-	-	(13,275)	
<b>Total fund balance</b>	<b>12,607</b>	<b>60,814</b>	<b>(898)</b>	<b>-</b>	<b>99,948</b>	<b>11,281</b>	<b>183,752</b>	
<b>Total liabilities and fund balance</b>	<b>\$ 12,607</b>	<b>\$ 60,814</b>	<b>\$ 21,702</b>	<b>\$ 16,361</b>	<b>\$ 126,006</b>	<b>\$ 11,281</b>	<b>\$ 248,771</b>	

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Reconciliation of the Balance Sheet - Governmental Funds  
 to the Statement of Net Position  
 June 30, 2013

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

Total fund balances - governmental funds		\$ 183,752
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds		
The cost of capital assets	8,169,878	
Accumulated depreciation	<u>(3,898,404)</u>	
		4,271,474
Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:		
NMFA Loan		(282,882)
Compensated absences		<u>(1,433)</u>
Net position of governmental activities		<u>\$ 4,170,911</u>

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

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances  
For the year ended June 30, 2013

	General Fund	Fire Fund	DWI Fund	State Highway Co-op Grant Fund	Street Improvements MAP-903 Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 12,431	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,431
Franchise tax	10,373	-	-	-	-	-	10,373
Lodgers tax	-	-	-	-	-	3,545	3,545
Charges for services	2,401	-	3,120	-	-	-	5,521
Licenses and permits	1,208	-	-	-	-	-	1,208
Local sources	1,676	-	-	-	-	4,943	6,619
State sources	37,250	72,711	61,371	66,485	-	-	237,817
Federal sources	-	-	-	-	-	-	-
State shared taxes	131,967	-	-	-	-	-	131,967
Earnings from investments	72	2,544	-	-	-	-	2,616
<b>Total revenues</b>	<u>197,378</u>	<u>75,255</u>	<u>64,491</u>	<u>66,485</u>	<u>-</u>	<u>8,488</u>	<u>412,097</u>
<b>EXPENDITURES</b>							
Current:							
General government	157,141	-	-	-	-	-	157,141
Highways and streets	2,372	-	-	-	-	-	2,372
Public safety	37,785	70,286	65,389	-	-	-	173,460
Health and welfare	66	-	-	-	-	-	66
Culture and recreation	20,493	-	-	-	-	746	21,239
Capital outlay	-	-	-	88,647	27,265	-	115,912
NMFA principle	22,978	-	-	-	-	-	22,978
NMFA interest	2,213	-	-	-	-	-	2,213
<b>Total expenditures</b>	<u>243,048</u>	<u>70,286</u>	<u>65,389</u>	<u>88,647</u>	<u>27,265</u>	<u>746</u>	<u>495,381</u>
<b>Excess (deficiency) revenues over expenditures</b>	<u>(45,670)</u>	<u>4,969</u>	<u>(898)</u>	<u>(22,162)</u>	<u>(27,265)</u>	<u>7,742</u>	<u>(83,284)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfers in	-	-	-	22,162	-	-	22,162
Operating transfers (out)	(22,162)	-	-	-	-	-	(22,162)
<b>Total other financing sources (uses)</b>	<u>(22,162)</u>	<u>-</u>	<u>-</u>	<u>22,162</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(67,832)</u>	<u>4,969</u>	<u>(898)</u>	<u>(27,265)</u>	<u>(27,265)</u>	<u>7,742</u>	<u>(83,284)</u>
<b>Fund balance beginning of year</b>	<u>200,497</u>	<u>45,845</u>	<u>13,476</u>	<u>-</u>	<u>127,213</u>	<u>(275,640)</u>	<u>111,391</u>
<b>Restatement</b>	<u>(120,058)</u>	<u>10,000</u>	<u>(13,476)</u>	<u>-</u>	<u>-</u>	<u>279,179</u>	<u>155,645</u>
<b>Fund balance, beginning of year, restated</b>	<u>80,439</u>	<u>55,845</u>	<u>-</u>	<u>-</u>	<u>127,213</u>	<u>3,539</u>	<u>267,036</u>
<b>Fund balance end of year</b>	<u>\$ 12,607</u>	<u>\$ 60,814</u>	<u>\$ (898)</u>	<u>\$ -</u>	<u>\$ 99,948</u>	<u>\$ 11,281</u>	<u>\$ 183,752</u>

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



STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ (83,284)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation expense in the period.

Depreciation expense	(480,252)	
Capital Outlays	<u>115,912</u>	
Excess of capital outlay over depreciation expense		<u>(364,340)</u>

In the Statement of Activities, certain operating expenses are measured by the amount incurred during the year. In the fund financial statements however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). The (increase) decrease in the liabilities for the year were:

Loan costs	(4,522)	
Compensated absences payable	2,385	
Interest payable	<u>365</u>	
		<u>(1,772)</u>

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Repayment of loans payable is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the Statement of Activities

Loan proceeds	-	
Repayment of long-term debt	<u>22,978</u>	
		<u>22,978</u>
Change in net position of governmental activities		<u>\$ (426,418)</u>

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

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
General Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 12,767	\$ 12,767	\$ 12,130	\$ (637)
Franchise taxes	5,800	5,800	10,373	4,573
Gross receipts taxes	114,600	114,600	127,976	13,376
Charges for services	100	100	2,401	2,301
Licenses and permits	1,300	1,300	1,208	(92)
Fines and forfeits	-	-	-	-
Local sources	2,900	2,900	1,676	(1,224)
State sources	35,000	35,000	37,250	2,250
Federal sources	-	-	-	-
State shared taxes	18,200	18,200	23,323	5,123
Earnings from investments	-	-	72	72
<b>Total revenues</b>	<b>\$ 190,667</b>	<b>\$ 190,667</b>	<b>\$ 216,409</b>	<b>\$ 25,742</b>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 118,591	\$ 118,591	\$ 159,330	\$ (40,739)
Highways and streets	-	-	2,372	(2,372)
Public safety	36,200	36,200	37,785	(1,585)
Health and welfare	-	-	66	(66)
Culture and recreation	7,916	7,916	20,493	(12,577)
Capital outlay	-	-	-	-
Debt service:				
Loan principle	23,000	23,000	22,978	22
Loan interest	2,200	2,200	2,213	(13)
<b>Total expenditures</b>	<b>\$ 187,907</b>	<b>\$ 187,907</b>	<b>\$ 245,237</b>	<b>\$ (57,330)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	(22,162)	(22,162)
Loan proceeds	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (22,162)</b>	<b>\$ (22,162)</b>
<b>BUDGETED CASH BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>		

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Fire Protection Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State sources	\$ 73,985	\$ 73,985	\$ 72,711	\$ (1,274)
Earnings from investments	<u>-</u>	<u>-</u>	<u>2,544</u>	<u>2,544</u>
Total revenues	<u>\$ 73,985</u>	<u>\$ 73,985</u>	<u>\$ 75,255</u>	<u>\$ 1,270</u>
<b>EXPENDITURES</b>				
Public safety	<u>\$ 74,485</u>	<u>\$ 74,485</u>	<u>\$ 78,247</u>	<u>\$ (3,762)</u>
Total expenditures	<u>\$ 74,485</u>	<u>\$ 74,485</u>	<u>\$ 78,247</u>	<u>\$ (3,762)</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ 500</u>	<u>\$ 500</u>		
<b>EXPENDITURES</b>				
Budgetary basis			\$ 78,247	
(Decrease) in accounts payable			<u>(7,961)</u>	
Modified accrual basis			<u>\$ 70,286</u>	

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 DWI Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Charges for services	\$ 1,000	\$ 1,000	\$ 3,120	\$ 2,120
State sources	91,500	91,500	70,938	(20,562)
Federal sources	-	-	-	-
 Total revenues	 <u>\$ 92,500</u>	 <u>\$ 92,500</u>	 <u>\$ 74,058</u>	 <u>\$ (18,442)</u>
<b>EXPENDITURES</b>				
Public safety	\$ 91,500	\$ 91,500	\$ 65,528	\$ 25,972
 Total expenditures	 <u>\$ 91,500</u>	 <u>\$ 91,500</u>	 <u>\$ 65,528</u>	 <u>\$ 25,972</u>
<b>REVENUES</b>				
Budgetary basis			\$ 74,058	
(Decrease) in accounts receivable			<u>(9,567)</u>	
 Modified accrual basis			 <u>\$ 64,491</u>	
<b>EXPENDITURES</b>				
Budgetary basis			\$ 65,528	
(Decrease) in accounts payable			<u>(139)</u>	
 Modified accrual basis			 <u>\$ 65,389</u>	

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

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Proprietary Funds  
Statement of Net Position  
June 30, 2013

Statement 10

	Water/Sewer Fund
<b>ASSETS</b>	
Current Assets	
Cash on deposit	\$ -
Accounts receivable (net)	13,691
Due from grantor	<u>116,099</u>
Total Current Assets	<u>129,790</u>
Non-Current Assets	
Restricted Assets (Cash)	113,400
Customer meter deposits	<u>14,500</u>
Total Non-Current Assets	<u>127,900</u>
Capital Assets	
Land	165,039
Land improvements	-
Buildings and Improvements	84,869
Equipment	95,543
Vehicles	62,756
Heavy equipment	-
Plant/infrastructure	3,500,625
Accumulated depreciation	<u>(2,494,122)</u>
Total Capital Assets	<u>1,414,710</u>
Total Assets	<u><b>\$ 1,672,400</b></u>
<b>LIABILITIES</b>	
Current Liabilities	
Cash overdraft	\$ 130,887
Accounts payable	-
Current portion revenue bonds payable	-
Current portion loan payable	567
Customer meter deposits payable from Restricted Assets	<u>14,500</u>
Total Current Liabilities	<u>145,954</u>
Long-Term Liabilities	
Compensated absences payable	5,668
Revenue bonds payable	<u>10,773</u>
Total Long-Term Liabilities	<u>16,441</u>
Total Liabilities	<u>162,395</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,414,710
Restricted for capital outlay	-
Restricted for debt service	-
Restricted for repair & replacement	-
Unrestricted	<u>95,295</u>
Total Net Position	<u>1,510,005</u>
Total Liabilities and Net Position	<u><b>\$ 1,672,400</b></u>

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Proprietary Funds  
 Statement of Revenues, Expenses and Changes in Fund Net Position  
 For the Year Ended June 30, 2013

	Water/Sewer Fund
<b>OPERATING REVENUES</b>	
Sales and services	\$ 141,708
Local sources	-
State sources	102,060
Federal sources	-
State shared taxes	<u>2,375</u>
Total operating revenue	<u>246,143</u>
<b>OPERATING EXPENSES</b>	
Personal services	100,354
Maintenance and operations	34,463
Major contractual services	-
Other operating expenses	-
Depreciation	<u>119,055</u>
Total operating expenses	<u>253,872</u>
Operating income (loss)	<u>(7,729)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>	
Investment income	-
Investment expense	-
Transfers in	-
Transfers out	<u>-</u>
Total Non-Operating Revenue (Expense)	<u>-</u>
Change in Net Position	<u>(7,729)</u>
Net position, beginning of year	2,004,416
Restatement	(486,682)
Net position, beginning of year, restated	<u>1,517,734</u>
Net position, end of year	<u>\$ 1,510,005</u>

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

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2013

Statement 12

	Water/Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 144,568
Cash received from local sources	-
Cash received from state sources	102,060
Cash received from federal sources	-
Cash received from state shared taxes	2,375
Cash payments to employees and to suppliers for goods and services	<u>(151,072)</u>
Net cash provided by operating activities	<u>97,931</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Loan proceeds	11,340
Principal paid	-
Acquisition of capital assets	-
Investment expense	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>11,340</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Operating transfers from other funds	-
Operating transfers to other funds	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investment income	<u>-</u>
Net cash provided by investing activities	<u>-</u>
Net increase (decrease) in cash	109,271
Cash, beginning of year	<u>(112,259)</u>
Cash, end of year	<u>\$ (2,988)</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ (7,729)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	119,055
Changes in assets and liabilities:	
(Increase) decrease in receivables	2,860
Increase (decrease) in accounts payable	(17,088)
Increase (decrease) in compensated absences	<u>833</u>
Net cash provided (used) by operating activities	<u>\$ 97,931</u>

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

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Notes to Financial Statements  
Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Reserve is incorporated under Section 3 New Mexico State Statutes Annotated 1978 Compilation operating under a Mayor-Council form of government and provides the following services as authorized: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services.

The financial statements of the Village of Reserve have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Village had no component units.



Notes to Financial Statements (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which is normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Notes to Financial Statements (continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Protection Fund* (Special Revenue Fund) is to account for the operations and maintenance of the Fire Department. It is financed by a specific allotment from the State Fire Marshall's Office. The authority is NMSA 59A-53-1.

The *DWI Fund* (Special Revenue Fund) is to account for resources received to pay salaries, travel and minor equipment to provide DWI program activities. Funding is from State grants provided by the State of New Mexico.

The *State Co-op Grant Fund* (Capital Projects Fund) is to account for resources received to develop, design, construct and reconstruct drainage improvements of Village streets. Funding is from NMSHTD Cooperative Agreement and City matching funds.

The *Street Improvement MAP-903 Fund* (Capital Projects Fund) is to account for resources received to design, reconstruct, construct and the project development of drainage improvements for several designated streets in the Village. Funding is from NMSHTD Municipal Arterial Program.

The Village reports the following Proprietary Fund types:

Enterprise Fund - Water and Sewer Fund - To account for the operations of the Village's Water and Sewer Department, for meter deposits and payment of Joint Utility Revenue Bonds.

The Village also reports the following Governmental funds as non-major.

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

## Notes to Financial Statements (continued)

Capital Project Funds - These funds are used to account for the acquisition of capital assets or construction of major capital projects.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Village's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues. Program revenues include: 1) charges for services to taxpayers or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions and 3) program specific capital grants and contributions including special assessments.

Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund is charged to customers for sales and services. The enterprise fund also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

### D. Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Village Clerk-Treasurer submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Village Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of

## Notes to Financial Statements (continued)

any funds must be approved by the Village Council and New Mexico State Department of Finance, Division of Local Governments. The original budget that was adopted in July, 1998 was amended during the fiscal year in a legally permissible manner.

3. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Project Funds.
4. Encumbrances are not reported in the budgets or financial statements.
5. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year end.
6. Budgets for the General and Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principals. Throughout the year the accounting records are maintained on the Non-GAAP basis of cash receipts and disbursements. Accordingly, certain revenues and the related assets are recognized when paid rather than when the obligation is incurred. The financial statements are presented on the modified accrual basis of accounting. Budgetary comparisons presented for General and Special Revenue Funds in this report are on the Non-GAAP budgetary basis and actual (cash basis). The budget of the Enterprise Fund is adopted on a Non-GAAP cash basis.

### E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such 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.

### F. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

The cost of inventories are recorded as expenditures when purchased rather than when consumed.

### G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life

## Notes to Financial Statements (continued)

in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated Capital Assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10-50
Buildings	25-50
Building improvements	10-50
Public domain infrastructure	25-75
System infrastructure	25-75
Vehicles	3-20
Equipment	3-20
Heavy equipment	3-20

The Village does not capitalize computer software or software developed for internal use (if applicable) unless it exceeds the \$5,000 threshold.

### H. Compensated Absences

It is the policy of the Village of Reserve to permit certain employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon separation from the Village's service. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Sick pay does not vest and is recorded as an expenditure when it is paid.

### I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective

Notes to Financial Statements (continued)

interest method. Bonds payable are reported net of the applicable bond premium or discount.

J. Taxes

Franchise Taxes - By authority of Chapter 3, Article 42, NMSA 1978 and various ordinances, the Village imposes a franchise tax on certain public utilities operating within the municipality.

Motor Vehicle Registration Fees - Under the provisions of Chapter 66, Article 6, NMSA 1978, the State of New Mexico collects various fees for the registration and regulation of motor vehicles in the state. Of the amount collected, certain specified amounts are distributed to various governmental agencies with the State, including; the Motor Vehicle Division, State Road fund, municipalities, and counties. After certain priority payments, as detailed in 66-6-23 NMSA 2978 have been made, a portion of the remaining fees held in the motor vehicle suspense fund are distributed as required in 66-6-23 B (4) and 66-6-23 B (5). These distributions are commonly referred to as the 10% and 15% motor vehicle tax distributions.

Gasoline Tax - The State of New Mexico, by authority of Chapter 7, Article 13 NMSA 1978, imposed an excise tax on \$0.17 on each gallon of gasoline received in New Mexico. Of the total gasoline taxes received, a portion is distributed to the various municipalities within the State pursuant to Chapter 7, Article 1-6.9 NMSA 1978 and Chapter 7, Article 1-6.27 NMSA 1978.

Municipal Gross Receipts Tax - Under authority of Chapter 7, Articles 19 and 19D, NMSA 1978, the Village adopted gross receipts taxing through ordinance. Said ordinances provide for the imposition of gross receipts taxes on all non-exempt persons engaging in business in the municipality. The tax is collected by the State of New Mexico and remitted to the Village after deducting certain administrative costs.

State Gross Receipts Tax - Under authority of Chapter 7, Article 1, NMSA 1978, the State of New Mexico imposes a gross receipts tax on all businesses within the State. Of the total collected, 1.225% of the taxable gross receipts are distributed to the municipality reporting the taxable receipts.

K. Restricted Assets

Certain long-term assets in the proprietary funds are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purpose such as "deposits held in trust for others".

L. Net Position

The governmental activities and business-type activities financial statements utilize a net position presentation. Net assets are categorized as follows:

Invested in Capital Assets net of related debt - This category reflects the portion of net position that are associates with capital assets less outstanding capital asset related debt.

Restricted net position - This category reflects the portion of net position that have third party limitation on their use.

Unrestricted net position- This category reflects net position of the Village not restricted for any project or other purposes.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Village ordinances).

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Village Council. Those committed amounts cannot be used for any other purpose unless the Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by the Village

Notes to Financial Statements (continued)

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Estimates

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

O. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village carries commercial insurance for these risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the current fiscal year.

P. Surety Coverage

The officials and certain employees of the Village are covered by a surety bond as required by Section 12-6-7 NMSA 1978 Compilation and the New Mexico State Auditor Rule NMAC 2.2.

2. DEPOSITORY COLLATERAL

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the Village's Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.



Notes to Financial Statements (continued)

The following is the Cash on Deposit at each financial institution.

First State Bank	USDA	Checking	\$ 100
First State Bank	General	Checking	84,741
New Mexico Finance Authority	Treatment Plant	Grant	102,060
New Mexico Finance Authority	Treatment Plant	Loan	11,340
New Mexico Finance Authority	Street Improvements		3,538
New Mexico Finance Authority	Street Improvements		
New Mexico Finance Authority		Reserves	20,102
New Mexico Finance Authority	Multi-purpose Program Facility		1,344
U.S. EE Bonds	Fire Fund	Investment	<u>20,056</u>
			<u><b>\$ 243,281</b></u>

Total amount on deposit	\$ 243,281
Deposit in transit	-
Outstanding checks	<u>(9,231)</u>

Total per financial statements **\$ 234,050**

The following schedule details the public money held by First State Bank and the pledged collateral provided for the Village follows:

	<u>First State Bank</u>
Cash on deposit at June 30	\$ 223,225
Less <u>FDIC</u>	<u>(223,225)</u>
Uninsured funds	-
Funds needing collateralization at 50% (required by State Law)	-
Pledged collateral at June 30	<u>-</u>
Excess of Pledged Collateral	<u><b>\$ -</b></u>

*Custodial Credit Risk - Deposits* - Custodial Credit Risk is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, \$0 of the Village's bank balance \$223,225 was exposed to custodial credit risk as follows:

A. Uninsured and Uncollateralized	\$ -
B. Uninsured and collateralized with securities held by the pledging banks trust department, but not in the Village's name	<u>-</u>
Total	<u><b>\$ -</b></u>

Notes to Financial Statements (continued)

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the cooperative for at least one half of the amount on deposit with the institution.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

The amount held at the New Mexico Finance Authority totaling \$3 is collateralized within the NMFA guidelines. This information is not available by individual Agency but the financial statements for the NMFA are available by writing to New Mexico Finance Authority, 207 Shelby Street, Santa Fe, New Mexico 87501.

3. ACCOUNTS RECEIVABLES

Receivables as of June 30, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables from customers	\$ -	\$ 13,691
Less allowance for uncollectible accounts	-	-
Subtotal	-	13,691
Lodger's tax	1,980	-
Gross receipts taxes receivable	5,404	-
Property taxes receivable	301	-
Intergovernmental	4,048	-
Total	<u>\$ 11,733</u>	<u>\$ 13,691</u>

4. 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 semi-annual installments by November 10 and April 10 of the subsequent year. 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 for 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 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 accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues. The Village has no means of determining the amount of delinquent taxes, and no delinquent taxes are recorded on the Villages financial records.

Notes to Financial Statements (continued)

5. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

Governmental Funds

During the year ended June 30, the following changes occurred in the liabilities reported in the Governmental Funds:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Compensated absences payable	\$ 3,818	\$ -	\$ 2,385	\$ 1,433	\$ -

The liability will be liquidated by the General Fund.

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
NMFA Loan	\$ 305,860	\$ -	\$ 22,978	\$ 282,882	\$ 23,065

The Village entered into a loan agreement with the New Mexico Finance Authority evidencing a special limited obligation of the Village to pay a principal amount of \$101,500 and interest for the purpose of defraying the cost of constructing a multi-purpose facility. The Village has pledged future gross receipts tax to pay the loan. The total annual principal and interest payments to repay the loan is 4% of gross receipts tax. The yearly payments are to be redirected from the Villages gross receipts tax distributed by the State of New Mexico. The interest rate is 0.0%. The maturity date is May 1, 2028.

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 5,142	\$ -	\$ 5,142
2015	5,142	-	5,142
2016	5,142	-	5,142
2017	5,142	-	5,142
2018	5,142	-	5,142
2019-2023	25,710	-	25,710
2024-2028	<u>25,706</u>	<u>-</u>	<u>25,706</u>
Total	<u>\$ 77,126</u>	<u>\$ -</u>	<u>\$ 77,126</u>

The liability will be liquidated by the General Fund.

The Village entered into a loan agreement with the New Mexico Finance Authority evidencing a special limited obligation of the Village to pay a principal amount of \$274,101 and interest for the purpose of defraying the cost of infrastructure improvements for the Village. The Village has pledged future revenues to repay the loan. The total annual principal and interest payments to repay the loan is 16% of gross receipts tax. The yearly payments are to be redirected from the Villages gross receipts tax distributed by the State of New Mexico. The interest rate is 0.18% to 1.48%. The maturity date is May 1, 2024.

Notes to Financial Statements (continued)

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 17,923	\$ 2,216	\$ 20,049
2015	18,032	2,016	20,048
2016	18,155	1,894	20,049
2017	18,292	1,758	20,050
2018	18,445	1,604	20,049
2019-2023	95,152	5,095	100,247
2024	19,757	292	20,049
<b>Total</b>	<b>\$ 205,756</b>	<b>\$ 14,785</b>	<b>\$ 220,541</b>

The liability will be liquidated by the General Fund.

Enterprise Fund

During the year ended June 30, the following changes occurred in certain long-term liabilities reported in the Enterprise Fund:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
RIP Loan	\$ -	\$ 11,340	\$ -	\$ 11,340	\$ 567

The Village entered into a loan agreement with the New Mexico Finance Authority evidencing a special limited obligation of the Village to pay a principal amount of \$11,340 and interest for the purpose of defraying the cost of improvements to the treatment plant. The Village has pledged future water revenues to repay the loan. The total annual principal and interest payments to repay the loan is 1% of gross revenue. The interest rate is 0.0%. The maturity date is June 1, 2035.

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 567	\$ -	\$ 567
2015	567	-	567
2016	567	-	567
2017	567	-	567
2018	567	-	567
2019-2023	2,835	-	2,835
2024-2028	2,835	-	2,835
2029-2033	2,835	-	2,835
2034-2035	1,134	-	1,134
<b>Total</b>	<b>\$ 11,340</b>	<b>\$ -</b>	<b>\$ 11,340</b>

During the year ended June 30, the following changes occurred in certain long-term liabilities reported in the Enterprise Fund:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Compensated absences payable	\$ 4,835	\$ 833	\$ -	\$ 5,668	\$ -

The liability will be paid out of the Water Fund.

Notes to Financial Statements (continued)

6. CAPITAL ASSETS

The amount of property, plant and equipment in the Governmental-Type Activities consists of the following:

	Balance June 30, 2012	Additions	Adjustments	Deletions	Balance June 30, 2013
Land	\$ 175,420	\$ -	\$ (114,178)	\$ -	\$ 61,242
Total capital assets not being depreciated	<u>175,420</u>	<u>-</u>	<u>(114,178)</u>	<u>-</u>	<u>61,242</u>
Land improvements	-	-	-	-	-
Buildings	1,195,141	-	(2,114)	-	1,193,027
Infrastructure	7,133,370	115,912	(1,456,956)	-	5,792,326
Vehicles	-	-	394,998	-	394,998
Equipment	765,827	-	(62,131)	-	703,696
Furniture & fixtures	-	-	24,589	-	24,589
Total capital assets being depreciated	<u>9,094,338</u>	<u>115,912</u>	<u>(1,101,614)</u>	<u>-</u>	<u>8,108,636</u>
Less accumulated depreciation for:					
Land improvements	-	-	-	-	-
Buildings	(186,521)	(42,898)	(89,235)	-	(318,654)
Infrastructure	(673,799)	(391,312)	(1,513,540)	-	(2,578,651)
Vehicles	-	(15,995)	(340,017)	-	(356,012)
Equipment	(757,299)	(29,608)	165,093	-	(621,814)
Furniture & Fixtures	-	(439)	(22,834)	-	(23,273)
Total accumulated depreciation	<u>(1,617,619)</u>	<u>(480,252)</u>	<u>(1,800,533)</u>	<u>-</u>	<u>(3,898,404)</u>
Total capital assets being depreciated	<u>7,476,719</u>	<u>(364,340)</u>	<u>(2,902,147)</u>	<u>-</u>	<u>4,210,232</u>
Net capital assets	<u>\$ 7,652,139</u>	<u>\$ (364,340)</u>	<u>\$ (3,016,325)</u>	<u>-</u>	<u>\$ 4,271,474</u>

The amount of property, plant and equipment in the Business-Type Activities consists of the following:

	Balance June 30, 2012	Additions	Adjustments	Deletions	Balance June 30, 2013
Land	\$ 21,838	\$ -	\$ 143,201	\$ -	\$ 165,039
Total capital assets not being depreciated	<u>21,838</u>	<u>-</u>	<u>143,201</u>	<u>-</u>	<u>165,039</u>
Land improvements	-	-	-	-	-
Buildings	80,869	-	4,000	-	84,869
Plant	3,195,651	116,099	188,875	-	3,500,625
Vehicles	-	-	62,756	-	62,756
Equipment	95,543	-	-	-	95,543
Total capital assets being depreciated	<u>3,372,063</u>	<u>116,099</u>	<u>255,631</u>	<u>-</u>	<u>3,743,793</u>
Land improvements	-	-	-	-	-
Buildings	(62,438)	(605)	-	-	(63,043)
Plant	(1,252,673)	(104,807)	(925,494)	-	(2,282,974)
Vehicles	-	(5,957)	(53,106)	-	(59,063)
Equipment	(72,742)	(6,274)	(10,026)	-	(89,042)
Total accumulated depreciation	<u>(1,387,853)</u>	<u>(112,999)</u>	<u>(983,982)</u>	<u>-</u>	<u>(2,494,122)</u>
Net capital assets	<u>\$ 2,006,048</u>	<u>\$ (3,100)</u>	<u>\$ (585,150)</u>	<u>-</u>	<u>\$ 1,414,710</u>

Notes to Financial Statements (continued)

7. DEPOSITS HELD FOR OTHERS, ENTERPRISE FUND

Deposits in the Water Wastewater Utility Enterprise Fund consist of the following:

Hydrant Meter deposits	<u>\$ 14,500</u>
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Water meter deposits are charged to new customers and consist of the following:

Residential properties	\$ 150
Commercial properties	\$ 150

8. TRANSFERS

The composition of interfund transfers for Governmental Activities during the year are as follows:

	<u>Transfers In</u>	
		State Highway Co-op Grant Fund
<u>Transfers Out</u>		
General Fund	\$ <u>22,162</u>	
Total Transfers In/Out	<u>\$ 22,162</u>	
	<u>Balance of Transfers</u>	
Transfer to State Highway Co-op Grant Fund	<u>\$ 22,162</u>	From General Fund

In the year ended June 30, the Village made the following one-time transfer:

1) The General Fund transferred monies to the State Highway Co-op Grant Fund to cover NMSHTD matching requirements. (A one-time expenditure.)

Notes to Financial Statements (continued)

9. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

<u>Revenues</u>	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>DWI Funds</u>	<u>State Highway Fund</u>
Accrual basis	\$197,378	\$ 75,255	\$ 64,491	\$ 66,485
Budget basis	<u>216,409</u>	<u>75,255</u>	<u>74,058</u>	<u>66,485</u>
Increase (decrease) in receivables	<u>\$ (19,031)</u>	<u>\$ -</u>	<u>\$ (9,567)</u>	<u>\$ -</u>
<u>Expenditures</u>				
Accrual basis	\$243,048	\$ 70,286	\$ 65,389	\$ 88,647
Budget basis	<u>245,237</u>	<u>78,247</u>	<u>65,528</u>	<u>72,286</u>
Capital outlay	-	-	-	-
Increase (decrease) in payables	<u>\$ (2,189)</u>	<u>\$ (7,961)</u>	<u>\$ (139)</u>	<u>\$ 16,361</u>

<u>Revenues</u>	<u>Street Improvements MAP-903</u>	<u>Non-Major Special Revenue Funds</u>	<u>Non-Major Capital Projects Funds</u>	<u>Proprietary Fund</u>
Accrual basis	\$ -	\$ 8,488	\$ -	\$ 246,143
Budget basis	<u>-</u>	<u>6,508</u>	<u>16,222</u>	<u>249,002</u>
Increase (decrease) in receivables	<u>\$ -</u>	<u>\$ 1,980</u>	<u>\$ (16,222)</u>	<u>\$ 2,859</u>
<u>Expenditures</u>				
Accrual basis	\$ 27,265	\$ 746	\$ -	\$ 253,872
Budget basis	<u>1,207</u>	<u>746</u>	<u>-</u>	<u>267,171</u>
Depreciation	-	-	-	(119,055)
Capital assets purchased	-	-	-	116,099
Difference in Compensated absences	-	-	-	(833)
Increase (decrease) in payables	<u>\$ 26,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,088)</u>

10. RETIREMENT PLAN

*Plan Description.* Substantially all of 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 Board (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 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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Notes to Financial Statements (continued)

*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 Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The Village of Reserve contributions to PERA for the year ending June 30, 2013, 2012 and 2011 were \$10,756, \$24,302, and \$23,150 respectively equal to the amount of the required contributions for the year.

11. RETIREE HEALTH CARE ACT CONTRIBUTIONS

*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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the 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; and 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 the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 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 participating 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



Notes to Financial Statements (continued)

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 [www.nmrhcs.state.nm.us](http://www.nmrhcs.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 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. For the fiscal years ended June 30, 2013, 2012, and 2011. The Village of Reserve remitted \$3,045, \$4,775, and \$4,132 in employer contributions, respectively, to the Retiree Health Care Authority.

12. FUND BALANCES CLASSIFIED

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented here.

<u>Fund Balances</u>	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>DWI Fund</u>	<u>State Highway Co-op Fund</u>	<u>Street Improvement Fund</u>	<u>other Governmental Fund</u>	<u>Totals</u>
<u>Nonspendable:</u>							
Interfund loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	-	-	-
Total nonspendable	-	-	-	-	-	-	-
<u>Restricted for:</u>							
Road improvements	-	-	-	-	99,948	-	99,948
Fire protection	-	60,814	-	-	-	-	60,814
Law enforcement	-	-	(898)	-	-	-	(898)
Lodger's tax	-	-	-	-	-	7,084	7,084
Los Jovenes	-	-	-	-	-	4,197	4,197
Debt service	24,984	-	-	-	-	-	24,984
Total restricted	24,984	60,814	(898)	-	99,948	11,281	196,129
<u>Committed to:</u>							
Other purposes	-	-	-	-	-	-	-
Total committed	-	-	-	-	-	-	-
<u>Unassigned:</u>	(12,377)	-	-	-	-	-	(12,377)
Total Fund Balances	\$ 12,607	\$ 60,814	\$ (898)	\$ -	\$ 99,948	\$ 11,281	\$ 183,752

Notes to Financial Statements (continued)

13. BUDGET VIOLATIONS

The General Fund had a budget overrun of \$57,330, the Fire Fund \$3,762, the State Highway Co-op Fund \$5,801 and the Los Jovenes Fund by \$746.

14. RESTATEMENT OF FUND BALANCE/NET POSITION

The fund balance of the following funds had to be restated based on the following reasons. The Fire Fund did not include \$10,000 in cash at June 30, 2013 that was incorrectly included with the Water Fund. The DWI Fund incorrectly included \$13,615 in accounts receivable and \$139 in accounts payable at June 30, 2013 for a net balance of \$13,476. The June 30, 2013 audit report included a Recreation fund that had a fund balance of \$11,104 that was eliminated. The June 30, 2013 audit report did not have a Lodger's Tax Fund. This fund had \$3,539 in revenues during the 2012/2013 fiscal year. The CDBG Comprehensive Fund incorrectly reported a due from other funds of \$13,830 and a due to other funds for \$12,370 for a net fund balance of \$1,460. The State Highway Coop Fund had several incorrect due to other funds and due from other funds netting to a fund balance of \$190,899. The Multi-Purpose Facility Fund had incorrect due to other funds and due from other funds netting to a fund balance of \$19,303. The Maps and Roads Fund had incorrect due to other funds and due from other funds netting to a fund balance of \$59,918. The Downtown Revitalization Fund had incorrect due to other funds and due from other funds netting to a fund balance of \$53,001. The Water System Fund was incorrectly included as a Capital Project Fund instead of a Water Project Fund so the Capital Project Fund balance was restated by \$111,957 and the Water Project Fund balance was restated by \$111,957. The Multi-Purpose Facility Fund was restated by \$908. This fund was closed and combined with the General Fund as the General Fund pays this debt. The Street Improvements Fund was restated by \$23,566. This fund was closed and combined with the General Fund as the General Fund pays this debt. The Street Improvements Fund was restated by \$23,566. This fund was closed and combined with the General Fund as the General Fund pays the debt. The Water Fund was restated by the \$14,500 reported as Savings bonds incorrectly. The Water/Sewer fixed assets had to be restated by \$583,737. The Water Project (2<sup>nd</sup> Well Project) had to be restated by the \$111,957 to report it as a Water Project also had to be restated by \$223,412 in fixed assets that were proprietary fixed assets not governmental. The Water Project also needed to be restated by \$100 used to open the Water Project bank account. These restatements netted to \$486,682. The General Fund needed to be restated by \$120,058. This includes \$908 from combining the Multi-Purpose Facility Fund, the \$23,566 from combining the Street Improvements Fund, \$2,064 in Lodger's Tax that belonged to the Lodger's Tax Fund, \$194,749 in Due from other funds reported incorrectly, \$16,798 reported in Due to other funds incorrectly, \$35,054 needed to adjust cash to actual and \$429 to adjust a due to NMFA reported incorrectly.

**OTHER MAJOR FUND BUDGETS**

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 State Highway Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ 66,485	\$ 66,485	\$ 66,485	\$ -
Total revenues	<u>\$ 66,485</u>	<u>\$ 66,485</u>	<u>\$ 66,485</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Capital outlay	\$ 66,485	\$ 66,485	\$ 72,286	\$ (5,801)
Total expenditures	<u>\$ 66,485</u>	<u>\$ 66,485</u>	<u>\$ 72,286</u>	<u>\$ (5,801)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	\$ -	\$ -	\$ 22,162	\$ 22,162
Total other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,162</u>	<u>\$ 22,162</u>
<b>EXPENDITURES</b>				
Budgetary basis			\$ 72,286	
Increase in accounts payable			<u>16,361</u>	
Modified accrual basis			<u>\$ 88,647</u>	

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Street Improvements MAP-903 Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ -	\$ -
Earnings on investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Capital outlay	\$ 151,258	\$ 151,258	\$ 1,207	\$ 150,051
Total expenditures	<u>\$ 151,258</u>	<u>\$ 151,258</u>	<u>\$ 1,207</u>	<u>\$ 150,051</u>
BUDGETED CASH BALANCE	<u>\$ 151,258</u>	<u>\$ 151,258</u>		

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

**NON-MAJOR GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Governmental Funds  
 Combining Balance Sheet - By Fund Type  
 June 30, 2013

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Totals
<b>ASSETS</b>				
Cash on deposit	\$ 9,301	\$ -	\$ -	\$ 9,301
Accounts receivable	1,980	-	-	1,980
<b>Total assets</b>	<b>\$ 11,281</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,281</b>
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCE</b>				
Nonspendable	-	-	-	-
Restricted	11,281	-	-	11,281
Committed	-	-	-	-
Unassigned	-	-	-	-
<b>Total fund balance</b>	<b>11,281</b>	<b>-</b>	<b>-</b>	<b>11,281</b>
<b>Total liabilities and fund balance</b>	<b>\$ 11,281</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,281</b>

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

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Non-Major Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes  
in Fund Balances - By Fund Type  
Year Ended June 30, 2013

Statement A-2

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total
<b>REVENUES</b>				
Taxes	\$ 3,545	\$ -	\$ -	\$ 3,545
Gas taxes	-	-	-	-
Cigarette taxes	-	-	-	-
Charges for services	-	-	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Local sources	4,943	-	-	4,943
State sources	-	-	-	-
Federal sources	-	-	-	-
State shared taxes	-	-	-	-
Earnings on investments	-	-	-	-
<b>Total revenues</b>	<b>8,488</b>	<b>-</b>	<b>-</b>	<b>8,488</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Highways and streets	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	746	-	-	746
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principle	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>746</b>	<b>-</b>	<b>-</b>	<b>746</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>7,742</b>	<b>-</b>	<b>-</b>	<b>7,742</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfer out	-	-	-	-
Loan proceeds	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>7,742</b>	<b>-</b>	<b>-</b>	<b>7,742</b>
<b>Fund balance at beginning of year</b>	<b>(11,104)</b>	<b>(289,010)</b>	<b>24,474</b>	<b>(275,640)</b>
<b>Restatement</b>	<b>14,643</b>	<b>289,010</b>	<b>(24,474)</b>	<b>279,179</b>
<b>Fund balance, beginning of year, restated</b>	<b>3,539</b>	<b>-</b>	<b>-</b>	<b>3,539</b>
<b>Fund balance at end of year</b>	<b>\$ 11,281</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,281</b>

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



STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Combined Statement of Revenues and Expenditures  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Governmental Fund Types - Non-Major  
 Special Revenue Funds  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Lodgers tax	1,900	1,900	1,565	(335)
Charges for services	-	-	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Local sources	-	-	4,943	4,943
State sources	-	-	-	-
Federal sources	-	-	-	-
State shared taxes	-	-	-	-
Earnings from investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenues</b>	<b><u>\$ 1,900</u></b>	<b><u>\$ 1,900</u></b>	<b><u>\$ 6,508</u></b>	<b><u>\$ 4,608</u></b>
<b>EXPENDITURES</b>				
General government	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	1,500	1,500	746	754
	<u>1,500</u>	<u>1,500</u>	<u>746</u>	<u>754</u>
<b>Total expenditures</b>	<b><u>\$ 1,500</u></b>	<b><u>\$ 1,500</u></b>	<b><u>\$ 746</u></b>	<b><u>\$ 754</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 2,064</u></b>	<b><u>\$ 2,064</u></b>		

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Combined Statement of Revenues and Expenditures  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Capital Projects Funds  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	16,222	16,222
Earnings on investments	-	-	-	-
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,222</b>	<b>\$ 16,222</b>
<b>EXPENDITURES</b>				
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Combined Statement of Revenues and Expenditures  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Debt Service Funds  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Earnings on investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**NON-MAJOR  
SPECIAL REVENUE FUNDS**

**RECREATION FUND** - To account for the operation and maintenance of recreation facilities in the Village. Financing is provided by a specific annual cigarette tax levy. Authority: NMSA 7-12-1 and 7-12-15.

**LOS JOVENES** - To account for resources received from donations and fundraisers to support programs for the Youth of the Village. Authority is the Village Council.

**LODGERS TAX FUND** - To account for the administration of the Village promotional effort. Funds are derived from a lodger's tax imposed on motel rentals. (Authority is NMSA 3-38-13).

Statement B-1

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2013

	Recreation Fund	Los Jovenes Fund	Lodgers Tax Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash on deposit	\$ -	\$ 4,197	\$ 5,104	\$ 9,301
Accounts receivable	-	-	1,980	1,980
Total assets	\$ -	\$ 4,197	\$ 7,084	\$ 11,281
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-
<b>FUND BALANCE</b>				
Restricted	-	4,197	7,084	11,281
Total fund balance	\$ -	\$ 4,197	\$ 7,084	\$ 11,281

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

STATE OF NEW MEXICO  
VILLAGE OF RESERVE

Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2013

	Recreation Fund	Los Jovens Fund	Lodger's Tax Fund	Total Funds
<b>REVENUES</b>				
Lodgers Tax	-	-	\$ 3,545	\$ 3,545
Charges for services	-	-	-	-
Local sources	-	4,943	-	4,943
State sources	-	-	-	-
Federal sources	-	-	-	-
Earnings on investments	-	-	-	-
Total revenues	-	4,943	3,545	8,488
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Highways and streets	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	746	-	746
Capital outlay	-	-	-	-
Total expenditures	-	746	-	746
Excess (deficiency) of revenues over expenditures	-	4,197	3,545	7,742
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	4,197	3,545	7,742
Fund balance, beginning of year	(11,104)	-	-	(11,104)
Restatement	11,104	-	3,539	14,643
Fund balance, beginning of year restated	-	-	3,539	3,539
Fund balance, end of year	-	\$ 4,197	\$ 7,084	\$ 11,281

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Special Revenue Fund - Recreation Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State shared taxes	\$ -	\$ -	\$ -	\$ -
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>EXPENDITURES</b>				
Culture and recreation	\$ -	\$ -	\$ -	\$ -
<b>Total expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Special Revenue Fund - Los Jovenes Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ 4,943	\$ 4,943
Earnings from investments	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,943</u>	<u>\$ 4,943</u>
EXPENDITURES				
Culture and recreation	\$ -	\$ -	\$ 746	\$ (746)
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 746</u>	<u>\$ (746)</u>

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



STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Special Revenue Fund - Lodgers Tax Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ 1,900	\$ 1,900	\$ 1,565	\$ (335)
Total revenues	<u>\$ 1,900</u>	<u>\$ 1,900</u>	<u>\$ 1,565</u>	<u>\$ (335)</u>
EXPENDITURES				
Culture and recreation	\$ 1,500	\$ 1,500	\$ -	\$ 1,500
Total expenditures	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 1,500</u>
BUDGETED CASH BALANCE	<u>\$ 2,064</u>	<u>\$ 2,064</u>		
REVENUES				
Budgetary Basis			\$ 1,565	
Increase in accounts receivable			<u>1,980</u>	
Modified accrual basis			<u>\$ 3,545</u>	

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

**NON-MAJOR  
CAPITAL PROJECTS FUNDS**

**CDBG COMPREHENSIVE PLAN FUND** - To account for the federal grant (CDBG) revenues and expenditures to conduct a study of Village needs.

**SCHOOL BUS ROUTE FUND** - To account for the state revenues to be utilized to plan and design safe routes for Village schools for Village children.

**2009 ARRA FUND** - To account for resources received from a Federal ARRA grant to help revitalize and improve the downtown area of the Village.

**STATE HIGHWAY CO-OP FUND** - To account for the cooperative agreement with the New Mexico Highway Department for street maintenance. Authorization is NMSA 1978 Section 67-3-57.

**MULTIPURPOSE FACILITY FUND** - To account for state revenues to be expended to construct a multipurpose facility for Village residents.

**MAP AND ROADS FUND** - To account for federal and state grant revenue for street projects.

**DOWNTOWN REVITALIZATION FUND** - To account for state revenues to be utilized to plan, design and construct improvements for the Village downtown area.

**WATER SYSTEM FUND** - To account for a grant received to improve the treatment plant.

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Non-Major Capital Projects Fund  
Combining Balance Sheet  
June 30, 2013

	CDBG Comprehensive Fund	School Bus Fund	2009 ARRA Fund	State Highway Coop Fund
<b>ASSETS</b>				
Cash on deposit	\$ -	\$ -	\$ -	\$ -
Total assets	\$ -	\$ -	\$ -	\$ -
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
<b>FUND BALANCES</b>				
Restricted	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	-	-	-	-
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ -

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Capital Projects Fund  
 Combining Balance Sheet  
 June 30, 2013

	Multi-purpose Facility Fund	Maps & Roads Fund	Downtown Revitalization Fund	Water System Fund	Total Capital Project Funds
<b>ASSETS</b>					
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCES</b>					
Restricted	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Capital Projects Fund  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Year Ended June 30, 2013

Statement C-2  
 Page 1 of 3

	CDBG Comprehensive Fund	School Bus Route Fund	2009 ARRA Fund	State Highway Coop Fund
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Earnings on investments	-	-	-	-
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
General government	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	1,460	-	-	(190,899)
Restatement	(1,460)	-	-	190,899
Fund balance, beginning of year, restated	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

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

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Non-Major Capital Projects Fund  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2013

Statement C-2  
Page 2 of 2

	Multi-purpose Facility Fund	Maps & Roads Fund	Downtown Revitalization Fund	Water System Fund	Total Capital Project Funds
<b>REVENUES</b>					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Earnings on investments	-	-	-	-	-
Total revenues	-	-	-	-	-
<b>EXPENDITURES</b>					
General Government	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Loan proceeds	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-	-	-
Fund balance, beginning of year	19,303	(59,918)	53,001	(111,957)	(289,010)
Restatement	(19,303)	59,918	(53,001)	111,957	289,010
Fund balance, beginning of year, restated	-	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -	\$ -

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Capital Projects Fund - CDBG Comprehensive Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
Earnings on investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Capital Projects Fund - School Bus Route Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
Earnings on investments	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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



STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Capital Projects Fund - 2009 ARRA Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	16,222	16,222
Earnings on investments	-	-	-	-
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,222</b>	<b>\$ 16,222</b>
<b>EXPENDITURES</b>				
Capital outlay	\$ -	\$ -	\$ -	\$ -
<b>Total expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Capital Projects Fund - State Highway Coop Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
Earnings on investments	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Capital outlay	\$ -	\$ -	\$ -	\$ -
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Capital Projects Fund - Multi-purpose Facility Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Capital Projects Fund - Maps & Roads Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
Earnings on investments	-	-	-	-
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>EXPENDITURES</b>				
Capital outlay	\$ -	\$ -	\$ -	\$ -
<b>Total expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Capital Projects Fund - Downtown Revitalization Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
Earnings on investments	-	-	-	-
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>EXPENDITURES</b>				
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Capital Projects Fund - Water System Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
Earnings on investments	-	-	-	-
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>EXPENDITURES</b>				
Capital outlay	\$ -	\$ -	\$ -	\$ -
<b>Total expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

**NON-MAJOR  
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.

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Debt Service Funds  
 Combining Balance Sheet  
 June 30, 2013

	Multi-purpose Facility Fund	Street Improvements Fund	Totals
<b>ASSETS</b>			
Cash on deposit	\$ -	\$ -	\$ -
Accounts receivable	-	-	-
	-	-	-
Total assets	\$ -	\$ -	\$ -
<b>LIABILITIES</b>			
Due to NMFA	\$ -	\$ -	\$ -
	-	-	-
<b>FUND BALANCE</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Unassigned	-	-	-
	-	-	-
Total fund balance	-	-	-
Total liabilities and fund balance	\$ -	\$ -	\$ -

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



STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Non-Major Debt Service Funds  
Combining Statement of Revenues, Expenditures and Changes  
in Fund Balances  
Year Ended June 30, 2013

Statement D-2

	Multi-purpose Facility Fund	Street Improvements Fund	Total
<b>REVENUES</b>			
Earnings on investments	\$ -	\$ -	\$ -
Total revenues	-	-	-
<b>EXPENDITURES</b>			
Debt service			
Principle	\$ -	\$ -	\$ -
Interest	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfer out	-	-	-
Loan proceeds	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	908	23,566	24,474
Restatement	(908)	(23,566)	(24,474)
Fund balance, beginning of year, restated	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Debt Service Fund - Multi-purpose Fund  
 Statement of Revenues and Expenditures  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Earnings from investments	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Debt service:				
Principle	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>		

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Debt Service Fund - Street Improvements Fund  
 Statement of Revenues and Expenditures  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Earnings from investments	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Debt service:				
Principle	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>		

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

**PROPRIETARY FUND BUDGETS**

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Proprietary Funds - Water Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 76,650	\$ 76,650	\$ 106,313	\$ 29,663
State shared taxes	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	102,060	102,060
Federal sources	-	-	-	-
Interest income	-	-	-	-
	<u>76,650</u>	<u>76,650</u>	<u>208,373</u>	<u>131,723</u>
Total revenues	<u>\$ 76,650</u>	<u>\$ 76,650</u>	<u>\$ 208,373</u>	<u>\$ 131,723</u>
<b>EXPENDITURES</b>				
Operating expenses	\$ 76,600	\$ 76,600	\$ 70,184	\$ 6,416
	<u>76,600</u>	<u>76,600</u>	<u>70,184</u>	<u>6,416</u>
Total expenditures	<u>\$ 76,600</u>	<u>\$ 76,600</u>	<u>\$ 70,184</u>	<u>\$ 6,416</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>
<b>REVENUES</b>				
Budgetary basis			\$ 208,373	
Accounts receivable			(7,951)	
			<u>200,422</u>	
<b>EXPENDITURES</b>				
Budgetary basis			\$ 70,184	
Depreciation			114,411	
Capital assets purchased			-	
Difference in accounts payable			(17,088)	
Difference in compensated absences			833	
			<u>168,340</u>	
Modified accrual basis			<u>\$ 168,340</u>	

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

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Proprietary Funds - Sewer Fund  
Statement of Revenues and Expenditures  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 78,450	\$ 78,450	\$ 40,629	\$ (37,821)
State shared taxes	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest income	-	-	-	-
	<u>78,450</u>	<u>78,450</u>	<u>40,629</u>	<u>(37,821)</u>
Total revenues	<u>\$ 78,450</u>	<u>\$ 78,450</u>	<u>\$ 40,629</u>	<u>\$ (37,821)</u>
<b>EXPENDITURES</b>				
Operating expenses	\$ 90,364	\$ 90,364	\$ 80,888	\$ 9,476
	<u>90,364</u>	<u>90,364</u>	<u>80,888</u>	<u>9,476</u>
Total expenditures	<u>\$ 90,364</u>	<u>\$ 90,364</u>	<u>\$ 80,888</u>	<u>\$ 9,476</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	\$ 11,914	\$ 11,914	-	\$ 11,914
	<u>11,914</u>	<u>11,914</u>	<u>-</u>	<u>11,914</u>
<b>REVENUES</b>				
Budgetary basis			\$ 40,629	
Accounts receivable			5,092	
			<u>45,721</u>	
Modified accrual basis			<u>\$ 45,721</u>	
<b>EXPENDITURES</b>				
Budgetary basis			\$ 80,888	
Depreciation			-	
Capital assets purchased			-	
Difference in accounts payable			-	
			<u>80,888</u>	
Modified accrual basis			<u>\$ 80,888</u>	

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Proprietary Funds - Second Well Project Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	1,650,000	1,650,000	-	-
Interest income	-	-	-	(1,650,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 1,650,000</u>	<u>\$ 1,650,000</u>	<u>\$ -</u>	<u>\$ (1,650,000)</u>
<b>EXPENDITURES</b>				
Operating expenses	\$ 1,650,000	\$ 1,650,000	\$ 116,099	\$ 1,533,901
Total expenditures	<u>\$ 1,650,000</u>	<u>\$ 1,650,000</u>	<u>\$ 116,099</u>	<u>\$ 1,533,901</u>
<b>REVENUES</b>				
Budgetary basis				
Accounts receivable			\$ -	-
Modified accrual basis			<u>\$ -</u>	<u>-</u>
<b>EXPENDITURES</b>				
Budgetary basis				
Depreciation			\$ 116,099	
Capital assets purchased			4,644	
Difference in accounts payable			(116,099)	
Modified accrual basis			<u>\$ 4,644</u>	

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

# Rice and Associates, C.P.A.

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

**INDEPENDENT AUDITOR'S REPORT**

Mr. Tim Keller  
New Mexico State Auditor  
and  
Honorable Mayor and Village Council  
Village of Reserve  
Reserve, New Mexico

We have audited, in accordance with the 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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, Fire Protection and DWI Funds of the Village of Reserve, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Village of Reserve's basic financial statements, and the related budgetary comparisons of the Major Capital Project Funds and the enterprise funds, presented as supplemental information, and have issued our report thereon dated April 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Reserve's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control.

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.

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.



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that were considered to be a material weakness. We did identify deficiencies in internal control, described in the accompanying Status of Comments as Late Audit Report (2010-004), Grant Reporting (2011-001), Meter Deposit Bank Account (2013-001), Interfund Activity Created Incorrectly (2013-004), Second Well Project Fund Reported Incorrectly (2013-005), Grant Balances not Utilized (2013-007), Savings Bonds Included in Wrong Fund (2013-013), Lending of Fire Revenues Violates the State Fire Marshall Statutes (2013-014), Outstanding Balances (2013-015), Capital Asset Listing/Depreciation Schedule (2013-018), Gross Receipts Tax Reports not Filed (2013-022), IRS 941 Reports not on File for Review (2013-025), NM Withholding (CRS-1) Reports not Submitted Timely (2013-027), Ordinance for Compensation of Mayor (2013-030), Payments to Board Members (2013-031) and Lodger's Tax Fund (2013-033) that we consider to be significant deficiencies.

#### Compliance and Other Matters

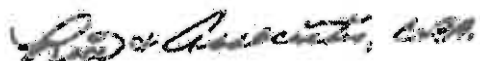
As part of obtaining reasonable assurance about whether the Village of Reserve's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our and the other auditors tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the Status of Comments as Budget Overruns (2008-001), Late Audit Report (2010-004), DFA Quarterly Reports Incorrect (2011-002), Water Meter Deposits (2013-002), Transactions Made by Third Parties Not Recorded on Books of Record (2013-003), Second Well Project Fund Reported Incorrectly (2013-005), Receipt Books (2013-006), Grant Funds Suspended Due to Late Audit Report (2013-008), Overpayment Made (2013-009), Outstanding Utility Balance (2013-010), Budget for Non-Existant Fund (2013-011), Back Dating Checks (2013-012), Lending of Fire Revenues Violates the State Fire Marshall Statutes (2013-014), Outstanding Lodger's Tax Receivables (2013-016), Aged Receivable Report not Reconciling to any other Financial Statements (2013-017), Depreciation Policy (2013-019), Purchase Orders Required (2013-020), Gross Receipts Tax Penalties and Interest (2013-021), Landscaping Services Contract (2013-023), Evaluation of Youth Center (2013-024), New Hire Reporting (2013-026), NM Withholding (CRS-1) Reports not Submitted Timely (2013-027), Incorrect 1099 Forms (2013-028), Fire Chief Contract (2013-029), Ordinance for Compensation of Mayor (2013-030), Payments to Board Members (2013-031), Contract for Grant Administrator (2013-032) and Lodger's Tax Fund (2013-033).

#### The Village of Reserve's Response to Findings

The Village of Reserve's responses to the findings identified in our audit are described in the accompanying Status of Comments. The Village of Reserve's responses were not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Reserve's internal control and compliance. Accordingly, this communication is not suitable for the any other purpose.



Albuquerque, New Mexico  
April 20, 2015

## **STATUS OF COMMENTS**

### **Prior Year Audit Findings**

1. Budget Overruns (2008-001) - Repeated.
2. Late Audit Report (2010-004) - Repeated.
3. Grant Reporting (2011-001) - Repeated.
4. DFA Quarterly Reports Incorrect (2011-002) - Repeated.

### **Current Year Audit Findings**

1. Meter Deposit Bank Account (2013-001)
2. Water Meter Deposits (2013-002)
3. Transactions Made by Third Parties Not Recorded on Books of Record (2013-003)
4. Interfund Activity Created Incorrectly (2013-004)
5. Second Well Project Fund Reported Incorrectly (2013-005)
6. Receipt Books (2013-006)
7. Grant Balances not Utilized (2013-007)
8. Grant Funds Suspended Due to Late Audit Report (2013-008)
9. Overpayment Made (2013-009)
10. Outstanding Utility Balance (2013-010)
11. Budget for Non-Existent Fund (2013-011)
12. Back Dating Checks - (2013-012)
13. Savings Bonds Included in Wrong Fund (2013-013)
14. Lending of Fire Revenues Violates the State Fire Marshall Statutes (2013-014)
15. Outstanding Balances (2013-015)
16. Outstanding Lodger's Tax Receivables (2013-016)
17. Aged Receivables Report not Reconciling to any other Financial Statements (2013-017)

**Current Year Audit Findings (Continued)**

18. Capital Asset Listing/Depreciation Schedule (2013-018)
19. Depreciation Policy (2013-019)
20. Purchase Orders Required (2013-020)
21. Gross Receipts Tax Penalties and Interest (2013-021)
22. Gross Receipts Tax Reports Not Filed (2013-022)
23. Landscaping Services Contract (2013-023)
24. Evaluation of Youth Center (2013-024)
25. IRS 941 Reports not on File for Review (2013-025)
26. New Hire Reporting (2013-026)
27. NM Withholding (CRS-1) Reports not Submitted Timely (2013-027)
28. Incorrect 1099 Forms (2013-028)
29. Fire Chief Contract (2013-029)
30. Ordinance for Compensation of Mayor (2013-030)
31. Payments to Board Members (2013-031)
32. Contract for Grant Administrator (2013-032)
33. Lodger's Tax Fund (2013-033)

Budget Overruns - Other Matter  
(2008-001)

CONDITION                    The Village overspent the final approved budgets of several funds. The General Fund by \$57,330, the Fire Protection Fund by \$3,762 the State Highway Co-op Fund by \$5,801 and the Los Jovenes Fund by \$746.

CRITERIA                     NMSA 1978 Section 22-8-11 B requires all funds to be spent within the established guidelines set for budgets.

CAUSE                        Management did not ensure budget adjustment requests were obtained from DFA by the required deadline.

EFFECT                      The Village had the adequate cash to pay the overruns but not the required budget authority from DFA.

RECOMMENDATION            Management should review its budget quarterly and request all budget adjustments at that time to ensure budget overruns do not occur.

RESPONSE                    Management will review its budget periodically to ensure budget overruns do not occur.

Late Audit Report - Significant Deficiency  
(2010-004)

CONDITION	The audit report was not submitted to the State Auditors Office by the required deadline of December 1, 2013.
CRITERIA	The State Audit Rule requires all Municipal audits to be submitted by the December 1 deadline.
CAUSE	Previous audits were submitted late. Also, there was a change in management which created a problem obtaining required documents to perform the 2013 fiscal year audit.
EFFECT	The SAO Rule has not been followed. Subsequently the Village has been included in "At Risk" lists created by the State Auditors Office.
RECOMMENDATION	The Village should help obtain current audits so as not to violate SAO Rules or be included in "At Risk" designation.
RESPONSE	The Village fully intends to have its 2015 audit and future audits completed on time.

Grant Reporting - Significant Deficiency  
(2011-001)

CONDITION                    The Village entered into a contract with a former employee to administer all aspects of it's grant proposals and grant expenditures. The contract calls for monthly payments of \$4,166. These fees were not included in the original grant requests and therefore cannot be charged to the grants as presented to the Board by the former employee. Thus, this fee must be charged and taken from the General Fund. The General Fund did not have enough funds to pay this contract. This fee was never budgeted for in the General Fund. The former employee led the Board to believe that these monies would be paid by grant "proceeds". Since grants do not have "proceeds" and this fee was not included as part of the original grant application, then the fee cannot be paid out of the grants obtained for infrastructure improvements.

CRITERIA                    All fees associated with the construction of infrastructure must be included in the original grant application.

CAUSE                        Management at the time mislead the Board on where these monies would be spent. Also, the previous auditor did not explain the depth of this comment to the Board. (The fact that the General Fund would "have" to pay this amount - approximately \$50,000.)

EFFECT                      The General Fund spent \$50,000 that was neither budgeted for or was in cash reserves.

RECOMMENDATION            All future contracts need to be evaluated at length and the fund required to pay for the services needs to be determined before the contract. This is to ensure the fund that is awarded this contract has proper budget authority and cash available to pay this contract.

RESPONSE                    Current and future grant administration will be handled in house. No such contracts will be given in the future.

DFA Quarterly Reports Incorrect -  
Other Matter  
(2011-002)

CONDITION	The Quarterly DFA reports submitted could not be reconciled to the books of record. A DFA Specialist had to come to the Village and help prepare those reports.
CRITERIA	Village Management should be knowledgeable and capable of preparing all required reports necessary to the Village's day to day operations.
CAUSE	Management at the time did not possess the knowledge and capabilities to prepare the quarterly reports.
EFFECT	DFA regulations/requirements were not followed.
RECOMMENDATION	Current Management is obtaining the required knowledge to prepare these reports.
RESPONSE	Current staff now has the experience and knowledge to complete the quarterly reporting. Quarterly reports are now caught up and on time.



Meter Deposit Bank Account - Significant Deficiency  
(2013-001)

CONDITION	The Village is including meter deposit receipts in the General Fund cash balance which is owed to Village residents. This balance is being budgeted for in the yearly budget by DFA.
CRITERIA	All meter deposits are owed to the residents that paid that deposit. These amounts should be kept separate to ensure the funds are available to be paid and not budgeted for.
CAUSE	Management was not aware of this requirement.
EFFECT	DFA could possibly include this amount in the budget process incorrectly.
RECOMMENDATION	Management should move these monies into a separate account to ensure the funds are available for payment and not budgeted for .
RESPONSE	The Village will determine deposit funds and not include them amongst budgeted funds.

Water Meter Deposits - Other Matter  
(2013-002)

CONDITION	The Village is not reconciling their monthly water meter deposit each month.
CRITERIA	The monthly meter deposit list should be reconciled each month. This complies with good accounting practices.
CAUSE	Management is aware of this situation but has not completed an accurate meter deposit.
EFFECT	Errors or omissions could occur since an accurate list is not being prepared monthly.
RECOMMENDATION	Management should designate an employee to perform this duty each month, identify differences and resolve those differences.
RESPONSE	The Village will put this practice into effect.

Transactions Made by Third Parties  
Not Recorded on Books of Record - Other Matter  
(2013-003)

CONDITION	Funds held at New Mexico Finance Authority were never recorded on the Village's books of record. These included cash balances, interest earned and debt service payments. (\$163,572)
CRITERIA	All transactions whether actually made by management or outside parties needs to be posted/recorded to the entity's books of record.
CAUSE	Management did not ensure these transactions were booked.
EFFECT	Cash balances, debt service payments and interest income were understated on the Village's books of record. Adjustments had to be made to adjust certain trial balances so these amounts were included.
RECOMMENDATION	Management should ensure all amounts/ transactions are posted/recorded to the entity's books of record.
RESPONSE	The Village will put this practice into effect.

Interfund Activity Created Incorrectly -  
Significant Deficiency  
(2013-004)

CONDITION	The Village created a Due to Other Funds account in several funds including the Recreation Fund knowing there were no resources to pay this amount back in the future. The Village knew Recreation Taxes were being phased out after 2010/2011. Also, the previous auditor allowed this process and did not make a comment in previous years audit reports.
CRITERIA	All accounts created must be based on current knowledge, resources and anticipations that the account will be relevant (used).
CAUSE	Management nor the auditor did their due diligence in creating a good relevant account, especially for the Recreation Fund.
EFFECT	Management created a due to/due from account without relevant data to actually be able to pay these due to/due froms. The prior years auditor allowed these accounts to be created without making a relevant comment.
RECOMMENDATION	Management should take great care and enlist accounting professionals to ensure a particular account is relevant and can actually be paid back.
RESPONSE	Those responsible for creating these accounts no longer work for the Village. Current staff will take care to avoid the same mistakes.

Second Well Project Fund Reported Incorrectly -  
Significant Deficiency  
(2013-005)

CONDITION	Management and the prior auditor included the 2 <sup>nd</sup> Well Project Fund to be included in the Governmental Funds and it should have been included in the Business-Type Funds.
CRITERIA	All funds related to the business of water/sewer and solid waste should be included in the Business-Type Funds.
CAUSE	Management and the prior auditor did not ensure that this particular fund created to "build infrastructure for the water fund" be included in the business-type funds.
EFFECT	The audit report had to be restated.
RECOMMENDATION	Management should take great care and enlist accounting professionals to ensure all new funds are categorized correctly.
RESPONSE	Current and future grants and funds related to the utility department will be included in the enterprise accounting.

Receipt Books - Other Matter  
(2013-006)

CONDITION	The Village is not using receipt books to collect all revenues received.
CRITERIA	The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that management is responsible for maintaining internal control that will, among other things, initiate, authorize, record, process and report transactions (as well as events and conditions) consistent with managements assertions embodied in the financial statements.
CAUSE	Management was unaware of this procedure.
EFFECT	Management is not ensuring proper internal control procedures are being used.
RECOMMENDATION	Management should start using receipt books as soon as possible.
RESPONSE	The Village will put this practice into effect.

Grant Balances not Utilized - Significant Deficiency  
(2013-007)

CONDITION	The Village did not receive the full amount of the grant that totaled \$48,813. Only \$46,547 was requested and received from the New Mexico Department of Transportation. The grant was a DWI grant passed through the NM Department of Transportation.
CRITERIA	All grants should be reviewed periodically to ensure the full amount is received and spent.
CAUSE	A change over in Management occurred resulting in this grant not being completed.
EFFECT	State resources of \$2,266 was not received and spent on the Villages benefit.
RECOMMENDATION	All grants should be monitored periodically to ensure all monies are received and spent correctly.
RESPONSE	This occurred due to poor communication and lack of reporting from the previous Treasurers. The Village has been careful to avoid this since.

Grant Funds Suspended Due to Late Audit Report -  
Other Matter  
(2013-008)

CONDITION	The New Mexico State DWI Grant Council suspended grant awards to the Village as of May 8, 2014 because the Village was included on the State Auditors "At-Risk" list.
CRITERIA	The State Auditor provides an "At-Risk" list to all entities that are late with their annual audit.
CAUSE	A changeover in Management and of the Board has occurred during the year.
EFFECT	All DWI funds are to be administered through the County at this time.
RECOMMENDATION	Management needs to ensure that all future audit reports are submitted timely.
RESPONSE	The Village fully intends to have its 2015 audit and future audits completed on time.



Overpayment Made - Other Matter  
(2013-009)

CONDITION	Management overpaid a Vendor in the amount of \$6,813. This overpayment was not found by management, however, not requested or received for three months.
CRITERIA	Good internal controls need to be used to ensure all payments are correct, paid and posted correctly to the Villages books of record.
CAUSE	A change in Management occurred during the year.
EFFECT	The Village could not use \$6,813 in resources for other required debts for three months.
RECOMMENDATION	Management should establish good internal controls to ensure all future payments are made only once.
RESPONSE	The Village will take care that this sort of thing doesn't happen.

Outstanding Utility Balance - Other Matter  
(2013-010)

CONDITION	Management of the Village has allowed an individual to accrue a balance of \$2,050 in water/sewer charges.
CRITERIA	The Village needs to follow its own water/sewer waste policy.
CAUSE	Management has not taken the time to solve this outstanding balance situation.
EFFECT	The Village is violating the anti-donation clause.
RECOMMENDATION	Management should make some effort to collect these outstanding balances.
RESPONSE	The Village Council reviews a list of delinquent accounts at every regular meetings and motions to turn off paid accounts.

Budget for Non-Existant Fund - Other Matter  
(2013-011)

CONDITION	DFA and prior Management are preparing a budget for Municipal Fund that the Village does not maintain. All Gas proceeds are included in the General Fund. The inclusion of these revenues in the General Fund does not violate any DFA regulations.
CRITERIA	DFA and Management should prepare, use and maintain budgets for only those Funds actually being used by the Village.
CAUSE	Prior Management nor DFA were aware of this situtation.
EFFECT	Management and DFA are budgeting a non-existent fund.
RECOMMENDATION	DFA and Management should stop budgeting a Municipal Street Fund.
RESPONSE	The Village will not budget a Municipal Street Fund in the future.

Back Dating Checks - Other Matter  
(2013-012)

CONDITION	It appears prior Management back dated 14 checks. Or management did not keep the sequence of checks in sequence at the end of the 12/13 fiscal year.
CRITERIA	All checks are to be written in sequence. Management should not back-date any checks for payment.
CAUSE	A change in Management occurred during the year.
EFFECT	Checks are written out of sequence, thus overriding the internal control over pre-numbered checks.
RECOMMENDATION	Management should institute internal controls to ensure checks are not written out of sequence.
RESPONSE	Current management does not know why this was done. Checks will not be back-dated.

Savings Bonds Included in Wrong Fund -  
Significant Deficiency  
(2013-013)

CONDITION	Prior Management and the previous auditors incorrectly included \$10,000 (original) Savings bonds in the Water Fund when they were purchased for the Fire Fund.
CRITERIA	All original transactions need to be included in the books of records in the Fund that originated the transaction.
CAUSE	Neither Management nor the previous auditor reviewed the financial statements or the audit report to ensure all assets are included in the correct funds.
EFFECT	The Water Fund assets were overstated and the Fire Fund assets were understated.
RECOMMENDATION	Management needs to review their audit reports to ensure all assets are reported correctly.
RESPONSE	This was discovered and corrected in the fiscal year 2015.

Lending of Fire Revenues Violates the  
State Fire Marshall Statutes - Significant Deficiency  
(2013-014)

CONDITION	Management loaned \$46,294 from the Fire Fund to the Downtown Revitalization Fund to cover costs of acquiring and building a capital asset that violates State Statute 10.25.10.15.D.
CRITERIA	State Statute 10.25.10.15.D states "No expenditure of funds from the fire protection fund shall be made by any fire department for...land, buildings, building renovations" without State Fire Marshall approval and only for "such fire service apparatus, land, buildings, building renovations, or dedicated water supply for fire suppression."
CAUSE	Management was not aware of this Statute. The prior years auditor did not bring this to the attention of Management or make a comment.
EFFECT	Loaning of Fire Funds that may possibly result in the eventual loss of these funds would be a mismanagement of restricted funds and the violation of the State Statute over fire funds.
RECOMMENDATION	Management should ensure all future fire funds (under no circumstances) be transferred to "ANY OTHER FUNDS."
RESPONSE	Fire funds are now kept in a separate bank account and will not be used for any other purpose.

Outstanding Balances - Significant Deficiency  
(2013-015)

CONDITION	Management or a prior auditor created a receivable and deferred revenue account in the TPE Fund back in the 2007 audit year. This fund has not been changed, reviewed or adjusted since then. This fund clearly no longer exists.
CRITERIA	All Funds should be created with the clear intent to be used and have transactions occurring after its inception.
CAUSE	Neither Management or the prior years auditor ensured this fund was eliminated after its Special use was completed.
EFFECT	This fund has been on the audit report for six years for no reason.
RECOMMENDATION	Management needs to review their audit reports to ensure all funds are current, in use and eliminated when their Special use is completed.
RESPONSE	The Village will put this practice into effect.

Outstanding Lodgers Tax Receivables - Other Matter  
(2013-016)

CONDITION	Management allowed a particular Hotel pay their October, November, December 2012 quarterly payments be paid to the Village in December 2013. A year later.
CRITERIA	All payments due for Lodgers Tax are to be received in the following month after the quarter it is due.
CAUSE	A change in Management occurred.
EFFECT	Resources due the Village are not being received in a timely basis.
RECOMMENDATION	Internal controls should be instituted to ensure all resources are received in a timely basis.
RESPONSE	The Village continues to have difficulty collecting this Lodger's Tax on time. The Village will be more aggressive with collection.



Aged Receivables Report not Reconciling to any other  
Financial Statements - Other Matter  
(2013-017)

CONDITION	The Aged Accounts Receivable Report does not agree to the Billings Report each month.
CRITERIA	The Village books of records need to agree and be complete so as to provide accurate information to the Board and Management.
CAUSE	Management was not aware of this situation.
EFFECT	Accounts receivable are \$334 less than the Aged Accounts Receivable Report for June, 2013.
RECOMMENDATION	Management should investigate this difference with the Software provider to ensure the Utility Software is being utilized correctly.
RESPONSE	The utility billing software that the Village uses remains difficult for the staff to fully understand. Staff continues to learn and will keep this issue in mind.

Capital Asset Listing/Depreciation Schedule -  
Significant Deficiency  
(2013-018)

CONDITION	The Village could not provide a complete Capital Asset Listing and Depreciation Schedule for the fiscal year ending June 30, 2013.
CRITERIA	A complete clear capital asset listing segregated by fund by major class needs to be prepared annually. A depreciation schedule should be maintained. The depreciation schedule should be separated by each major class of asset to comply with GASB 34.177a. Also, a depreciation schedule is required to comply with 2.20.1.12 NMAC.
CAUSE	Management of the Village are relying on the auditors to prepare this schedule.
EFFECT	Management is not complying with Generally Accepted Accounting Principles.
RECOMMENDATION	Management should update and complete their capital asset list including depreciation based on the policy approved by the Board.
RESPONSE	The Village will put this practice into effect.

Depreciation Policy - Other Matter  
(2013-019)

CONDITION	The Village has not approved a depreciation policy so depreciation can be charged to capital assets according to Board approval.
CRITERIA	The Village needs a depreciation policy so capital assets can be depreciated according to Board policy. This is due to the implementation of GASB 34.
CAUSE	The Village has not approved a policy for management to follow.
EFFECT	Depreciation may be charged incorrectly because no set policy is in place.
RECOMMENDATION	The Village should approve a policy as soon as possible. Management should then implement that policy as soon as possible.
RESPONSE	The Village will create a Depreciation Policy.

Purchase Orders Required - Other Matter  
(2013-020)

CONDITION	The Village is not using Purchase Orders for all purchases made.
CRITERIA	DFA regulations require a purchase order to initiate a purchase. This document is used to ensure the Village not only has budget or budget authority but cash to purchase the item. This document is also used to provide guidance as to which fund and account can and will be used.
CAUSE	Management was not aware of this requirement.
EFFECT	DFA regulations are not being followed.
RECOMMENDATION	Purchase orders should be used as soon as possible.
RESPONSE	The Village will put this practice into effect.

Gross Receipts Tax Penalties and Interest - Other Matter  
(2013-021)

CONDITION	The Village is being charged \$452 in penalties and interest for late filing of July, August, September, October, November and December 2012 CRS-1's for Gross Receipts Taxes.
CRITERIA	All CRS-1 reports are due by the 25 <sup>th</sup> of the following month.
CAUSE	A change in Management occurred.
EFFECT	The Village paid \$452 in penalties and interest that were not budgeted for and would not be required if the reports were submitted timely.
RECOMMENDATION	All future CRS-1 reports should be filed timely to avoid all penalties and interest charges.
RESPONSE	Current staff was unaware and untrained for these responsibilities but they are aware and able now. CRS reports and payments were caught up midway through FY 2015. They will remain on time from now on.

Gross Receipts Tax Reports not Filed -  
Significant Deficiency  
(2013-022)

CONDITION	Management did not file their July and August 2013 CRS-1 reports until May 2015. Thus, creating a situation where \$483 in penalties and interest was charged.
CRITERIA	All CRS-1 reports are due by the 25 <sup>th</sup> of the following month.
CAUSE	A change in Management occurred.
EFFECT	Penalties and interest will be charged that are not budgeted for and would not be required if the reports were submitted timely.
RECOMMENDATION	All future CRS-1 reports should be filed timely to avoid penalties and interest charges.
RESPONSE	Current staff was unaware and untrained for these responsibilities but they are aware and able now. CRS reports and payments were caught up midway through FY 2015. They will remain on time from now on.

Landscaping Services Contract - Other Matter  
(2013-023)

CONDITION	The Village did not obtain a contract for landscaping services. Without a contract the Village cannot show that both parties agreed to all terms of the arrangement.
CRITERIA	A contract should be obtained for all contract services so that both parties can agree in writing to all aspects of the terms of the services (arrangement).
CAUSE	Prior Management did not ensure a contract was obtained.
EFFECT	The Village could not provide evidence of the agreed price for the services provided.
RECOMMENDATION	A contract should be obtained for all services provided so both parties can agree to all terms of the arrangement.
RESPONSE	The Village had an agreement in place with the same landscaping contractors for many years. Rate increases were noted in the minutes, but amended contracts were not located. Village currently does not have a landscaping contract or provider.

Evaluation of Youth Center - Other Matter  
(2013-024)

CONDITION	The Local DWI department of DFA Made a formal concern in writing in regards to there being no evaluation of the Youth Center by DFA.
CRITERIA	According to the LDWI, DFA must perform an evaluation of the Youth Center so that the attendant's salary could be paid by LDWI funds.
CAUSE	Management was not aware of this requirement until the formal concern.
EFFECT	Local DWI funds may be withheld until the evaluation is completed.
RECOMMENDATION	The Village should ensure this evaluation is completed.
RESPONSE	The Youth Center has been removed from any connection with the DWI Program and is currently non-existent.



IRS 941 Reports not on File for Review -  
Significant Deficiency  
(2013-025)

CONDITION	All 4 941 reports were not available for review.
CRITERIA	All supporting documentation for transactions made during the year must be kept on hand for review, audit and support purposes.
CAUSE	Prior management did not keep copies of these reports.
EFFECT	The IRS 941 reports could not be tested to ensure they were correctly reported and submitted timely.
RECOMMENDATION	All supporting documentation must be on hand for review, audit and support purposes.
RESPONSE	The Village will put this practice into effect.

New Hire Reporting - Other Matter  
(2013-026)

CONDITION                    The Village did not properly report newly hired employees to a State directory within 20 days of their hire date.

CRITERIA                    New Mexico law (50-13-1 to 50-13-4 NMSA) and the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, 42. U.S.C. 653A, requires all employers to report newly hired employees to a State directory within 20 days of their hire.

CAUSE                        Management did not know of this requirement.

EFFECT                      The Village did not comply with New Mexico State Statute 50-13-1 or the PRWORA of 1996.

RECOMMENDATION            The Village is now complying with this law, however, management should have a system in place to ensure all future reports are submitted on time.

RESPONSE                    The Village has put this practice into effect.

NM Withholding (CRS-1) Reports not Submitted Timely -  
Significant Deficiency  
(2013-027)

CONDITION	The Village is being charged \$46 for filing CRS-1s late.
CRITERIA	All CRS-1 reports are due by the 25 <sup>th</sup> of the following month.
CAUSE	A change in Management occurred.
EFFECT	Penalties and interest will be charged that are not budgeted for and would not be required if the reports were submitted timely.
RECOMMENDATION	All future CRS-1 reports should be filed timely to avoid penalties and interest charges.
RESPONSE	Current staff was unaware and untrained for these responsibilities but they are aware and able now. CRS reports and payments were caught up midway through FY 2015. They will remain on time from now on.

Incorrect 1099 Forms - Other Matter  
(2013-028)

CONDITION	Management did not include a full amount paid to a vendor (\$2,170) on an IRS 1099 Form for the calendar year 2013.
CRITERIA	IRS 1099-MISC form regulations require services (to be included on the 1099 form (if over \$600)).
CAUSE	Management was not aware of this requirement.
EFFECT	IRS 1099-MISC Form regulations were not followed.
RECOMMENDATION	All 1099 Forms should be prepared according to IRS regulations.
RESPONSE	The Village has put this practice into effect.

Fire Chief Contract - Other Matter  
(2013-029)

CONDITION                    The Fire chief Service Contract does not state the amount intended to be paid for those services.

CRITERIA                    All contracts must contain all relevant terms of the agreement, especially the amount to be paid for those services.

CAUSE                        Prior Management did not ensure this document had all the relevant terms.

EFFECT                      There is not Board approval on how much this contractor should be paid.

RECOMMENDATION            All future contracts should be reviewed to ensure all relevant terms of the agreement are included.

RESPONSE                    Fire Chief's pay was determined and noted in meeting minutes and not in the actual contract. Village will ensure that such important information is included in all future contracts.

Ordinance for Compensation of Mayor -  
Significant Deficiency  
(2013-030)

CONDITION	The Village Ordinance (2004-02) providing compensation to the Mayor is old and does not reflect the amount currently being paid. The Ordinance states \$100 will be paid, however on June 19, 2007 the Board voted to provide \$250 to the Mayor without updating the Ordinance.
CRITERIA	According to the NM Constitution Article IV Section 27 "No law shall be enacted to increase the compensation of any officer during his/her term of office." Thus, a sitting Mayor or Council Member cannot pass a vote to increase (or diminish) their current compensation
CAUSE	Prior Management was not aware of this requirement. The previous auditors did not review this requirement and make a comment bringing it to the attention of the Board in previous years.
EFFECT	The Mayor is not being paid according to the approved Ordinance.
RECOMMENDATION	The Board needs to update and approve a new Ordinance.
RESPONSE	The Village will review and amend its ordinance regarding Mayor and Council pay.

Payments to Board Members -  
Significant Deficiency  
(2013-031)

CONDITION	Management of the Village paid the five Board Members and the Fire Chief on a 1099 Form.
CRITERIA	IRC 3401 (c) states that an officer, employee, or elected official of a State or local government is an employee for income tax withholding purposes.
CAUSE	Management was not correctly withholding on payments made to these employees.
EFFECT	The Village is not only subject to pay the employers portion of the taxes but the employees portion as well.
RECOMMENDATION	Management of the Village should start paying these individuals as employees as soon possible.
RESPONSE	The Village will review and amend its ordinance regarding Mayor and Council pay.

Contract for Grant Administrator - Other Matter  
(2013-032)

CONDITION	The contract for the Grant Administrator had an open-ended or no termination date set.
CRITERIA	All contracts are to have a set termination date.
CAUSE	The contract was prepared by the Grant Administrator, not the Village.
EFFECT	The contract was extended well past the completion of some of the grants.
RECOMMENDATION	The Village should prepare all future contracts.
RESPONSE	The Village will be very careful not to enter into contracts without specific termination dates.



Lodgers Tax Fund - Significant Deficiency  
(2013-033)

CONDITION	The Village passed an Ordinance to start receiving Lodgers Tax Revenues in March, 2011. However, Management did not create a Lodgers Tax Fund and budget those revenues. DFA was aware of this ordinance and also overlooked this fund. During the audit the previous auditor should have read in the Board Minutes that this Ordinance had passed. A comment should have been made in one or both of the previous two fiscal years.
CRITERIA	When passing a Lodgers Tax Ordinance to accept Lodgers Tax Revenues a Special Revenue Lodgers Tax Fund must also be created.
CAUSE	Prior Management did not understand this requirement.
EFFECT	The fund these revenues were being posted to overstated revenues and expenses related to these transactions.
RECOMMENDATION	All future Ordinances should be evaluated to insure all necessary funds are created, budgets are created and any other required documentation is created, obtained and kept on file.
RESPONSE	This has been corrected.

## FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2013 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

## EXIT CONFERENCE

An exit conference was held at the Village on April 20, 2015 to discuss the current audit report. In attendance were Ms. Constance Cordell, Mayor, Ms. Eddilu Brown, Mayor Pro-tem, Mr. Clay Snyder, Council Member, Mr. Wilford Estrada, Council Member, Ms. Hilda Kellar, Council Member, Mr. Don Weaver, Fire Chief and Ms. Pamela A. Rice, CPA, Contract Auditor. A properly closed regular session was held.