

State of New Mexico

VILLAGE OF RESERVE

FOR YEAR ENDED JUNE 30, 2014

(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, 2014

Village Council

<u>Name</u>	<u>Title</u>
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

Village Administration

Mr. Andre Giron	Clerk
Ms. Amanda Cox	Deputy Clerk

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

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, Fire Protection and DWI Funds of the Village of Reserve, as of and for the year ended June 30, 2014, 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, 2014 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, 2014, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Fire Protection, DWI, Street Improvements MAP-904 and Street Improvements MAP-903 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, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for 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 July 2, 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.

Road & Associates, C.P.A.

Albuquerque, New Mexico
July 2, 2015

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF RESERVE
Statement of Net Position
June 30, 2014

Statement 1
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 75,559	\$ -	\$ 75,559
Due from grantor	4,133	13,638	17,771
Accounts receivable (net of uncollectible accounts)	16,904	-	16,904
Total current assets	96,596	13,638	110,234
Restricted Assets (Cash)			
Customer meter deposits	-	17,325	17,325
NMFA Loan (Capital project)	-	96,036	96,036
NMFA Reserves	20,131	-	20,131
State Highway projects	245,852	-	245,852
Total restricted assets	265,983	113,361	379,344
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	5,940,527	3,533,964	9,474,491
Total capital assets	8,318,079	3,942,171	12,260,250
Less accumulated depreciation	(4,379,713)	(2,500,100)	(6,879,813)
Total capital assets (net of accumulated depreciation)	3,938,366	1,442,071	5,380,437
Total assets	\$ 4,300,945	\$ 1,569,070	\$ 5,870,015

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

STATE OF NEW MEXICO
VILLAGE OF RESERVE
Statement of Net Position
June 30, 2014

Statement 1
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
LIABILITIES AND NET POSITION			
Current Liabilities			
Cash overdraft	\$ -	\$ 29,056	\$ 29,056
Accounts payable	-	-	-
Customer meter deposits (restricted)	-	17,325	17,325
NMFA Loan (current portion)	23,174	567	23,741
Due to grantor	-	-	-
Total current liabilities	<u>23,174</u>	<u>46,948</u>	<u>70,122</u>
Non-Current Liabilities			
Compensated absences payable	4,448	6,136	10,584
NMFA Loan payable	236,643	10,206	246,849
Total non-current liabilities	<u>241,091</u>	<u>16,342</u>	<u>257,433</u>
Total liabilities	<u>264,265</u>	<u>63,290</u>	<u>327,555</u>
Net Position			
Net investment in capital assets	3,678,549	1,442,071	5,120,620
Restricted for Capital outlay	245,852	96,036	341,888
Restricted for Debt Service	20,131	-	20,131
Restricted for Special Grants	78,803	-	78,803
Unrestricted	13,345	(32,327)	(18,982)
Total net position	<u>4,036,680</u>	<u>1,505,780</u>	<u>5,542,460</u>
Total liabilities and net position	<u>\$ 4,300,945</u>	<u>\$ 1,569,070</u>	<u>\$ 5,870,015</u>

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, 2014

Net (Expenses) Revenue and
Changes in Net Position

Functions/Programs	Program Revenues				Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 171,676	\$ 3,504	\$ 793	\$ -	\$ (167,379)	\$ -	\$ (167,379)
Highways and streets	580	-	-	294,106	293,526	-	293,526
Public safety	185,959	1,770	162,196	-	(21,993)	-	(21,993)
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	25,429	-	7,306	-	(18,123)	-	(18,123)
Interest	2,126	-	-	-	(2,126)	-	(2,126)
Depreciation - unallocated	481,309	-	-	-	(481,309)	-	(481,309)
Total governmental activities	867,079	5,274	170,295	294,106	(397,404)	-	(397,404)
Business-type activities:							
Water services	159,503	136,981	-	15,975	-	(6,547)	(6,547)
Total business-type activities	159,503	136,981	-	15,975	-	(6,547)	(6,547)
Total all activities	\$ 1,026,582	\$ 142,255	\$ 170,295	\$ 310,081	(397,404)	(6,547)	(403,951)
General Revenues:							
Property taxes					11,883	-	11,883
Franchise tax					4,910	-	4,910
Lodger's tax					3,813	-	3,813
Gross receipts taxes					131,938	-	131,938
Gasoline taxes					5,868	-	5,868
Motor vehicle taxes					14,497	-	14,497
EGRT taxes					-	2,323	2,323
State aid not restricted to special purpose					90,000	-	90,000
General					265	-	265
Investment earnings					-	-	-
Total general revenues					263,174	2,323	265,497
Change in net position					(134,230)	(4,224)	(138,454)
Net position - beginning of year					4,170,910	1,510,004	5,680,914
Net position - ending					\$ 4,036,680	\$ 1,505,780	\$ 5,542,460

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

Statement 3

	General Fund	Fire Fund	DWI Fund	Street Improvement MAP-904 Fund	Street Improvement MAP-903 Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash on deposit	\$ 9,191	\$ 75,162	\$ -	\$ 164,268	\$ 81,584	\$ 11,337	\$ 341,542
Accounts receivable	16,300	-	-	-	-	604	16,904
Due from grantor	-	-	-	-	-	-	-
Due from other funds	12,433	-	4,133	-	-	-	16,566
Total assets	\$ 37,924	\$ 75,162	\$ 4,133	\$ 164,268	\$ 81,584	\$ 11,941	\$ 375,012
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ 12,433	\$ -	\$ -	\$ -	\$ 12,433
Due to grantor	-	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-	-
Total liabilities	-	-	12,433	-	-	-	12,433
FUND BALANCE							
Nonspendable	-	-	-	-	-	-	-
Restricted	34,330	75,162	-	164,268	81,584	11,941	367,285
Committed	-	-	-	-	-	-	-
Unassigned	3,594	-	(8,300)	-	-	-	(4,706)
Total fund balance	37,924	75,162	(8,300)	164,268	81,584	11,941	362,579
Total liabilities and fund balance	\$ 37,924	\$ 75,162	\$ 4,133	\$ 164,268	\$ 81,584	\$ 11,941	\$ 375,012

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, 2014

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

Total fund balances - governmental funds		\$ 362,579
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	8,318,079	
Accumulated depreciation	<u>(4,379,713)</u>	
		3,938,366
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		(259,817)
Compensated absences		<u>(4,448)</u>
Net position of governmental activities		<u>\$ 4,036,680</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, 2014

	General Fund	Fire Fund	DWI Fund	Street Improvements MAP-904 Fund	Street Improvements MAP-903 Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 11,883	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,883
Franchise tax	4,910	-	-	-	-	-	4,910
Lodgers tax	-	-	-	-	-	3,813	3,813
Charges for services	2,369	-	1,770	-	-	-	4,139
Licenses and permits	1,135	-	-	-	-	-	1,135
Local sources	793	-	-	-	-	-	793
State sources	97,306	71,362	90,834	200,000	-	94,106	553,608
Federal sources	-	-	-	-	-	-	-
State shared taxes	152,303	-	-	-	-	-	152,303
Earnings from investments	89	176	-	-	-	-	265
Total revenues	270,788	71,538	92,604	200,000	-	97,919	732,849
EXPENDITURES							
Current:							
General government	168,661	-	-	-	-	-	168,661
Highways and streets	580	-	-	-	-	-	580
Public safety	28,762	57,190	100,007	-	-	-	185,959
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	22,278	-	-	-	-	3,151	25,429
Capital outlay	23,065	-	-	35,732	18,363	94,106	148,201
NMFA principle	2,126	-	-	-	-	-	23,065
NMFA interest	-	-	-	-	-	-	2,126
Total expenditures	245,472	57,190	100,007	35,732	18,363	97,257	554,021
Excess (deficiency) revenues over expenditures	25,316	14,348	(7,403)	164,268	(18,363)	662	178,828
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	25,316	14,348	(7,403)	164,268	(18,363)	662	178,828
Fund balance beginning of year	12,608	60,814	(897)	-	99,947	11,279	183,751
Fund balance end of year	\$ 37,924	\$ 75,162	\$ (8,300)	\$ 164,268	\$ 81,584	\$ 11,941	\$ 362,579

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, 2014

Net change in fund balances - total governmental funds \$ 178,828

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	(481,309)	
Capital Outlays	<u>148,201</u>	
Excess of capital outlay over depreciation expense		<u>(333,108)</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:

Compensated absences payable	(3,015)	
Interest payable	<u> </u>	
		<u>(3,015)</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>23,065</u>	
		<u>23,065</u>

Change in net position of governmental activities \$ (134,230)

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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 12,159	\$ 12,159	\$ 11,835	\$ (324)
Franchise taxes	6,500	6,500	4,910	(1,590)
Gross receipts taxes	88,000	88,000	125,697	37,697
Charges for services	200	200	2,369	2,169
Licenses and permits	1,500	1,500	1,135	(365)
Fines and forfeits	-	-	-	-
Local sources	6,980	6,980	793	(6,187)
State sources	94,500	94,500	93,000	(1,500)
Federal sources	-	-	-	-
State shared taxes	19,500	19,500	20,365	865
Earnings from investments	-	-	89	89
Total revenues	<u>\$ 229,339</u>	<u>\$ 229,339</u>	<u>\$ 260,193</u>	<u>\$ 30,854</u>
EXPENDITURES				
Current:				
General government	\$ 159,094	\$ 159,094	\$ 168,661	\$ (9,567)
Highways and streets	-	-	580	(580)
Public safety	32,000	32,000	28,762	3,238
Health and welfare	-	-	-	-
Culture and recreation	21,000	21,000	22,278	(1,278)
Capital outlay	-	-	-	-
Debt service:				
Loan principle	-	-	23,065	(23,065)
Loan interest	-	-	2,126	(2,126)
Total expenditures	<u>\$ 212,094</u>	<u>\$ 212,094</u>	<u>\$ 245,472</u>	<u>\$ (33,378)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 70,858	\$ 70,858	\$ 71,362	\$ 504
Earnings from investments	<u> </u>	<u> </u>	<u>176</u>	<u>176</u>
Total revenues	<u>\$ 70,858</u>	<u>\$ 70,858</u>	<u>\$ 71,538</u>	<u>\$ 680</u>
EXPENDITURES				
Public safety	\$ 84,192	\$ 84,192	\$ 57,190	\$ 27,002
Total expenditures	<u>\$ 84,192</u>	<u>\$ 84,192</u>	<u>\$ 57,190</u>	<u>\$ 27,002</u>
BUDGETED CASH BALANCE	<u>\$ 13,334</u>	<u>\$ 13,334</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 4,500	\$ 4,500	\$ 1,770	\$ (2,730)
State sources	90,690	90,690	90,749	59
Federal sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total revenues	 <u>\$ 95,190</u>	 <u>\$ 95,190</u>	 <u>\$ 92,519</u>	 <u>\$ (2,671)</u>
EXPENDITURES				
Public safety	\$ 113,290	\$ 113,290	\$ 100,007	\$ 13,283
 Total expenditures	 <u>\$ 113,290</u>	 <u>\$ 113,290</u>	 <u>\$ 100,007</u>	 <u>\$ 13,283</u>
 Budgeted Cash Balance	 <u>\$ 18,100</u>	 <u>\$ 18,100</u>		
 REVENUES				
Budgetary basis			\$ 92,519	
Increase in accounts receivable			<u>85</u>	
 Modified accrual basis			 <u>\$ 92,604</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, 2014

Statement 10

	Water/Sewer Fund
ASSETS	
Current Assets	
Cash on deposit	\$ -
Accounts receivable (net)	13,638
Due from grantor	-
Total Current Assets	13,638
Non-Current Assets	
Restricted Assets (Cash)	96,036
Customer meter deposits	17,325
Total Non-Current Assets	113,361
Capital Assets	
Land	165,039
Land improvements	-
Buildings and Improvements	84,869
Equipment	95,543
Vehicles	62,756
Heavy equipment	-
Plant/infrastructure	3,533,964
Accumulated depreciation	(2,500,100)
Total Capital Assets	1,442,071
Total Assets	\$ 1,569,070
LIABILITIES	
Current Liabilities	
Cash overdraft	\$ 29,056
Accounts payable	-
Current portion revenue bonds payable	567
Current portion loan payable	-
Customer meter deposits payable from Restricted Assets	17,325
Total Current Liabilities	46,948
Long-Term Liabilities	
Compensated absences payable	6,136
Revenue bonds payable	10,206
Total Long-Term Liabilities	16,342
Total Liabilities	63,290
NET POSITION	
Net investment in capital assets	1,442,071
Restricted for capital outlay	96,036
Restricted for debt service	-
Restricted for repair & replacement	-
Unrestricted	(32,327)
Total Net Position	1,505,780
Total Liabilities and Net Position	\$ 1,569,070

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, 2014

	<u>Water/Sewer Fund</u>
OPERATING REVENUES	
Sales and services	\$ 136,981
Local sources	-
State sources	-
Federal sources	15,975
State shared taxes	<u>2,323</u>
Total operating revenue	<u>155,279</u>
OPERATING EXPENSES	
Personal services	153,526
Maintenance and operations	-
Major contractual services	-
Other operating expenses	-
Depreciation	<u>5,977</u>
Total operating expenses	<u>159,503</u>
Operating income (loss)	<u>(4,224)</u>
NON-OPERATING REVENUE (EXPENSE)	
Investment income	-
Investment expense	-
Transfers in	-
Transfers out	<u>-</u>
Total Non-Operating Revenue (Expense)	<u>-</u>
Change in Net Position	<u>(4,224)</u>
Net position, beginning of year	<u>1,510,004</u>
Net position, end of year	<u>\$ 1,505,780</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, 2014

Statement 12

	Water/Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 137,034
Cash received from local sources	-
Cash received from state sources	-
Cash received from federal sources	132,074
Cash received from state shared taxes	2,323
Cash payments to employees and to suppliers for goods and services	(153,058)
Net cash provided by operating activities	118,373
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Customer meter deposits	2,925
Loan proceeds	-
Principal paid	(567)
Acquisition of capital assets	(33,339)
Investment expense	-
Net cash provided (used) by capital and related financing activities	(30,981)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating transfers from other funds	-
Operating transfers to other funds	-
Net cash provided (used) by noncapital financing activities	-
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	-
Net cash provided by investing activities	-
Net increase (decrease) in cash	87,392
Cash, beginning of year	(3,087)
Cash, end of year	\$ 84,305
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (4,224)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	5,977
Changes in assets and liabilities:	
(Increase) decrease in receivables	116,152
Increase (decrease) in accounts payable	-
Increase (decrease) in compensated absences	468
Net cash provided (used) by operating activities	\$ 118,373

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, 2014

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 *Street Improvement MAP-904 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 *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 position are categorized as follows:

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

Notes to Financial Statements (continued)

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 purposed 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

Notes to Financial Statements (continued)

intended uses established by the Village Council or a Village official delegated that authority by the Village Council or ordinance.

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 Water Project	Checking	\$ 100
First State Bank	Street Project	Checking	164,268
First State Bank	Fire	Checking	100
First State Bank	USDA Reserves	Checking	100
First State Bank	DWI	Checking	12,391
First State Bank	USDA Repair & Replacement	Checking	-
First State Bank	General	Checking	118,407
New Mexico Finance Authority	Treatment Plant	Grant	96,036
New Mexico Finance Authority	Street Improvements		3,601
New Mexico Finance Authority	Street Improvements	Reserves	20,131
New Mexico Finance Authority	Multi-purpose Program Facility		1,350
U.S. EE Bonds	Fire Fund	Investment	<u>20,232</u>
			<u>\$ 436,716</u>
Total amount on deposit			\$ 436,716
Deposit in transit			-
Outstanding checks			<u>(10,869)</u>
Total per financial statements			<u>\$ 425,847</u>

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	\$ 436,716
Less <u>FDIC</u>	<u>(270,232)</u>
Uninsured funds	166,484
Funds needing collateralization at 50% (required by State Law)	83,242
Pledged collateral at June 30	<u>295,266</u>
Excess of Pledged Collateral	<u>\$ 212,024</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 \$436,716 was exposed to custodial credit risk as follows:

Notes to Financial Statements (continued)

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>166,484</u>
	Total	\$	<u>166,484</u>

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	\$ -	\$ 13,638
Less allowance for uncollectible accounts	<u>-</u>	<u>-</u>
Subtotal	-	13,638
Lodger's tax	604	-
Gross receipts taxes receivable	11,644	-
Property taxes receivable	349	-
Intergovernmental	<u>8,439</u>	<u>-</u>
Total	<u>\$ 21,036</u>	<u>\$ 13,638</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.

Notes to Financial Statements (continued)

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.

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</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences payable	<u>\$ 1,433</u>	<u>\$ 3,015</u>	<u>\$ -</u>	<u>\$ 4,448</u>	<u>\$ -</u>

The liability will be liquidated by the General Fund.

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
NMFA Loan	<u>\$ 282,882</u>	<u>\$ -</u>	<u>\$ 23,065</u>	<u>\$ 259,817</u>	<u>\$ 23,174</u>

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</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,142	\$ -	\$ 5,142
2016	5,142	-	5,142
2017	5,142	-	5,142
2018	5,142	-	5,142
2019	5,142	-	5,142
2020-2024	25,710	-	25,710
2025-2028	<u>20,568</u>	<u>-</u>	<u>20,568</u>
Total	<u>\$ 71,984</u>	<u>\$ -</u>	<u>\$ 71,984</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>
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	18,614	1,436	20,050
2020-2024	<u>96,295</u>	<u>3,951</u>	<u>100,246</u>
Total	<u>\$ 187,833</u>	<u>\$ 12,659</u>	<u>\$ 200,492</u>

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, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
RIP Loan	<u>\$ 11,340</u>	<u>\$ -</u>	<u>\$ 567</u>	<u>\$ 10,773</u>	<u>\$ 567</u>

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>
2015	\$ 567	\$ -	\$ 567
2016	567	-	567
2017	567	-	567
2018	567	-	567
2019	567	-	567
2020-2024	<u>2,835</u>	<u>-</u>	<u>2,835</u>
2025-2029	<u>2,835</u>	<u>-</u>	<u>2,835</u>
2030-2033	<u>2,268</u>	<u>-</u>	<u>2,268</u>
Total	<u>\$ 10,773</u>	<u>\$ -</u>	<u>\$ 10,773</u>

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

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Compensated absences payable	<u>\$ 5,668</u>	<u>\$ 468</u>	<u>\$ -</u>	<u>\$ 6,136</u>	<u>\$ -</u>

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, 2013	Additions	Deletions	Balance June 30, 2014
Land	\$ 61,242	\$ -	\$ -	\$ 61,242
Total capital assets not being depreciated	<u>61,242</u>	<u>-</u>	<u>-</u>	<u>61,242</u>
Land improvements	-	-	-	-
Buildings	1,193,027	-	-	1,193,027
Infrastructure	5,792,326	148,200	-	5,940,526
Vehicles	394,998	-	-	394,998
Equipment	703,696	-	-	703,696
Furniture & fixtures	24,589	-	-	24,589
Total capital assets being depreciated	<u>8,108,636</u>	<u>148,200</u>	<u>-</u>	<u>8,256,836</u>
Less accumulated depreciation for:				
Land improvements	-	-	-	-
Buildings	(318,654)	(42,898)	-	(361,552)
Infrastructure	(2,578,651)	(397,240)	-	(2,975,891)
Vehicles	(356,012)	(15,995)	-	(372,007)
Equipment	(621,814)	(24,737)	-	(646,551)
Furniture & Fixtures	(23,273)	(439)	-	(23,712)
Total accumulated depreciation	<u>(3,898,404)</u>	<u>(481,309)</u>	<u>-</u>	<u>(4,379,713)</u>
Total capital assets being depreciated	<u>4,210,232</u>	<u>(333,109)</u>	<u>-</u>	<u>3,877,123</u>
Net capital assets	<u>\$ 4,271,474</u>	<u>\$ (333,109)</u>	<u>-</u>	<u>\$ 3,938,365</u>

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

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Land	\$ 165,039	\$ -	\$ -	\$ 165,039
Total capital assets not being depreciated	<u>165,039</u>	<u>-</u>	<u>-</u>	<u>165,039</u>
Land improvements	-	-	-	-
Buildings	84,869	-	-	84,869
Plant	3,500,625	33,338	-	3,533,963
Vehicles	62,756	-	-	62,756
Equipment	95,543	-	-	95,543
Total capital assets being depreciated	<u>3,743,793</u>	<u>33,338</u>	<u>-</u>	<u>3,777,131</u>
Total accumulated depreciation	<u>(2,494,122)</u>	<u>(5,977)</u>	<u>-</u>	<u>(2,500,099)</u>
Net capital assets	<u>\$ 1,414,710</u>	<u>\$ 27,361</u>	<u>\$ -</u>	<u>\$ 1,442,071</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 \$ 17,325

Water meter deposits are charged to new customers and consist of the following:

Residential properties \$ 150
Commercial properties \$ 150

8. 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	\$270,788	\$ 71,538	\$ 92,604	\$ 200,000
Budget basis	<u>260,193</u>	<u>71,538</u>	<u>92,519</u>	<u>200,000</u>
Increase (decrease) in receivables	<u>\$ 10,595</u>	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ -</u>

<u>Expenditures</u>	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>DWI Funds</u>	<u>State Highway Fund</u>
Accrual basis	\$245,472	\$ 57,190	\$ 100,007	\$ 35,732
Budget basis	<u>245,472</u>	<u>57,190</u>	<u>100,007</u>	<u>35,732</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in payables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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	\$ -	\$ 3,813	\$ 94,106	\$ 155,279
Budget basis	<u>-</u>	<u>5,188</u>	<u>94,106</u>	<u>271,431</u>
Increase (decrease) in receivables	<u>\$ -</u>	<u>\$ (1,375)</u>	<u>\$ -</u>	<u>\$ 116,152</u>

<u>Expenditures</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	\$ 18,363	\$ 3,151	\$ 94,106	\$ 159,503
Budget basis	<u>18,363</u>	<u>3,151</u>	<u>110,467</u>	<u>186,964</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,977)</u>
Capital assets purchased	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,339</u>
Difference in Compensated absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>(468)</u>
Increase (decrease) in payables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,361)</u>	<u>\$ (567)</u>

Notes to Financial Statements (continued)

9. 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.

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, 2014, 2013 and 2012 were \$ 14,175, \$10,756 and \$24,302 respectively equal to the amount of the required contributions for the year.

10. 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.

Notes to Financial Statements (continued)

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 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.

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, 2014, 2013, and 2012. The Village of Reserve remitted \$3,712, \$3,045 and \$4,775 in employer contributions, respectively, to the Retiree Health Care Authority.

Notes to Financial Statements (continued)

11. 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>Street Improvement 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	-	-	-	164,268	81,584	-	245,852
Fire protection	-	75,162	-	-	-	-	75,162
Law enforcement	-	-	(8,300)	-	-	-	(8,300)
Lodger's tax	-	-	-	-	-	10,895	10,895
Los Jovenes	-	-	-	-	-	1,046	1,046
Debt service	34,330	-	-	-	-	-	34,330
Total restricted	34,330	75,162	(8,300)	164,268	81,584	11,941	358,985
<u>Committed to:</u>							
Other purposes	-	-	-	-	-	-	-
Total committed	-	-	-	-	-	-	-
<u>Unassigned:</u>	3,594	-	-	-	-	-	3,594
Total Fund Balances	\$ 37,927	\$ 75,162	\$ (8,300)	\$ 164,268	\$ 81,584	\$ 11,941	\$ 362,579

12. BUDGET VIOLATIONS

The General Fund had a budget overrun of \$33,378.

13. PENSION LIABILITY

Agencies that contribute to pensions subject to GASB 68 must include a pension liability in the financial statements beginning in the fiscal year ending June 30, 2015 audit report. At this time the Public Employee Retirement Board is a Statewide pension for Public Employees that will fall under the requirements of GASB 68. This liability and the total amount needed to be reported are unknown at this time.

OTHER MAJOR FUNDS BUDGETS

STATE OF NEW MEXICO
 VILLAGE OF RESERVE
 Street Improvements MAP-904 Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 200,000	\$ 200,000	\$ 200,000	\$ -
Total revenues	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ -</u>
EXPENDITURES				
Capital outlay	\$ 200,000	\$ 200,000	\$ 35,732	\$ 164,268
Total expenditures	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 35,732</u>	<u>\$ 164,268</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay	\$ 99,947	\$ 99,947	\$ 18,363	\$ 81,584
Total expenditures	\$ 99,947	\$ 99,947	\$ 18,363	\$ 81,584
BUDGETED CASH BALANCE	\$ 99,947	\$ 99,947		

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, 2014

	Special Revenue Funds	Capital Project Funds	Totals
ASSETS			
Cash on deposit	\$ 11,337	\$ -	\$ 11,337
Accounts receivable	<u>604</u>	<u>-</u>	<u>604</u>
 Total assets	 <u>\$ 11,941</u>	 <u>\$ -</u>	 <u>\$ 11,941</u>
LIABILITIES			
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE			
Nonspendable	-	-	-
Restricted	11,941	-	11,941
Committed	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
 Total fund balance	 <u>11,941</u>	 <u>-</u>	 <u>11,941</u>
 Total liabilities and fund balance	 <u>\$ 11,941</u>	 <u>\$ -</u>	 <u>\$ 11,941</u>

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, 2014

Statement A-2

	Special Revenue Funds	Capital Project Funds	Total
REVENUES			
Lodger's taxes	\$ 3,813	\$ -	\$ 3,813
Gas taxes	-	-	-
Cigarette taxes	-	-	-
Charges for services	-	-	-
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Local sources	-	-	-
State sources	-	94,106	94,106
Federal sources	-	-	-
State shared taxes	-	-	-
Earnings on investments	-	-	-
Total revenues	<u>3,813</u>	<u>94,106</u>	<u>97,919</u>
EXPENDITURES			
Current:			
General government	-	-	-
Highways and streets	-	-	-
Public safety	-	-	-
Culture and recreation	3,151	-	3,151
Capital outlay	-	94,106	94,106
Total expenditures	<u>3,151</u>	<u>94,106</u>	<u>97,257</u>
Excess (deficiency) of revenues over expenditures	662	-	662
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfer out	-	-	-
Loan proceeds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	662	-	662
Fund balance at beginning of year	<u>11,279</u>	<u>-</u>	<u>11,279</u>
Fund balance at end of year	<u>\$ 11,941</u>	<u>\$ -</u>	<u>\$ 11,941</u>

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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Lodgers tax	4,500	4,500	5,188	688
Charges for services	-	-	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
State shared taxes	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 4,500</u>	<u>\$ 4,500</u>	<u>\$ 5,188</u>	<u>\$ 688</u>
EXPENDITURES				
General government	-	-	-	-
Highways and streets	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	6,200	6,200	3,151	3,049
Total expenditures	<u>\$ 6,200</u>	<u>\$ 6,200</u>	<u>\$ 3,151</u>	<u>\$ 3,049</u>
BUDGETED CASH BALANCE	<u>\$ 3,200</u>	<u>\$ 3,200</u>		

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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 180,000	\$ 180,000	\$ 94,106	\$ (85,894)
Federal sources	-	-	-	-
Earnings on investments	-	-	-	-
Total revenues	<u>\$ 180,000</u>	<u>\$ 180,000</u>	<u>\$ 94,106</u>	<u>\$ (85,894)</u>
EXPENDITURES				
Capital outlay	\$ 180,000	\$ 196,361	\$ 110,467	\$ 85,894
Total expenditures	<u>\$ 180,000</u>	<u>\$ 196,361</u>	<u>\$ 110,467</u>	<u>\$ 85,894</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ 16,361</u>		

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

**NON-MAJOR
SPECIAL REVENUE FUNDS**

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).

STATE OF NEW MEXICO
 VILLAGE OF RESERVE
 Non-Major Special Revenue Funds
 Combining Balance Sheet
 June 30, 2014

	Los Jovenes Fund	Lodgers Tax Fund	Total Governmental Funds
ASSETS			
Cash on deposit	\$ 1,046	\$ 10,291	\$ 11,337
Accounts receivable	-	604	604
Total assets	\$ 1,046	\$ 10,895	\$ 11,941
LIABILITIES			
Accounts payable	-	-	-
Total Liabilities	-	-	-
FUND BALANCE			
Restricted	1,046	10,895	11,941
Total fund balance	\$ 1,046	\$ 10,895	\$ 11,941

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, 2014

	Los Jovenes Fund	Lodger's Tax Fund	Total Funds
REVENUES			
Lodgers Tax	\$ -	\$ 3,813	\$ 3,813
Charges for services	-	-	-
Local sources	-	-	-
State sources	-	-	-
Federal sources	-	-	-
Earnings on investments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>3,813</u>	<u>3,813</u>
EXPENDITURES			
Current:			
General government	-	-	-
Highways and streets	-	-	-
Public safety	-	-	-
Culture and recreation	3,151	-	3,151
Capital outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,151</u>	<u>-</u>	<u>3,151</u>
Excess (deficiency) of revenues over expenditures	<u>(3,151)</u>	<u>3,813</u>	<u>662</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(3,151)	3,813	662
Fund balance, beginning of year	<u>4,197</u>	<u>7,082</u>	<u>11,279</u>
Fund balance, end of year	<u>\$ 1,046</u>	<u>\$ 10,895</u>	<u>\$ 11,941</u>

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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ -	\$ -
Earnings from investments	-	-	-	-
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Culture and recreation	\$ 3,200	\$ 3,200	\$ 3,151	\$ 49
Total expenditures	\$ 3,200	\$ 3,200	\$ 3,151	\$ 49
BUDGETED CASH BALANCE	\$ 3,200	\$ 3,200		

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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Lodger's tax	\$ 4,500	\$ 4,500	\$ 5,188	\$ 688
Total revenues	<u>\$ 4,500</u>	<u>\$ 4,500</u>	<u>\$ 5,188</u>	<u>\$ 688</u>
EXPENDITURES				
Culture and recreation	\$ 3,000	\$ 3,000	-	\$ 3,000
Total expenditures	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>
REVENUES				
Budgetary Basis			\$ 5,188	
(Decrease) in accounts receivable			<u>(1,375)</u>	
Modified accrual basis			<u>\$ 3,813</u>	

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

**NON-MAJOR
CAPITAL PROJECTS FUNDS**

STATE COOP GRANT FUND - To account for resources received to develop, design, construct and reconstruct drainage improvements of Village streets. Funding is from NMSHTD Cooperative Agreement.

TPE (TRANSPORTATION ENHANCEMENTS) FUND - To account for resources received to construct sidewalks/bikeways within the Village limits. Funding is from NMSHTD Cooperative Agreement.

STATE OF NEW MEXICO
 VILLAGE OF RESERVE
 Non-Major Capital Projects Fund
 Combining Balance Sheet
 June 30, 2014

Statement C-1

	State Coop Grant Fund	TPE Fund	Total Capital Project Funds
ASSETS			
Cash on deposit	\$ -	\$ -	\$ -
Total assets	\$ -	\$ -	\$ -
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
FUND BALANCES			
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 Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2013

Statement C-2

	State Coop Grant Fund	TPE Fund	Total Capital Project Fund
REVENUES			
Charges for services	\$ -	\$ -	\$ -
Local sources	-	-	-
State sources	-	94,106	94,106
Federal sources	-	-	-
Earnings on investments	-	-	-
	-	-	-
Total revenues	-	94,106	94,106
EXPENDITURES			
General government	-	-	-
Capital outlay	-	94,106	94,106
	-	94,106	94,106
Total expenditures	-	94,106	94,106
Excess (deficiency) of revenues over expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Loan proceeds	-	-	-
	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
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 - State Coop Grant Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
Earnings on investments	-	-	-	-
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay	\$ -	\$ 16,361	\$ 16,361	\$ -
Total expenditures	\$ -	\$ 16,361	\$ 16,361	\$ -
BUDGETED CASH BALANCE	\$ -	\$ 16,361		
EXPENDITURES				
Budgetary basis			\$ 16,361	
(Decrease) in accounts payable			(16,361)	
Modified accrual basis			\$ -	

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

STATE OF NEW MEXICO
 VILLAGE OF RESERVE
 Non-Major Capital Projects Fund - TPE Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 180,000	\$ 180,000	\$ 94,106	\$ (85,894)
Federal sources	-	-	-	-
Earnings on investments	-	-	-	-
	<u>180,000</u>	<u>180,000</u>	<u>94,106</u>	<u>(85,894)</u>
Total revenues	<u>\$ 180,000</u>	<u>\$ 180,000</u>	<u>\$ 94,106</u>	<u>\$ (85,894)</u>
EXPENDITURES				
Capital outlay	\$ 180,000	\$ 180,000	\$ 94,106	\$ 85,894
Total expenditures	<u>\$ 180,000</u>	<u>\$ 180,000</u>	<u>\$ 94,106</u>	<u>\$ 85,894</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 77,000	\$ 77,000	\$ 82,084	\$ 5,084
State shared taxes			2,323	2,323
Local sources				
State sources				
Federal sources				
Interest income				
Total revenues	<u>\$ 77,000</u>	<u>\$ 77,000</u>	<u>\$ 84,407</u>	<u>\$ 7,407</u>
EXPENDITURES				
Operating expenses	\$ 78,000	\$ 78,000	\$ 77,428	\$ 572
Total expenditures	<u>\$ 78,000</u>	<u>\$ 78,000</u>	<u>\$ 77,428</u>	<u>\$ 572</u>
BUDGETED CASH BALANCE	<u>\$ 1,000</u>	<u>\$ 1,000</u>		
REVENUES				
Budgetary basis			\$ 84,407	
Accounts receivable			41	
Modified accrual basis			<u>\$ 84,448</u>	
EXPENDITURES				
Budgetary basis			\$ 77,428	
Depreciation				
Capital assets purchased				
Accounts payable				
Compensated absences			468	
Modified accrual basis			<u>\$ 77,896</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 50,300	\$ 50,300	\$ 54,950	\$ 4,650
State shared taxes	2,150	2,150	-	(2,150)
Local sources	2,500	2,500	-	(2,500)
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest income	-	-	-	-
	<u>54,950</u>	<u>54,950</u>	<u>54,950</u>	<u>-</u>
Total revenues	\$ 54,950	\$ 54,950	\$ 54,950	\$ -
EXPENDITURES				
Operating expenses	\$ 76,000	\$ 76,000	\$ 75,630	\$ 370
	<u>76,000</u>	<u>76,000</u>	<u>75,630</u>	<u>370</u>
Total expenditures	\$ 76,000	\$ 76,000	\$ 75,630	\$ 370
OTHER FINANCING SOURCES (USES)				
Transfer in	\$ 15,800	\$ 15,800	-	\$ 15,800
	<u>15,800</u>	<u>15,800</u>	<u>-</u>	<u>15,800</u>
Total	\$ 15,800	\$ 15,800	\$ -	\$ 15,800
REVENUES				
Budgetary basis			\$ 54,950	
Accounts receivable			(94)	
			<u>54,856</u>	
Modified accrual basis			\$ 54,856	
EXPENDITURES				
Budgetary basis			\$ 75,630	
Depreciation			-	
Capital assets purchased			-	
Difference in accounts payable			-	
			<u>75,630</u>	
Modified accrual basis			\$ 75,630	

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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	1,650,000	1,650,000	132,074	(1,517,926)
Interest income	-	-	-	-
Total revenues	<u>\$ 1,650,000</u>	<u>\$ 1,650,000</u>	<u>\$ 132,074</u>	<u>\$ (1,517,926)</u>
EXPENDITURES				
Operating expenses	\$ 1,650,000	\$ 1,650,000	\$ 33,339	\$ 1,616,661
Total expenditures	<u>\$ 1,650,000</u>	<u>\$ 1,650,000</u>	<u>\$ 33,339</u>	<u>\$ 1,616,661</u>
REVENUES				
Budgetary basis			\$ 132,074	
Accounts receivable			<u>(116,099)</u>	
Modified accrual basis			<u>\$ 15,975</u>	
EXPENDITURES				
Budgetary basis			\$ 33,339	
Depreciation			5,977	
Capital assets purchased			(33,339)	
Difference in accounts payable			<u>-</u>	
Modified accrual basis			<u>\$ 5,977</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 Projection and DWI Funds of the Village of Reserve, as of and for the year ended June 30, 2014 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 enterprise funds, presented as supplemental information, and have issued our report thereon dated July 2, 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), Meter Deposit Bank Account (2013-001), Capital Asset Listing/Depreciation Schedule (2013-018), Gross Receipts Tax Reports not Filed (2013-022), NM Withholding (CRS-1) Reports not Submitted Timely (2013-027), Ordinance for Compensation of Mayor (2013-030), Payments to Board Members (2013-031), Consulting Services Contract (2014-002), Reserves Required (2014-003), Incorrect 941 Reports (2014-004), and Payroll/Payables in System not Being Cleared Out (2014-005), and PERA Contribution Calculated Incorrectly (2014-006) 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), Receipt Books (2013-006), Grant Funds Suspended Due to Late Audit Report (2013-008), Budget for Non-Existant Fund (2013-011), 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), 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), Incorrect W-3 Filed (2014-001), Reserves Required (2014-003) and Incorrect 941 Reports (2014-004).

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
July 2, 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) - Resolved.
4. DFA Quarterly Reports Incorrect (2011-002) - Repeated.
5. Meter Deposit Bank Account (2013-001) - Repeated.
6. Water Meter Deposits (2013-002) - Repeated.
7. Transactions Made by Third Parties Not Recorded on Books of Record (2013-003) - Repeated.
8. Interfund Activity Created Incorrectly (2013-004) - Resolved.
9. Second Well Project Fund Reported Incorrectly (2013-005) - Resolved.
10. Receipt Books (2013-006) - Repeated.
11. Grant Balances not Utilized (2013-007) - Resolved.
12. Grant Funds Suspended Due to Late Audit Report (2013-008) - Repeated.
13. Overpayment Made (2013-009) - Resolved.
14. Outstanding Utility Balance (2013-010) - Resolved.
15. Budget for Non-Existent Fund (2013-011) - Repeated.
16. Back Dating Checks - (2013-012) - Resolved.
17. Savings Bonds Included in Wrong Fund (2013-013) - Resolved.
18. Lending of Fire Revenues Violates the State Fire Marshall Statutes (2013-014) - Resolved.
19. Outstanding Balances (2013-015) - Resolved.
20. Outstanding Lodger's Tax Receivables (2013-016) - Resolved.
21. Aged Receivables Report not Reconciling to any other Financial Statements (2013-017) - Repeated.

Prior Year Audit Findings (Continued)

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

Current Year Audit Findings

1. Incorrect W-3 Filed (2014-001)
2. Consulting Services Contract (2014-002)
3. Reserves Required (2014-003)
4. Incorrect 941 Reports (2014-004)
5. Payroll/Payables in System not Being Cleared Out (2014-005)
6. PERA Contributions Calculated Incorrectly (2014-006)
7. Difference in PERA/RHCA Salary Totals (2014-007)

Budget Overruns - Other Matter
(2008-001)

CONDITION	The Village overspent the final approved budgets of the General Fund by \$33,378.
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, 2014.
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.

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.

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 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.

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.

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 \$483 in penalties and interest for late filing of July and August 2013 CRS-1's for Gross Receipts Taxes. These CRS-1 reports were not filed until March 2015
CRITERIA	All CRS-1 reports are due by the 25 th of the following month.
CAUSE	A change in Management occurred.
EFFECT	The Village paid \$483 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 th 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.

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 th 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 file any IRS 1099 Forms for the calendar year 2014.
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.

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.

Incorrect W-3 Filed - Other Matter
(2014-001)

CONDITION	The W-3 (and W-2's) filed for the 2013 calendar year did not agree to the taxes reported on the 941 (IRS) reports. (Off by \$53)
CRITERIA	The W-3 (and W-2s) should be reconciled and agree to the four 941 (IRS) reports before being submitted to the Social Security Administration.
CAUSE	Management did not ensure that this procedure was completed before the W-3 (and W-2s) were submitted to the Social Security Administration.
EFFECT	The Village will be receiving notices from the IRS for underpayment of the taxes.
RECOMMENDATION	The 941's or W-3 (W-2s) should be amended immediately and resubmitted to ensure the Village limits the amount of penalties and interest charged.
RESPONSE	The Village is investigating this matter. Payroll is currently being outsourced to a payroll service.

Consulting Services Contract - Significant Deficiency
(2014-002)

CONDITION	The Village entered into an agreement with a consultant and did not require a contract agreed to by both parties stating the payment terms, cap requirement and length of the contract.
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	The Council did not ensure this contract was obtained. The consultant at the time was acting in the capacity of the Village Clerk. Thus, no clerk to ensure a contract was obtained.
EFFECT	Services were provided with no clear statement as to what those services should be, how they would be paid and when they would be paid.
RECOMMENDATION	A contract should be obtained for all services provided so both parties can agree to all terms of the arrangement.
RESPONSE	This consultant is no longer providing services to the Village. The Village will be cautious to enter into any future such agreement without a proper contract.

Reserves Required - Significant Deficiency
(2014-003)

CONDITION	Management is not complying with the Reserve requirements set forth by the New Mexico Finance Authority.
CRITERIA	Management is required to establish and fund a monthly debt service reserve equal to 10% of the monthly payment each month over the life of the Treatment Plant loan until the Village accumulates one annual installment. This reserve is required to establish an emergency fund for emergency maintenance and repairs and debt repayment. Ten percent of the proposed loan installment is \$467/month for a total of \$45,000. Also, a replacement reserve needs to be established in the amount of \$103,000.
CAUSE	The Village does not currently have the monies to fund these required reserves.
EFFECT	The Village is not complying with loan regulations.
RECOMMENDATION	The Village should fund these reserves as soon as possible.
RESPONSE	As the Village climbs out of financial hardship, it will begin to establish these reserves as soon as possible. A rate increase in water/wastewater services is imminent.

Incorrect 941 (IRS) Reports -
Significant Deficiency
(2014-004)

CONDITION	The payroll records reported \$3,220 more than what was reported and paid to the IRS on the 941 payroll tax reports.
CRITERIA	The payroll reports need to agree to the amounts reported and paid to the IRS for federal withholding and medicare taxes.
CAUSE	Management did not review these reports to ensure the amounts reported to the IRS were correct.
EFFECT	The 941 reports are short by \$3,220 so the Village will receive interest and penalty charges for underpayment.
RECOMMENDATION	The Village needs to amend and resubmit these reports as soon as possible.
RESPONSE	The Village is investigating this matter. Payroll is currently being outsourced to a payroll service.

Payroll/Payables in System not Being Cleared Out -
Significant Deficiency
(2014-005)

CONDITION	The books of record for the Village show payroll liabilities and other payables that are incorrect and need to be adjusted so they are not carried forward each year.
CRITERIA	Each month the payroll liabilities and other payables need to be adjusted or reversed when paid.
CAUSE	Management of the Village has not been trained on how to reverse or adjust these amounts.
EFFECT	The Village books and records are not being reported correctly.
RECOMMENDATION	The Village needs to have management trained in this area so the books and records will be accurate.
RESPONSE	The Village staff is pursuing training from DFA and Quickbooks in order to correct this matter.

PERA Contributions Calculated Incorrectly -
Significant Deficiency
(2014-006)

CONDITION	The Village's PERA Contributions were calculated incorrectly. The employer portion was overpaid in the amount of \$2,672 and employee portion was underpaid in the amount of \$715.
CRITERIA	The PERA contribution rates for the fiscal year for employer portion is 7%, employees with earnings under \$20,000 annually is 7% and employees earning over \$20,000 annually is 8.5%.
CAUSE	Management of the Village did not use the correct contribution percentage when calculating PERA deductions.
EFFECT	The Village paid PERA contributions incorrectly.
RECOMMENDATION	The Village is currently outsourcing payroll to a third party. Management needs to ensure that the payroll service is utilizing the correct PERA contribution rates when calculating the deduction.
RESPONSE	The Village will validate correct percentages are being used by the payroll service's PERA Contribution Reports to ensure the correct deduction is paid.

Difference in PERA/RHCA Salary Totals -
Significant Deficiency
(2014-007)

CONDITION	The salaries reported for the RHCA contributions did not match the PERA salaries. The unexplained difference between the two salaries is \$6,892.
CRITERIA	The amounts reported to PERA/RHCA should be the same for total salaries paid during the fiscal year.
CAUSE	Management of the Village did not ensure the PERA nor RHCA salary amounts agreed to the total payroll paid for each reporting period.
EFFECT	The Village paid the RHCA deductions incorrectly based on percentages of incorrect salary amounts.
RECOMMENDATION	The Village is currently outsourcing payroll to a third party. Management needs to ensure that the payroll service is utilizing the correct salary amounts when calculating RHCA deductions.
RESPONSE	The Village will validate correct salaries are being used by the payroll service's PERA/RHCA Reports to ensure the correct deduction is paid.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2014 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 July 2, 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 and Ms. Pamela A. Rice, CPA, Contract Auditor. A properly closed regular session was held.