

State of New Mexico

# VILLAGE OF RESERVE

FOR YEAR ENDED JUNE 30, 2015  
(WITH AUDITOR'S REPORT THEREON)

*RICE & ASSOCIATES*

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO

VILLAGE OF RESERVE

AUDIT REPORT

For The Year Ended June 30, 2015

(with Auditor's Report Thereon)

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
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STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Official Roster  
Year Ended June 30, 2015

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.

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BOOKKEEPING  
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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 Hilda Kellar  
and Village Council  
Village of Reserve  
Reserve, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2015, 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 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, 2015 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, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Reserve, as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Fire Protection and DWI Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and enterprise funds of the Village of Reserve, as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the Major Capital Project Funds and the non-major governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

### *Adoption of New Accounting Pronouncement*

As discussed in Note 9 to the financial statements, effective July 1, 2014, the Village adopted Governmental Accounting Standards Board Statement (GASB) No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

## 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.

Accounting principles generally accepted in the United States of America require the Schedules I, II and the notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The budgetary comparisons for the Major Capital Project Funds and non-major governmental funds and Schedule of Expenditures of Federal Awards 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 and the non-major governmental funds and Schedule of Expenditures and Federal Awards fairly states, in all material respects, in relation to the basic financial statements as a whole.

Schedule IV, the Schedule of Vendor Information, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2016 on our consideration of the Village of Reserve 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 internal control over financial reporting and compliance.



Albuquerque, New Mexico  
June 8, 2016

**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Statement of Net Position  
June 30, 2015

Statement 1  
Page 1 of 2

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets			
Cash	\$ 147,826	\$ 67	\$ 147,893
Accounts receivable (net of uncollectible accounts)	12,288	20,906	33,194
Due from grantor	<u>33,260</u>	<u>-</u>	<u>33,260</u>
Total current assets	<u>193,374</u>	<u>20,973</u>	<u>214,347</u>
Restricted Assets (Cash)			
Customer meter deposits	-	34,650	34,650
Repair and replacement	-	100	100
Debt service reserve	25,255	100	25,355
Capital outlay	<u>130,381</u>	<u>56,414</u>	<u>186,795</u>
Total restricted assets	<u>155,636</u>	<u>91,264</u>	<u>246,900</u>
Capital Assets			
Land	61,242	165,039	226,281
Land improvements	-	-	-
Buildings and improvements	1,193,027	84,869	1,277,896
Furniture & fixtures	24,589	-	24,589
Infrastructure	6,094,169	4,644,715	10,738,884
Vehicles	394,998	62,756	457,754
Equipment	703,696	95,543	799,239
Heavy Equipment	<u>305,848</u>	<u>-</u>	<u>305,848</u>
Total capital assets	<u>8,777,569</u>	<u>5,052,922</u>	<u>13,830,491</u>
Less accumulated depreciation	(4,894,325)	(2,659,876)	(7,554,201)
Total capital assets (net of accumulated depreciation)	<u>3,883,244</u>	<u>2,393,046</u>	<u>6,276,290</u>
Deferred outflows of resources			
Employer contributions subsequent to measurement date	<u>11,480</u>	<u>-</u>	<u>11,480</u>
Total assets	<u><b>\$ 4,243,734</b></u>	<u><b>\$ 2,505,283</b></u>	<u><b>\$ 6,749,017</b></u>

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

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Statement of Net Position  
June 30, 2015

Statement 1  
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
<b>LIABILITIES AND NET POSITION</b>			
Current Liabilities			
Cash overdraft	\$ -	\$ 82,464	\$ 82,464
Accounts payable	9,525	-	9,525
Customer meter deposits (unrestricted)	-	34,650	34,650
Due to grantor	10,198	-	10,198
Loans payable - current portion	34,311	567	34,878
Total current liabilities	54,034	117,681	171,715
Non-Current Liabilities			
Compensated absences payable	1,085	3,472	4,557
Net Pension liability	136,519	-	136,519
Loans payable (less current portion)	471,350	9,639	480,989
Total non-current liabilities	608,954	13,111	622,065
Total liabilities	662,988	130,792	793,780
Deferred Inflows			
Change in assumption	93	-	93
Net difference between expected and actual earnings	53,410	-	53,410
Total deferred inflows	53,503	-	53,503
Net Position			
Net investment			
in capital assets	3,377,583	2,382,840	5,760,423
Restricted for repair and replacement	-	100	100
Restricted for capital outlay	130,381	56,414	186,795
Restricted for debt service	25,255	100	25,355
Restricted for special grants	68,285	-	68,285
Unrestricted	(74,261)	(64,963)	(139,224)
Total net position	3,527,243	2,374,491	5,901,734
Total liabilities and net position	\$ 4,243,734	\$ 2,505,283	\$ 6,749,017

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, 2015

Statement 2

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 126,014	\$ 3,594	\$ 421	\$ -	\$ (121,999)	\$ -	\$ (121,999)
Highways and streets	-	-	-	38,171	38,171	-	38,171
Public safety	143,262	-	156,212	-	12,950	-	12,950
Culture and recreation	14,849	-	-	-	(14,849)	-	(14,849)
Depreciation - unallocated	514,612	-	-	-	(514,612)	-	(514,612)
Interest	2,017	-	-	-	(2,017)	-	(2,017)
Total governmental activities	800,754	3,594	156,633	38,171	(602,356)	-	(602,356)
Business-type activities:							
Water/sewer services	286,627	134,682	-	-	-	(151,945)	(151,945)
Second Well Project	50,441	-	-	1,071,096	-	1,020,655	1,020,655
Total business-type activities	337,068	134,682	-	1,071,096	-	868,710	868,710
Total all activities	<u>\$ 1,137,822</u>	<u>\$ 138,276</u>	<u>\$ 156,633</u>	<u>\$ 1,109,267</u>	(602,356)	868,710	266,354
General Revenues:							
Property taxes					12,052	-	12,052
Franchise taxes					4,690	-	4,690
Gross receipts taxes					148,382	-	148,382
Motor vehicle taxes					13,082	-	13,082
Gas taxes					5,007	-	5,007
Lodgers taxes					3,540	-	3,540
State aid not restricted to special purpose:							
General					90,000	-	90,000
Investment earnings					493	-	493
Transfers					-	-	-
Total general revenues and transfers					277,246	-	277,246
Change in net position					(325,110)	868,710	543,600
Net position - beginning					4,036,679	1,505,781	5,542,460
Restatement					(184,326)	-	(184,326)
Net position - beginning - restated					3,852,353	1,505,781	5,358,134
Net position - ending					<u>\$ 3,527,243</u>	<u>\$ 2,374,491</u>	<u>\$ 5,901,734</u>

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

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Balance Sheet  
Governmental Funds  
June 30, 2015

Statement 3

	General Fund	Fire Fund	DWI Fund	Street Improvement MAP-904 Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash on deposit	\$ 95,157	\$ 55,230	\$ 11,904	\$ 130,381	\$ 10,790	\$ 303,462
Accounts receivable	10,023	-	-	-	2,265	12,288
Due from grantor	-	-	-	-	27,775	27,775
Due from other funds	43,775	-	5,485	-	-	49,260
	<u>43,775</u>	<u>-</u>	<u>5,485</u>	<u>-</u>	<u>-</u>	<u>49,260</u>
Total assets	<u><b>\$ 148,955</b></u>	<u><b>\$ 55,230</b></u>	<u><b>\$ 17,389</b></u>	<u><b>\$ 130,381</b></u>	<u><b>\$ 40,830</b></u>	<u><b>\$ 392,785</b></u>
<b>LIABILITIES</b>						
Due to other funds	\$ -	\$ -	\$ 16,000	\$ -	\$ 27,775	\$ 43,775
Due to grantor	-	-	10,198	-	-	10,198
Accounts payable	9,525	-	-	-	-	9,525
	<u>9,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,525</u>
Total liabilities	<u>9,525</u>	<u>-</u>	<u>26,198</u>	<u>-</u>	<u>27,775</u>	<u>63,498</u>
<b>FUND BALANCE</b>						
Nonspendable	-	-	-	-	-	-
Restricted	25,255	55,230	-	130,381	13,055	223,921
Committed	-	-	-	-	-	-
Unassigned	114,175	-	(8,809)	-	-	105,366
	<u>114,175</u>	<u>-</u>	<u>(8,809)</u>	<u>-</u>	<u>-</u>	<u>105,366</u>
Total fund balance	<u>139,430</u>	<u>55,230</u>	<u>(8,809)</u>	<u>130,381</u>	<u>13,055</u>	<u>329,287</u>
Total liabilities and fund balance	<u><b>\$ 148,955</b></u>	<u><b>\$ 55,230</b></u>	<u><b>\$ 17,389</b></u>	<u><b>\$ 130,381</b></u>	<u><b>\$ 40,830</b></u>	<u><b>\$ 392,785</b></u>

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, 2015

Statement 4

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

Total fund balances - governmental funds		\$	329,287
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	8,777,569		
Accumulated depreciation	<u>(4,894,325)</u>		
			3,883,244
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:			
Compensated absences payable	(1,085)		
Loans payable	<u>(505,661)</u>		
			(506,746)
Some liabilities, including net pension obligations, are not due and payable in the current period and therefore, are not reported in the funds			
Net pension liability			(136,519)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds			
Deferred outflows of resources related to employer contributions subsequent to the measurement date			11,480
Deferred inflows or resources related to investment experience			(53,410)
Deferred inflows of resources related to changes in proportion			<u>(93)</u>
Net position of governmental activities		<b>\$</b>	<b><u>3,527,243</u></b>

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, 2015

	General Fund	Fire Fund	DWI Fund	Street Improvements MAP-904 Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 12,052	\$ -	\$ -	\$ -	\$ -	\$ 12,052
Franchise tax	4,690	-	-	-	-	4,690
Lodgers tax	-	-	-	-	3,540	3,540
Charges for services	2,392	-	-	-	-	2,392
Licenses and permits	2,508	-	-	-	-	2,508
Local sources	421	-	-	-	-	421
State sources	88,694	77,876	78,336	-	38,171	283,077
Federal sources	-	-	-	-	-	-
State shared taxes	166,471	-	-	-	-	166,471
Earnings from investments	165	328	-	-	-	493
	<u>277,393</u>	<u>78,204</u>	<u>78,336</u>	<u>-</u>	<u>41,711</u>	<u>475,644</u>
<b>EXPENDITURES</b>						
Current:						
General government	135,161	-	-	-	-	135,161
Highways and streets	-	-	-	-	-	-
Public safety	18,867	45,551	78,844	-	-	143,262
Health and welfare	-	-	-	-	-	-
Culture and recreation	12,423	-	-	-	2,426	14,849
Capital outlay	-	305,848	-	33,888	119,755	459,491
NMFA principle	23,174	-	-	-	-	23,174
NMFA interest	2,017	-	-	-	-	2,017
	<u>191,642</u>	<u>351,399</u>	<u>78,844</u>	<u>33,888</u>	<u>122,181</u>	<u>777,954</u>
Excess (deficiency) revenues over expenditures	85,751	(273,195)	(508)	(33,888)	(80,470)	(302,310)
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	-
Loan proceeds	-	269,018	-	-	-	269,018
	<u>-</u>	<u>269,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269,018</u>
Total other financing sources (uses)	-	269,018	-	-	-	269,018
Net change in fund balances	<u>85,751</u>	<u>(4,177)</u>	<u>(508)</u>	<u>(33,888)</u>	<u>(80,470)</u>	<u>(33,292)</u>
Fund balance beginning of year	37,923	75,163	(8,301)	164,269	93,525	362,579
Restatement	15,756	(15,756)	-	-	-	-
Fund balance beginning of year - restated	<u>53,679</u>	<u>59,407</u>	<u>(8,301)</u>	<u>164,269</u>	<u>93,525</u>	<u>362,579</u>
Fund balance end of year	<u>\$ 139,430</u>	<u>\$ 55,230</u>	<u>\$ (8,809)</u>	<u>\$ 130,381</u>	<u>\$ 13,055</u>	<u>\$ 329,287</u>

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

## 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, 2015

Net change in fund balances - total governmental funds \$ (33,292)

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 depreciation expense exceeds capital outlays in the period.

Depreciation expense	(514,612)	
Capital outlays	<u>459,491</u>	
Excess of capital outlay over depreciation expense		(55,121)

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions		11,480
Pension expense		(5,696)

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		3,363
------------------------------	--	-------

The issuance of long-term debt (e.g. loans) 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.

Loan proceeds	(269,018)	
Repayment of long-term debt	<u>23,174</u>	
		<u>(245,844)</u>

Change in net position of governmental activities \$ (325,110)

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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 11,800	\$ 11,800	\$ 11,986	\$ 186
Franchise taxes	7,600	7,600	4,690	(2,910)
Charges for services	1,800	1,800	2,063	263
Licenses and permits	1,200	1,200	2,508	1,308
Fines and forfeits	-	-	-	-
Local sources	1,800	1,800	421	(1,379)
State sources	90,000	90,000	93,000	3,000
Federal sources	-	-	-	-
State shared taxes	124,100	124,100	168,837	44,737
Earnings from investments	-	-	165	165
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<b><u>\$ 238,300</u></b>	<b><u>\$ 238,300</u></b>	<b><u>\$ 283,670</u></b>	<b><u>\$ 45,370</u></b>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 147,900	\$ 147,900	\$ 125,636	\$ 22,264
Highways and streets	1,500	1,500	-	1,500
Public safety	33,300	33,300	18,867	14,433
Health and welfare	-	-	-	-
Culture and recreation	21,400	21,400	12,423	8,977
Capital outlay	-	-	-	-
Debt service:				
Loan principle	-	-	23,174	(23,174)
Loan interest	-	-	2,017	(2,017)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<b><u>\$ 204,100</u></b>	<b><u>\$ 204,100</u></b>	<b><u>\$ 182,117</u></b>	<b><u>\$ 21,983</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total other financing sources (uses)	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>		

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

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Fire Protection Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ 71,800	\$ 71,800	\$ 77,876	\$ 6,076
Earnings from investments	-	-	328	328
Total revenues	<u>\$ 71,800</u>	<u>\$ 71,800</u>	<u>\$ 78,204</u>	<u>\$ 6,404</u>
<b>EXPENDITURES</b>				
Public safety	\$ 77,500	\$ 77,500	\$ 351,399	\$ (273,899)
Total expenditures	<u>\$ 77,500</u>	<u>\$ 77,500</u>	<u>\$ 351,399</u>	<u>\$ (273,899)</u>
<b>OTHER FINANCING SOURCES</b>				
Loan proceeds	\$ -	\$ -	\$ 269,018	\$ 269,018
Total other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,018</u>	<u>\$ 269,018</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ 5,700</u>	<u>\$ 5,700</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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
State sources	92,000	92,000	83,050	(8,950)
Federal sources	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u><b>\$ 92,000</b></u>	<u><b>\$ 92,000</b></u>	<u><b>\$ 83,050</b></u>	<u><b>\$ (8,950)</b></u>
<b>EXPENDITURES</b>				
Public safety	<u>\$ 90,700</u>	<u>\$ 90,700</u>	<u>\$ 78,844</u>	<u>\$ 11,856</u>
Total expenditures	<u><b>\$ 90,700</b></u>	<u><b>\$ 90,700</b></u>	<u><b>\$ 78,844</b></u>	<u><b>\$ 11,856</b></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, 2015

Statement 10

	Water/Sewer Fund	Second Well Project Fund	Total
<b>ASSETS</b>			
Current Assets			
Cash on deposit	\$ -	\$ 67	\$ 67
Accounts receivable (net)	20,906	-	20,906
Total Current Assets	20,906	67	20,973
Non-Current Assets			
Restricted Assets (Cash)	56,614	-	56,614
Customer meter deposits	34,650	-	34,650
Total Non-Current Assets	91,264	-	91,264
Capital Assets			
Land	165,039	-	165,039
Land improvements	-	-	-
Buildings and Improvements	84,869	-	84,869
Equipment	95,543	-	95,543
Vehicles	62,756	-	62,756
Plant/infrastructure	3,384,526	1,260,189	4,644,715
Accumulated depreciation	(2,594,203)	(65,673)	(2,659,876)
Total Capital Assets	1,198,530	1,194,516	2,393,046
Total Assets	\$ 1,310,700	\$ 1,194,583	\$ 2,505,283
<b>LIABILITIES</b>			
Current Liabilities			
Cash overdraft	\$ 82,464	\$ -	\$ 82,464
Accounts payable	-	-	-
Current portion payable	567	-	567
Customer meter deposits payable from Restricted Assets	34,650	-	34,650
Total Current Liabilities	117,681	-	117,681
Non-Current Liabilities			
Compensated absences payable	3,472	-	3,472
NMFA loan payable	9,639	-	9,639
Total Non-Current Liabilities	13,111	-	13,111
Total Liabilities	130,792	-	130,792
<b>NET POSITION</b>			
Net investment in capital assets	1,188,324	1,194,516	2,382,840
Restricted for capital outlay	56,414	-	56,414
Restricted for repair and replacement	200	-	200
Unrestricted	(65,030)	67	(64,963)
Total Net Position	1,179,908	1,194,583	2,374,491
Total Liabilities and Net Position	\$ 1,310,700	\$ 1,194,583	\$ 2,505,283

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, 2015

	Water/Sewer Fund	Second Well Project Fund	Total
<b>OPERATING REVENUES</b>			
Sales and services	\$ 134,682	\$ -	\$ 134,682
Local source	-	-	-
State shared taxes	-	-	-
	<u>134,682</u>	<u>-</u>	<u>134,682</u>
Total operating revenue	<u>134,682</u>	<u>-</u>	<u>134,682</u>
<b>OPERATING EXPENSES</b>			
Maintenance and operations	177,258	33	177,291
Depreciation	109,369	50,408	159,777
	<u>286,627</u>	<u>50,441</u>	<u>337,068</u>
Total operating expenses	<u>286,627</u>	<u>50,441</u>	<u>337,068</u>
Operating income (loss)	<u>(151,945)</u>	<u>(50,441)</u>	<u>(202,386)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>			
Investment income	-	-	-
Investment expense	-	-	-
Transfers in	-	39,656	39,656
Transfers out	-	-	-
State grant	(39,656)	-	(39,656)
Federal grant	-	1,071,096	1,071,096
	<u>-</u>	<u>1,071,096</u>	<u>1,071,096</u>
Total Non-Operating Revenue (Expense)	<u>(39,656)</u>	<u>1,110,752</u>	<u>1,071,096</u>
Change in Net Position	(191,601)	1,060,311	868,710
Total net position, beginning of year	<u>1,371,509</u>	<u>134,272</u>	<u>1,505,781</u>
Total net position, end of year	<u><b>\$ 1,179,908</b></u>	<u><b>\$ 1,194,583</b></u>	<u><b>\$ 2,374,491</b></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, 2015

Statement 12

	Water/Sewer Fund	Second Well Project Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 127,414	\$ -	\$ 127,414
Cash payments to employees and to suppliers for goods and services	(179,921)	(33)	(179,954)
Net cash provided by operating activities	(52,507)	(33)	(52,540)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Customer Meter Deposits	17,325	-	17,325
Principal paid	(567)	-	(567)
Acquisition of capital assets	-	(1,110,752)	(1,110,752)
Investment expense	-	-	-
Net cash provided (used) by capital and related financing activities	16,758	(1,110,752)	(1,093,994)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Cash received from state sources	-	-	-
Cash received from federal sources	-	1,071,096	1,071,096
Operating transfers from other funds	-	39,656	39,656
Operating transfers to other funds	(39,656)	-	(39,656)
Net cash provided (used) by noncapital financing activities	(39,656)	1,110,752	1,071,096
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment income	-	-	-
Net cash provided by investing activities	-	-	-
Net increase (decrease) in cash	(75,405)	(33)	(75,438)
Cash, beginning of year	84,205	100	84,305
Cash, end of year	<b>\$ 8,800</b>	<b>\$ 67</b>	<b>\$ 8,867</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (151,945)	\$ (50,441)	\$ (202,386)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	109,369	50,408	159,777
Changes in assets and liabilities:			
(Increase) decrease in receivables	(7,268)	-	(7,268)
Increase (decrease) in accounts payable	-	-	-
Increase (decrease) in compensated absences	(2,663)	-	(2,663)
Net cash provided (used) by operating activities	<b>\$ (52,507)</b>	<b>\$ (33)</b>	<b>\$ (52,540)</b>

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, 2015

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 judgments, 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 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.

Enterprise Fund - Second Well Project Fund - To account for the Second Well Project, of which will assist the Village in obtaining safe drinking water and adequate waste facilities. The capital project is funded by the Water and Waste Disposal Systems for Rural Communities.

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. Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as

## Notes to Financial Statements (continued)

an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. The Village has two types of items, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, net difference between expected and actual earnings and change in assumptions, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### H. Deferred Outflows of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Village has two types of items that qualify for reporting in this category. Accordingly, the items, change in proportion and employer contributions subsequent to measurement date, are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

### I. 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 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:

Notes to Financial Statements (continued)

<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.

J. 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.

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

L. 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.

Notes to Financial Statements (continued)

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.

M. 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".

N. 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.

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.

O. 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.



Notes to Financial Statements (continued)

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

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

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

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

Notes to Financial Statements (continued)

P. 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.

Q. 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.

R. 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.

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

First State Bank	USDA Water Project	Checking	\$ 8,239
First State Bank	Street Project	Checking	130,381
First State Bank	Fire	Checking	8,013
First State Bank	USDA Reserves	Checking	100
First State Bank	DWI	Checking	39,419
First State Bank	USDA Repair & Replacement	Checking	100
First State Bank	General	Checking	84,436
New Mexico Finance Authority	Treatment Plant	Grant	56,414
New Mexico Finance Authority	Street Improvements		3,695
New Mexico Finance Authority	Street Improvements	Reserves	20,204
New Mexico Finance Authority	Multi-purpose Program Facility		1,356
U.S. EE Bonds	Fire Fund	Investment	<u>20,512</u>
			<u><u>\$ 372,869</u></u>

Notes to Financial Statements (continued)

Total amount on deposit	\$ 372,869
Deposit in transit	-
Outstanding checks	<u>(60,540)</u>
Total per financial statements	<u><b>\$ 312,329</b></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	\$ 312,329
Less <u>FDIC</u>	<u>(270,512)</u>
Uninsured funds	41,817
Funds needing collateralization at 50% (required by State Law)	20,909
Pledged collateral at June 30	<u>254,268</u>
Excess of Pledged Collateral	<u><b>\$ 233,359</b></u>

*Custodial Credit Risk - Deposits* - Custodial Credit Risk is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, \$0 of the Village's bank balance \$312,329 was exposed to custodial credit risk as follows:

A. Uninsured and Uncollateralized	\$ -
B. Uninsured and collateralized with securities held by the pledging banks trust department, but not in the Village's name	<u>41,817</u>
Total	<u><b>\$ 41,817</b></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 \$81,669 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.

Notes to Financial Statements (continued)

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	\$ -	\$ 20,906
Less allowance for uncollectible accounts	-	-
Subtotal	-	20,906
Lodger's tax	2,266	-
Gross receipts taxes receivable	9,277	-
Property taxes receivable	415	-
Rent	330	-
Intergovernmental	33,260	-
Total	<u>\$ 45,548</u>	<u>\$ 20,906</u>

4. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semi-annual installments by November 10 and April 10 of the subsequent year. Taxes are collected on behalf of the Village by the County Treasurer, and are remitted to the Village in the month following collection. Because the Treasurer for the county in which the Village is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the Village.

The Village is permitted to levy taxes for general operating purposes based on taxable value for both residential and nonresidential property, taxable value being defined as one-third of the fully assessed value. In addition, the Village is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the Village.

The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues. The Village has no means of determining the amount of delinquent taxes, and no delinquent taxes are recorded on the Villages financial records.

Notes to Financial Statements (continued)

5. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

Governmental Funds

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

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Compensated absences payable	<u>\$ 4,448</u>	<u>\$ 132</u>	<u>\$ 3,495</u>	<u>\$ 1,085</u>	<u>\$ -</u>

The liability will be liquidated by the General Fund.

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
NMFA Loan	<u>\$ 259,817</u>	<u>\$ 269,018</u>	<u>\$ 23,174</u>	<u>\$ 505,661</u>	<u>\$ 34,311</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 Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 5,142	\$ -	\$ 5,142
2017	5,142	-	5,142
2018	5,142	-	5,142
2019	5,142	-	5,142
2020	5,142	-	5,142
2021-2025	25,710	-	25,710
2026-2028	<u>15,422</u>	<u>-</u>	<u>15,422</u>
Total	<u>\$ 66,842</u>	<u>\$ -</u>	<u>\$ 66,842</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>
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	18,801	1,248	20,049
2021-2024	<u>77,494</u>	<u>2,703</u>	<u>80,197</u>
Total	<u>\$ 169,801</u>	<u>\$ 10,643</u>	<u>\$ 180,444</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, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
RIP Loan	<u>\$ 11,773</u>	<u>\$ -</u>	<u>\$ 567</u>	<u>\$ 10,206</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>
2016	\$ 567	\$ -	\$ 567
2017	567	-	567
2018	567	-	567
2019	567	-	567
2020	567	-	567
2021-2025	2,835	-	2,835
2026-2030	2,835	-	2,835
2031-2033	<u>1,701</u>	<u>-</u>	<u>1,701</u>
Total	<u>\$ 10,206</u>	<u>\$ -</u>	<u>\$ 10,206</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, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Compensated absences payable	<u>\$ 6,136</u>	<u>\$ 1,440</u>	<u>\$ 4,104</u>	<u>\$ 3,472</u>	<u>\$ -</u>

The liability will be paid out of the Water Fund.

Notes to Financial Statements (continued)

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 \$269,018 and interest for the purpose of defraying the cost of a new Fire Engine. The Village has pledged future State Fire Marshall allocations to repay the loan. The total annual principal and interest payments to repay the loan is 26% of the State Fire Marshall Allocation. The yearly payments are to be redirected from the Village's State Fire Marshall Allocation distributed by the State of New Mexico. The interest rate is 0.100% to 3.170%. The maturity date is May 1, 2030.

<u>Due Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 11,014	\$ 7,280	\$ 18,294
2017	16,189	4,074	20,263
2018	16,312	3,951	20,263
2019	16,497	3,767	20,264
2020	16,743	3,521	20,264
2021-2025	89,224	12,095	101,319
2026-2030	<u>103,039</u>	<u>1,473</u>	<u>104,512</u>
<b>Total</b>	<b><u>\$ 269,018</u></b>	<b><u>\$ 36,161</u></b>	<b><u>\$ 305,179</u></b>

The liability will be liquidated by the Fire Fund.

6. CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
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	5,940,526	153,643	-	6,094,169
Vehicles	394,998	-	-	394,998
Equipment	703,696	-	-	703,696
Heavy equipment	-	305,848	-	305,848
Furniture & fixtures	<u>24,589</u>	<u>-</u>	<u>-</u>	<u>24,589</u>
Total capital assets being depreciated	<u>8,256,836</u>	<u>459,491</u>	<u>-</u>	<u>8,716,327</u>
Less accumulated depreciation for:				
Land improvements	-	-	-	-
Buildings	(361,552)	(42,898)	-	(404,450)
Infrastructure	(2,975,891)	(401,859)	-	(3,377,750)
Vehicles	(372,007)	(15,996)	-	(388,003)
Equipment	(646,551)	(22,835)	-	(669,386)
Heavy equipment	-	(30,585)	-	(30,585)
Furniture & Fixtures	<u>(23,712)</u>	<u>(439)</u>	<u>-</u>	<u>(24,151)</u>
Total accumulated depreciation	<u>(4,379,713)</u>	<u>(514,612)</u>	<u>-</u>	<u>(4,894,325)</u>
Total capital assets being depreciated	<u>3,877,123</u>	<u>(55,121)</u>	<u>-</u>	<u>3,822,002</u>
Net capital assets	<b><u>\$ 3,938,365</u></b>	<b><u>\$ (55,121)</u></b>	<b><u>-</u></b>	<b><u>\$ 3,883,244</u></b>

Notes to Financial Statements (continued)

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

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
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	3,533,963	1,110,752	-	4,644,715
Vehicles	62,756	-	-	62,756
Equipment	<u>95,543</u>	<u>-</u>	<u>-</u>	<u>95,543</u>
Total capital assets being depreciated	<u>3,777,131</u>	<u>1,110,752</u>	<u>-</u>	<u>4,887,883</u>
Total accumulated depreciation	<u>(2,500,099)</u>	<u>(159,777)</u>	<u>-</u>	<u>(2,659,876)</u>
Net capital assets	<u>\$ 1,442,071</u>	<u>\$ 950,975</u>	<u>\$ -</u>	<u>\$ 2,393,046</u>

7. DEPOSITS HELD FOR OTHERS, ENTERPRISE FUND

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

Hydrant Meter deposits \$ 34,650

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>Street Improvements MAP-904 Fund</u>
Accrual basis	\$283,670	\$ 78,204	\$ 83,050	\$ -
Budget basis	<u>277,393</u>	<u>78,204</u>	<u>78,336</u>	<u>-</u>
Increase (decrease) in receivables/due to grantor	<u>\$ 6,277</u>	<u>\$ -</u>	<u>\$ (4,714)</u>	<u>\$ -</u>
<u>Expenditures</u>				
Accrual basis	\$191,642	\$ 351,399	\$ 78,844	\$ 33,888
Budget basis	<u>182,117</u>	<u>351,399</u>	<u>78,844</u>	<u>33,888</u>
Increase (decrease) in payables	<u>\$ 9,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Notes to Financial Statements (continued)

<u>Revenues</u>	<u>Non-Major Special Revenue Funds</u>	<u>Non-Major Capital Projects Funds</u>	<u>Proprietary Fund</u>
Accrual basis	\$ 3,540	\$ 38,171	\$ 1,205,778
Budget basis	<u>1,879</u>	<u>10,396</u>	<u>1,198,510</u>
Increase (decrease) in receivables	<u>\$ 1,661</u>	<u>\$ 27,775</u>	<u>\$ 7,268</u>
 <u>Expenditures</u>			
Accrual basis	\$ 2,426	\$ 119,755	\$ 337,068
Budget basis	2,426	119,755	1,291,273
Depreciation	-	-	(159,777)
Capital assets purchased	-	-	1,110,752
Difference in Compensated absences	<u>-</u>	<u>-</u>	<u>2,663</u>
Increase (decrease) in payables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (567)</u>

9. RETIREMENT PLAN

**Summary of Significant Accounting Policies**

*Pensions.* For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA' fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information about the Pension Plan**

**Plan description.** The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

Notes to Financial Statements (continued)

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

**Benefits provided.** For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at: [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf).

**Contributions.** The contribution requirements of defined benefit plan members and the Village of Reserve are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at:

[http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf).

The PERA coverage options that apply to the Village of Reserve are: Municipal General Division. Statutorily required contributions to the pension plan from the Village of Reserve were \$11,480 and there were NO employer paid member benefits that were "picked up" by the employer for the year ended June 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Village of Reserve's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the un-remitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

Notes to Financial Statements (continued)

For PERA Fund Municipal General Division, at June 30, 2015, the Village of Reserve reported a liability of \$136,519 for its proportionate share of the net pension liability. At June 30, 2014, the Village of Reserve's proportion was 0.0175%, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the Village of Reserve recognized PERA Fund Municipal General Division pension expense of \$38,567. At June 30, 2015, the Village of Reserve reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 93
Net difference between projected and actual earnings on pension plan investments	-	53,410
Village of Reserve's contributions subsequent to the measurement date	<u>11,480</u>	<u>-</u>
Total	<u>\$ 11,480</u>	<u>\$ 53,503</u>

\$11,480 reported as deferred outflows of resources related to pensions resulting from Village of Reserve's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$(13,375)
2017	(13,375)
2018	(13,375)
2019	(13,375)
2020	-
Thereafter	-

**Actuarial assumptions.** As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Notes to Financial Statements (continued)

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
- Investment rate of return	7.75% annual rate, net of investment expense
- Payroll growth	3.50% annual rate
- Projected salary increases	3.50% to 14.25% annual rate
- Includes inflation at	3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expeted Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80%	5.20
Private Equity	7.00%	8.20
Core and Global Fixed Income	26.10%	1.85
Fixed Income Plus Sectors	5.00%	4.80
Real Estate	5.00%	5.30
Real Assets	7.00%	5.70
Absolute Return	<u>4.00%</u>	4.15
Total	<u>100.00%</u>	

**Discount rate:** The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed longterm expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Village of Reserve's proportionate share of the net pension liability to changes in the discount rate.** The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Village of Reserve's net pension liability in each PERA Fund Division that Village of Reserve participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

Notes to Financial Statements (continued)

PERA Fund Municipal General Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
	<hr/>	<hr/>	<hr/>
Village of Reserve's proportionate share of the net pension liability	\$ <u>257,369</u>	\$ <u>136,519</u>	\$ <u>43,157</u>

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**Payables to the pension plan.** Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASBS 68, paragraphs 122 and 124.

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.

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.

Notes to Financial Statements (continued)

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature. For the fiscal years ended June 30, 2015, 2014, and 2013. The Village of Reserve remitted \$3,169, \$3,712 and \$3,045 in employer contributions, respectively, to the Retiree Health Care Authority.

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>Other Governmental Fund</u>	<u>Totals</u>
<u>Nonspendable:</u>						
Interfund loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	-	-
Total nonspendable	-	-	-	-	-	-
<u>Restricted for:</u>						
Road improvements	-	-	-	130,381	-	130,381
Fire protection	-	55,230	-	-	-	55,230
Law enforcement	-	-	-	-	-	-
Lodger's tax	-	-	-	-	12,911	12,911
Los Jovenes	-	-	-	-	145	145
Debt service	25,255	-	-	-	-	25,255
Total restricted	25,255	55,230	-	130,381	13,056	223,922
<u>Committed to:</u>						
Other purposes	-	-	-	-	-	-
Total committed	-	-	-	-	-	-
<u>Unassigned:</u>	114,175	-	(8,809)	-	-	105,366
Total Fund Balances	<u>\$ 139,430</u>	<u>\$ 55,230</u>	<u>\$ (8,809)</u>	<u>\$ 130,381</u>	<u>\$ 13,056</u>	<u>\$ 329,288</u>

Notes to Financial Statements (continued)

12. BUDGET VIOLATIONS

The Fire Fund had a budget overrun of \$273,899. The Water fund was overspent by \$6,880, the Sewer Fund by \$9,108 and the Second Well Project by \$39,689.

13. RESTATEMENT OF NET POSITION

The Village had a prior period adjustment of \$197,303 which was required for the implementation of GASB Statement No. 68. The adjustment reflects a beginning net pension liability of \$184,326 and a beginning deferred outflow of resources - employer contributions subsequent to the measurement date of \$12,977.

The Village also had a prior period adjustment of \$15,756 from the Fire Fund to the General Fund for monies the Village determined belonged to the General Fund incorrectly attributed to the Fire Fund in previous years.

**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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Capital outlay	\$ 164,268	\$ 164,268	\$ 33,888	\$ 130,380
Total expenditures	<u>\$ 164,268</u>	<u>\$ 164,268</u>	<u>\$ 33,888</u>	<u>\$ 130,380</u>
BUDGETED CASH BALANCE	<u>\$ 164,268</u>	<u>\$ 164,268</u>		

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

**NON-MAJOR GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Governmental Funds  
 Combining Balance Sheet - By Fund Type  
 June 30, 2015

	Special Revenue Funds	Capital Project Funds	Totals
<b>ASSETS</b>			
Cash on deposit	\$ 10,790	\$ -	\$ 10,790
Due from grantor	-	27,775	27,775
Accounts receivable	<u>2,265</u>	<u>-</u>	<u>2,265</u>
 Total assets	 <u><b>\$ 13,055</b></u>	 <u><b>\$ 27,775</b></u>	 <u><b>\$ 40,830</b></u>
<b>LIABILITIES</b>			
Cash overdraft	<u>\$ -</u>	<u>\$ 27,775</u>	<u>\$ 27,775</u>
<b>FUND BALANCE</b>			
Nonspendable	-	-	-
Restricted	13,055	-	13,055
Committed	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
 Total fund balance	 <u>13,055</u>	 <u>-</u>	 <u>13,055</u>
 Total liabilities and fund balance	 <u><b>\$ 13,055</b></u>	 <u><b>\$ 27,775</b></u>	 <u><b>\$ 40,830</b></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, 2015

Statement A-2

	Special Revenue Funds	Capital Project Funds	Total
<b>REVENUES</b>			
Lodger's taxes	\$ 3,540	\$ -	\$ 3,540
Gas taxes	-	-	-
Charges for services	-	-	-
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Local sources	-	-	-
State sources	-	38,171	38,171
Federal sources	-	-	-
State shared taxes	-	-	-
Earnings on investments	-	-	-
	3,540	38,171	41,711
Total revenues	3,540	38,171	41,711
<b>EXPENDITURES</b>			
Current:			
General government	-	-	-
Highways and streets	-	-	-
Public safety	-	-	-
Culture and recreation	2,426	-	2,426
Capital outlay	-	119,755	119,755
	2,426	119,755	122,181
Total expenditures	2,426	119,755	122,181
Excess (deficiency) of revenues over expenditures	1,114	(81,584)	(80,470)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfer out	-	-	-
Loan proceeds	-	-	-
	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	1,114	(81,584)	(80,470)
Fund balance at beginning of year	11,941	81,584	93,525
Fund balance at end of year	\$ 13,055	\$ -	\$ 13,055

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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Lodgers tax	4,100	4,100	1,879	(2,221)
Charges for services	-	-	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
State shared taxes	-	-	-	-
Earnings from investments	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>\$ 4,100</u>	<u>\$ 4,100</u>	<u>\$ 1,879</u>	<u>\$ (2,221)</u>
<b>EXPENDITURES</b>				
General government	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	5,046	5,046	2,426	2,620
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>\$ 5,046</u>	<u>\$ 5,046</u>	<u>\$ 2,426</u>	<u>\$ 2,620</u>
BUDGETED CASH BALANCE	<u>\$ 1,046</u>	<u>\$ 1,046</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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 100,000	\$ 100,000	\$ 10,396	\$ (89,604)
Federal sources	-	-	-	-
Earnings on investments	-	-	-	-
Total revenues	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 10,396</u>	<u>\$ (89,604)</u>
EXPENDITURES				
Capital outlay	\$ 181,584	\$ 181,584	\$ 119,755	\$ 61,829
Total expenditures	<u>\$ 181,584</u>	<u>\$ 181,584</u>	<u>\$ 119,755</u>	<u>\$ 61,829</u>
BUDGETED CASH BALANCE	<u>\$ 81,584</u>	<u>\$ 81,584</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, 2015

	Los Jovenes Fund	Lodgers Tax Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash on deposit	\$ 145	\$ 10,645	\$ 10,790
Accounts receivable	<u>-</u>	<u>2,265</u>	<u>2,265</u>
Total assets	<u><b>\$ 145</b></u>	<u><b>\$ 12,910</b></u>	<u><b>\$ 13,055</b></u>
<b>LIABILITIES</b>			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>			
Restricted	<u>145</u>	<u>12,910</u>	<u>13,055</u>
Total fund balance	<u><b>\$ 145</b></u>	<u><b>\$ 12,910</b></u>	<u><b>\$ 13,055</b></u>

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, 2015

	Los Jovenes Fund	Lodger's Tax Fund	Total Funds
<b>REVENUES</b>			
Lodgers Tax	\$ -	\$ 3,540	\$ 3,540
Charges for services	-	-	-
Local sources	-	-	-
State sources	-	-	-
Federal sources	-	-	-
Earnings on investments	-	-	-
Total revenues	<u>-</u>	<u>3,540</u>	<u>3,540</u>
<b>EXPENDITURES</b>			
Current:			
General government	-	-	-
Highways and streets	-	-	-
Public safety	-	-	-
Culture and recreation	901	1,525	2,426
Capital outlay	-	-	-
Total expenditures	<u>901</u>	<u>1,525</u>	<u>2,426</u>
Excess (deficiency) of revenues over expenditures	<u>(901)</u>	<u>2,015</u>	<u>1,114</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(901)	2,015	1,114
Fund balance, beginning of year	<u>1,046</u>	<u>10,895</u>	<u>11,941</u>
Fund balance, end of year	<u><u>\$ 145</u></u>	<u><u>\$ 12,910</u></u>	<u><u>\$ 13,055</u></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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Local sources	\$ -	\$ -	\$ -	\$ -
Earnings from investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>
EXPENDITURES				
Culture and recreation	\$ 1,046	\$ 1,046	\$ 901	\$ 145
Total expenditures	<u><b>\$ 1,046</b></u>	<u><b>\$ 1,046</b></u>	<u><b>\$ 901</b></u>	<u><b>\$ 145</b></u>
BUDGETED CASH BALANCE	<u><b>\$ 1,046</b></u>	<u><b>\$ 1,046</b></u>		

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

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Non-Major Special Revenue Fund - Lodgers Tax Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Lodger's tax	\$ 4,100	\$ 4,100	\$ 1,879	\$ (2,221)
Total revenues	<u>\$ 4,100</u>	<u>\$ 4,100</u>	<u>\$ 1,879</u>	<u>\$ (2,221)</u>
EXPENDITURES				
Culture and recreation	\$ 4,000	\$ 4,000	\$ 1,525	\$ 2,475
Total expenditures	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 1,525</u>	<u>\$ 2,475</u>
REVENUES				
Budgetary Basis			\$ 1,879	
Increase in accounts receivable			<u>1,661</u>	
Modified accrual basis			<u>\$ 3,540</u>	

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

**NON-MAJOR  
CAPITAL PROJECTS FUNDS**

**STREET IMPROVEMENT MAP-903 FUND** - To account for resources received to design, reconstruct, construct and for the project development of drainage improvements for several designated streets in the Village. Funding is from NMSHTD Municipal Arterial Program.

**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, 2015

Statement C-1

	Street Improvement MAP-903 Fund	TPE Fund	Total
<b>ASSETS</b>			
Cash on deposit	\$ -	\$ -	\$ -
Due from grantor	-	27,775	27,775
	-	27,775	27,775
Total assets	<b><u>\$ -</u></b>	<b><u>\$ 27,775</u></b>	<b><u>\$ 27,775</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Cash overdraft	-	27,775	27,775
	-	27,775	27,775
Total liabilities	<u>-</u>	<u>27,775</u>	<u>27,775</u>
<b>FUND BALANCES</b>			
Restricted	-	-	-
Unassigned	-	-	-
	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<b><u>\$ -</u></b>	<b><u>\$ 27,775</u></b>	<b><u>\$ 27,775</u></b>

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, 2015

Statement C-2

	Street Improvement MAP-903 Fund	TPE Fund	Total
	Fund	Fund	Total
<b>REVENUES</b>			
Charges for services	\$ -	\$ -	\$ -
Local sources	-	-	-
State sources	-	38,171	38,171
Federal sources	-	-	-
Earnings on investments	-	-	-
	-	-	-
Total revenues	-	38,171	38,171
<b>EXPENDITURES</b>			
General government	-	-	-
Capital outlay	81,584	38,171	119,755
	81,584	38,171	119,755
Total expenditures	81,584	38,171	119,755
Excess (deficiency) of revenues over expenditures	(81,584)	-	(81,584)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Loan proceeds	-	-	-
	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	(81,584)	-	(81,584)
Fund balance, beginning of year	81,584	-	81,584
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 - Street Improvement MAP-903 Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Capital outlay	\$ 81,584	\$ 81,584	\$ 81,584	\$ -
Total expenditures	<u>\$ 81,584</u>	<u>\$ 81,584</u>	<u>\$ 81,584</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 81,584</u>	<u>\$ 81,584</u>		

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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 100,000	\$ 100,000	\$ 10,396	\$ (89,604)
Earnings on investments	-	-	-	-
Total revenues	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 10,396</u>	<u>\$ (89,604)</u>
EXPENDITURES				
Capital outlay	\$ 100,000	\$ 100,000	\$ 38,171	\$ 61,829
Total expenditures	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 38,171</u>	<u>\$ 61,829</u>
REVENUES				
Budgetary basis			\$ 10,396	
Increase in due from grantor			<u>27,775</u>	
Modified accrual basis			<u>\$ 38,171</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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 94,400	\$ 94,400	\$ 71,063	\$ (23,337)
State shared taxes	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest income	-	-	-	-
Total revenues	<u>\$ 94,400</u>	<u>\$ 94,400</u>	<u>\$ 71,063</u>	<u>\$ (23,337)</u>
<b>EXPENDITURES</b>				
Operating expenses	\$ 83,000	\$ 83,000	\$ 89,880	\$ (6,880)
Total expenditures	<u>\$ 83,000</u>	<u>\$ 83,000</u>	<u>\$ 89,880</u>	<u>\$ (6,880)</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer out	\$ -	\$ -	\$ (39,656)	\$ (39,656)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (39,656)</u>	<u>\$ (39,656)</u>
<b>REVENUES</b>				
Budgetary basis			\$ 71,063	
Accounts receivable			7,154	
Modified accrual basis			<u>\$ 78,217</u>	
<b>EXPENDITURES</b>				
Budgetary basis			\$ 89,880	
Depreciation			109,369	
Principal paid			(567)	
Accounts payable			-	
Compensated absences			(4,103)	
Modified accrual basis			<u>\$ 194,579</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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 47,900	\$ 47,900	\$ 56,351	\$ 8,451
State shared taxes	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest income	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u><b>\$ 47,900</b></u>	<u><b>\$ 47,900</b></u>	<u><b>\$ 56,351</b></u>	<u><b>\$ 8,451</b></u>
<b>EXPENDITURES</b>				
Operating expenses	<u>\$ 81,500</u>	<u>\$ 81,500</u>	<u>\$ 90,608</u>	<u>\$ (9,108)</u>
Total expenditures	<u><b>\$ 81,500</b></u>	<u><b>\$ 81,500</b></u>	<u><b>\$ 90,608</b></u>	<u><b>\$ (9,108)</b></u>
<b>BUDGETED CASH BALANCE</b>	<u><b>\$ 33,600</b></u>	<u><b>\$ 33,600</b></u>		
<b>REVENUES</b>				
Budgetary basis			\$ 56,351	
Accounts receivable			<u>114</u>	
Modified accrual basis			<u><b>\$ 56,465</b></u>	
<b>EXPENDITURES</b>				
Budgetary basis			\$ 90,608	
Depreciation			-	
Principal paid			-	
Accounts payable			-	
Compensated absences			<u>1,440</u>	
Modified accrual basis			<u><b>\$ 92,048</b></u>	

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

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Proprietary Funds - Second Well Project Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	1,071,096	1,071,096	1,071,096	-
Interest income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u><b>\$ 1,071,096</b></u>	<u><b>\$ 1,071,096</b></u>	<u><b>\$ 1,071,096</b></u>	<u><b>\$ -</b></u>
<b>EXPENDITURES</b>				
Operating expenses	\$ -	\$ -	\$ 33	\$ (33)
Capital outlay	1,071,096	1,071,096	1,110,752	(39,656)
	<u>1,071,096</u>	<u>1,071,096</u>	<u>1,110,752</u>	<u>(39,656)</u>
Total expenditures	<u><b>\$ 1,071,096</b></u>	<u><b>\$ 1,071,096</b></u>	<u><b>\$ 1,110,785</b></u>	<u><b>\$ (39,689)</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	\$ -	\$ -	\$ 39,656	\$ 39,656
	<u>-</u>	<u>-</u>	<u>39,656</u>	<u>39,656</u>
Total other financing sources (uses)	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 39,656</b></u>	<u><b>\$ 39,656</b></u>
<b>EXPENDITURES</b>				
Budgetary basis			\$ 1,110,785	
Depreciation			50,408	
Principal paid			(1,110,752)	
Accounts payable			-	
Compensated absences			-	
			<u>-</u>	
Modified accrual basis			<u><b>\$ 50,441</b></u>	

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

**REQUIRED SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE  
 NET PENSION LIABILITY OF PERA FUND MUNICIPAL GENERAL DIVISION  
 Public Employees Retirement Association (PERA) Plan  
 Last 10 Fiscal Years\*

	2015
Village of Reserve proportion of the net pension liability (asset)	0.0175%
Village of Reserve proportionate share of the net pension liability (asset)	\$ 136,519
Village of Reserve covered-employee payroll	\$ 155,923
Village of Reserve proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	87.56%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village of Reserve will present information for those years for which information is available.

See Independent Auditor's Report  
 See notes to required supplementary information

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS  
 Public Employees Retirement Association (PERA) Plan  
 PERA Municipal General Division  
 Last 10 Fiscal Years\*

	2015
Contractually required contribution	\$ 11,480
Contributions in relation to the contractually required contribution	(11,480)
Contribution deficiency (excess)	\$ -
Village of Reserve covered-employee payroll	\$ 155,923
Contributions as a percentage of covered-employee payroll	7.36%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village of Reserve will present information for those years for which information is available.

See Independent Auditor's Report  
 See notes to required supplementary information

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Notes to Required Supplementary Information  
June 30, 2015

**Changes of benefit terms.** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at:

[http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf)

**Changes of assumptions.**

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at:

[http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf)

The summary of Key Findings for the PERA Fund (on page 2 of the report) states "Based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

See Independent Auditor's Report  
See notes to required supplementary information



**SUPPLEMENTARY INFORMATION**

Village of Reserve  
SCHEDULE OF VENDOR INFORMATION  
(for Purchases Exceeding \$60,000 excluding GRT)  
For the Year Ended June 30, 2015

Prepared by (Agency Staff Name): Andre Giron

Title: Clerk

RFB#/RFP#/State-Wide Price Agreement #	Type of Procurement	Awarded Vendor	Amount of Awarded Contract	Amount of Amended Contract	Name and Physical Address of ALL Vendor(s) that responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N)	Brief Description of the Scope of Work
N/A	Contract Service	Dennis Engineering	N/A	N/A	Dennis Engineering 21 Main Street Edgewood, NM 87015	In-State	N	Engineering Services
N/A	Construction	D & R Tank Co	\$ 448,168	\$ 469,762	D & R Tank Co 1210 Prosperity Ave SE Albuquerque, NM 87105	In-State	N	Water Tank
N/A	Construction	C.J. Mead Construction	\$ 586,671	\$ 126,719	MMI Tank 3240 S 37th Ave Phoenix, AZ 85009 C.J. Mead Construction 1667 Rte 66 Edgewood, NM 87015	In-State	N	Transmission Lines
N/A	Contract Service	Engineers Inc	N/A	N/A	Total Contracting Service 1724 Atrisco Dr SW Albuquerque, NM 87105 Morrow Enterprise 6525 W Picacho Ave Las Cruces, NM 88007 File Construction 116 Industrial Ave Ne Albuquerque, New Mexico 87107	In-State	N	Engineering Services
N/A	Construction	Hydrogeologic Services Inc	\$ 139,434	\$ 155,612	Hydrogeologic Services Inc 3700 Edit Blvd NE Albuquerque, NM 87107	In-State	N	Well
N/A	Construction	Sierra Valley Contractors	\$ 130,740	\$ 173,620	KD Huey Capitan, NM 88316 Sierra Valley Contractors 701 Juniper Street T or C, NM 87901 Southwest Concrete & Paving 1955 Hilltop Rd Silver City, NM 88061 Deming Excavating Inc 3635 Columbus Rd Deming, NM 88030	In-State	N	Street Pavement

STATE OF NEW MEXICO  
 VILLAGE OF RESERVE  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2015

<u>Originating Funding Source and Program</u>	<u>Pass Through Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
*Rural Development/Rural Utilities Service	N/A	10.760	\$ <u>1,071,096</u>
Total U.S. Department of Agriculture			<u>1,071,096</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,071,096</u></u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Accounting

The Schedule of Expenditures of Federal Awards was prepared using the modified accrual method accounting. This is the same basis as was used to prepare the financial statements.

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Village of Reserve and is presented on the cash basis of accounting, which is not the same basis as was used to prepare the financial statements. The financial statements were prepared using the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Non-Cash Assistance

The Village did not receive any federal awards in the form of non-cash assistance during the year.

3. Subrecipients

The Village did not provide any federal awards to subrecipients during the year.

\*Treated as a Major Program

*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 Hilda Kellar  
and Village Council  
Village of Reserve  
Reserve, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, Fire Protection and DWI Funds of the Village of Reserve, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Village of Reserve's basic financial statements, and the combining and individual funds and the related budgetary comparisons of the Major Capital Project Funds and all non-major funds, presented as supplemental information, and have issued our report thereon dated June 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Reserve's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Reserve internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Reserve 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. However, as described in the accompanying Schedule of Findings and Questioned Costs and the Status of Findings and Responses we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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), Transactions Made by Third Parties Not Recorded on Books of Record (2013-003), Capital Asset Listings/Depreciation Schedule (2013-018), Gross Receipts Tax Reports Not Filed (2013-022), Ordinance for Compensation of Mayor (2013-030), Payments to Board Members (2013-031), Reserves Required (2014-003), Payroll/Payables in System Not Being Cleared Out (2014-005), Difference in PERA/RHCA Salary Totals (2014-007), DWI Oversight Authority (2015-008), DWI Cash in Consolidated Bank Account (2015-010) and Enterprise Fund Indebted to General Fund (2015-014).

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Reserve financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed under Government Auditing Standards, which are described in the accompanying Schedule of Findings and Questioned Costs and the Status of Findings and Responses as Budget Overruns (2008-001), DFA Quarterly Reports Incorrect (2011-002), Water Meter Deposits (2013-002), Receipt Books (2013-006), Aged Receivables 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), Fire Chief Contract (2013-029), Incorrect W-3 Filed (2014-001), Expenditures Charged to Two Different Grants (2015-001), Fiscal Oversight Contract (2015-002), Travel Voucher Changed After Approval (2015-003), Incorrect Payroll Deductions (2015-004), Insurance Not Withheld Correctly (2015-005), DWI Expenditures (2015-006), DWI Expenditures, Reimbursement Requests and Bank Statements Not Being Reconciled (2015-007), Los Jovenes Fund Expenditures Paid Out of DWI Bank Account/Fund (2015-011), DWI Receivable Deposited in the Wrong Fund and Bank Account (2015-012), Transfers Shown on DFA Report Incorrect (2015-013), One Sided Journal Entries Made (2015-015), Lodgers Tax Payments

Received Late (2015-016), Outstanding Utility Receivables (2015-017), Health Insurance Deductions (2015-018), Law Enforcement Services Cancelled-Not Renegotiated (2015-019) and Travel Vouchers Incomplete (2015-009).

#### Responses to the Findings

Village of Reserve responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Status of Findings and Responses. The Village of Reserve's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express not 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Reserve internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albuquerque, New Mexico  
June 8, 2016

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

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited Village of Reserve compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Village of Reserve major federal programs for the year ended June 30, 2015. Village of Reserve major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Village of Reserve major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those Standards and OMB Circular A-133 requires that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Village of Reserve compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Village of Reserve compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Village of Reserve, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of Village of Reserve, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Village of Reserve internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Village of Reserve internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Road & Associates, C.P.A.*

Albuquerque, New Mexico  
June 8, 2016

STATE OF NEW MEXICO  
VILLAGE OF RESERVE  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

Part 1 - Summary of Auditor Results

1. Type of Report - Unmodified
2. Significant Deficiency - Late Audit Report (2010-004), Meter Deposit Bank Account (2013-001), Transactions Made by Third Parties Not Recorded on Books of Record (2013-003), Capital Asset Listing/Depreciation Schedule (2013-018), Gross Receipts Tax Reports Not Filed (2013-022), Ordinance for Compensation of Mayor (2013-030), Payments to Board Members (2013-031), Reserves Required (2014-003), Payroll/Payables in System Not Being Cleared Out (2014-005), Difference in PERA/RHCA Salary Totals (2014-007), DWI Oversight Authority (2015-008), DWI Cash in Consolidated Bank Account (2015-010) and Enterprise Fund Indebted to General Fund (2015-014).
3. Non-Compliance - Budget Overruns (2008-001), DFA Quarterly Reports Incorrect (2011-002), Receipt Books (2013-006), Purchase Orders Required (2013-020), Gross Receipts Tax Penalties and Interest (2013-021), Incorrect W-3 Filed (2014-001), Expenditures Charged to Two Different Grants (2015-001), Incorrect Payroll Deductions (2015-004), DWI Expenditures (2015-006), Health Insurance Deductions (2015-018), Law Enforcement Services Cancelled - Not Renegotiated (2015-019) and Travel Vouchers Incomplete (2015-009).
4. Reportable Conditions Over Major Programs - NONE
5. Type of Report Issued on Compliance with the Major Program - Unmodified
6. A-133 Audit Findings - NONE
7. Major Programs - Rural Development/Rural Utilities Service CFDA #10.760
8. Dollar Threshold Used to Distinguish Type A and Type B Programs - \$300,000
9. Village of Reserve did not qualify as a low-risk auditee

Part 2 - Findings

Budget Overruns (2008-001), Late Audit Report (2010-004), DFA Quarterly Reports Incorrect (2011-002), Meter Deposit Bank Account (2013-001), Water Meter Deposits (2013-002), Transactions Made by Third Parties Not Recorded on Books of Record (2013-003), Receipt Books (2013-006), Aged Receivables Not Reconciling to Any Other Financial Statements (2013-017), Capital Asset Listings/Depreciation Schedule (2013-018), Depreciation Policy (2013-019), Purchase Orders Required (2013-020), Gross Receipts Tax Penalties and Interest (2013-021), Gross Receipts Tax Reports Not

Filed (2013-022), Fire Chief Contract (2013-029), Ordinance for Compensation of Mayor (2013-030), Payments to Board Members (2013-031), Incorrect W-3 Filed (2014-001), Reserves Required (2014-003), Payroll/Payables in System Not Being Cleared Out (2014-005), Difference in PERA/RHCA Salary Totals (2014-007), Expenditures Charged to Two Different Grants (2015-001), Fiscal Oversight Contract (2015-002), Travel Voucher Changed After Approval (2015-003), Incorrect Payroll Deductions (2015-004), Insurance Not Withheld Correctly (2015-005), DWI Expenditures (2015-006), DWI Expenditures, Reimbursement Request and Bank Statements Not Being Reconciled (2015-007), DWI Oversight Authority (2015-008), Travel Vouchers Incomplete (2015-009), DWI Cash in Consolidated Bank Account (2015-010), Los Jovenes Fund Expenditures Paid Out of DWI Bank Account/Fund (2015-011), DWI Receivable Deposited in the Wrong Fund and Bank Account (2015-012), Transfers Shown on DFA Report Incorrect (2015-013), Enterprise Fund Indebted to General Fund (2015-014), One Sided Journal Entries Made (2015-015), Lodgers Tax Payments Received Late (2015-016), Outstanding Utility Receivables (2015-017), Health Insurance Deductions (2015-018) and Law Enforcement Services Cancelled-Not Renegotiated (2015-019).

Part 3 - Questioned Costs

NONE

## STATUS OF COMMENTS

### Prior Year Audit Findings

1. Budget Overruns (2008-001) - Repeated.
2. Late Audit Report (2010-004) - Repeated.
3. DFA Quarterly Reports Incorrect (2011-002) - Repeated.
4. Meter Deposit Bank Account (2013-001) - Repeated.
5. Water Meter Deposits (2013-002) - Repeated.
6. Transactions Made by Third Parties Not Recorded on Books of Record (2013-003) - Repeated.
7. Receipt Books (2013-006) - Repeated.
8. Grant Funds Suspended Due to Late Audit Report (2013-008) - Resolved.
9. Budget for Non-Existent Fund (2013-011) - Resolved.
10. Aged Receivables Report not Reconciling to any other Financial Statements (2013-017) - Repeated.
11. Capital Asset Listing/Depreciation Schedule (2013-018) - Repeated.
12. Depreciation Policy (2013-019) - Repeated.
13. Purchase Orders Required (2013-020) - Repeated.
14. Gross Receipts Tax Penalties and Interest (2013-021) - Repeated.
15. Gross Receipts Tax Reports Not Filed (2013-022) - Repeated.
16. New Hire Reporting (2013-026) - Resolved.
17. NM Withholding (CRS-1) Reports Not Submitted Timely (2013-027) - Resolved.
18. Incorrect 1099 Forms (2013-028) - Resolved.
19. Fire Chief Contract (2013-029) - Repeated.
20. Ordinance for Compensation of Mayor (2013-030) - Repeated.
21. Payments to Board Members (2013-031) - Repeated.

### **Prior Year Audit Findings (Continued)**

22. Incorrect W-3 Filed (2014-001) - Repeated.
23. Consulting Services Contract (2014-002) - Resolved.
24. Reserves Required (2014-003) - Repeated.
25. Incorrect 941 Reports (2014-004) - Resolved.
26. Payroll/Payables in System not Being Cleared Out (2014-005) - Repeated.
27. PERA Contributions Calculated Incorrectly (2014-006) - Resolved.
28. Difference in PERA/RHCA Salary Totals (2014-007) - Repeated.

### **Current Year Audit Findings**

1. Expenditures Charged to Two Different Grants (2015-001)
2. Fiscal Oversight Contract (2015-002)
3. Travel Voucher Changed After Approval (2015-003)
4. Incorrect Payroll Deductions (2015-004)
5. Insurance Not Withheld Correctly (2015-005)
6. DWI Expenditures (2015-006)
7. DWI Expenditures, Reimbursement Request and Bank Statements Not Being Reconciled (2015-007)
8. DWI Oversight Authority (2015-008)
9. Travel Vouchers Incomplete (2015-009)
10. DWI Cash in Consolidated Bank Account (2015-010)
11. Los Jovenes Fund Expenditures Paid Out of DWI Bank Account/Fund (2015-011)
12. DWI Receivable Deposited in the Wrong Fund and Bank Account (2015-012)
13. Transfers Shown on DFA Report Incorrect (2015-013)
14. Enterprise Fund Indebted to General Fund (2015-014)
15. One Sided Journal Entries Made (2015-015)
16. Lodgers Tax Payments Received Late (2015-016)

**Current Year Audit Findings (continued)**

17. Outstanding Utility Receivables (2015-017)
18. Health Insurance Deductions (2015-018)
19. Law Enforcement Services Cancelled-Not Renegotiated (2015-019)

Budget Overruns - Non-Compliance Matter  
(2008-001)

CONDITION                    The Village overspent the final approved budgets of the Fire Fund by \$273,899, the Water Fund by \$6,880, the Sewer Fund by \$9,108 and the Second Well Project by \$39,689.

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                    The Village Clerk will receive budget adjustment training from DFA in July 2016. Budget adjustments for FY 16 will be done at that time. Future adjustments will be made more timely.

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 15, 2015.
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 2015 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 of Reserve Board of Trustees fully intends to have all future audits to be submitted on time.



DFA Quarterly Reports Incorrect -  
Non-Compliance 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	Clerk has submitted Quarterly reports accurate to the books of record since late 2014.

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	Clerk has developed a plan to reconcile water service deposits. This plan involves investigating each utility account individually and will be a lengthy procedure. Implementation is expected early in FY 17.

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	Clerk has developed a plan to reconcile water service deposits. This plan involves investigating each utility account individually and will be a lengthy procedure. Implementation is expected early in FY 17. A spreadsheet list will be created. The Village Assistant Clerk has been designated to reconcile this list monthly.

Transactions Made by Third Parties  
Not Recorded on Books of Record - Significant Deficiency  
(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. (\$628,829)
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 Clerk has already begun implementing this practice. Clerk will work with DFA to ensure it is happening this current FY.

Receipt Books - Non-Compliance 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 Clerk has begun this practice immediately.

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

CONDITION	Accounts receivable are \$6,581 more than the Aged Accounts Receivable Report for June, 2015.
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	The Aged Accounts Receivable Report does not agree to the Billings Report each month.
RECOMMENDATION	Management should investigate this difference with the Software provider to ensure the Utility Software is being utilized correctly.
RESPONSE	The utility software system has been generating utility service bills for Village owned properties. Other past dues on the aged accounts receivable are unpaid abandoned utility accounts that the Village has been unable to contact. The Assistant Clerk will contact the software provider to investigate how to stop this and zero out these balances and will attempt to track down the delinquent accounts and send them bills for payment. Implementation should be by the end of FY 16 or early FY 17.

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, 2015.
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 Clerk will update the depreciation schedule prior to the next audit.

Depreciation Policy - Other Matter  
(2013-019)

CONDITION	The Village did not approve a depreciation policy before the end of the 2015 fiscal year 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 of Reserve Board of Trustees approved a depreciation policy in April 2016.



Purchase Orders Required - Non-Compliance 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 Office has been using purchase orders regularly since January 2016.

Gross Receipts Tax Penalties and Interest -  
Non-Compliance 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<sup>th</sup> 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                    All CRS-1 reports have been caught up by the Clerk and sent in on time since mid 2015.

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

CONDITION	Management did not file their July and August 2013 CRS-1 reports until May 2015. Thus, creating a situation where \$483 in penalties and interest was charged.
CRITERIA	All CRS-1 reports are due by the 25 <sup>th</sup> of the following month.
CAUSE	A change in Management occurred.
EFFECT	Penalties and interest will be charged that are not budgeted for and would not be required if the reports were submitted timely.
RECOMMENDATION	All future CRS-1 reports should be filed timely to avoid penalties and interest charges.
RESPONSE	All CRS-1 reports have been caught up by the Clerk and on time since mid 2015.

Fire Chief Contract - Other Matter  
(2013-029)

CONDITION	The Fire Chief Service Contract does not state the amount intended to be paid for those services.
CRITERIA	All contracts must contain all relevant terms of the agreement, especially the amount to be paid for those services.
CAUSE	Prior Management did not ensure this document had all the relevant terms.
EFFECT	There is not Board approval on how much this contractor should be paid.
RECOMMENDATION	All future contracts should be reviewed to ensure all relevant terms of the agreement are included.
RESPONSE	A new contract for the Fire Chief with the above criteria is being drafted by the Clerk. Proper care will be put into all future contracts.

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

CONDITION                    The Village Ordinance (2004-02) providing compensation to the Mayor is old and does not reflect the amount currently being paid. The Ordinance states \$100 will be paid, however on June 19, 2007 the Board voted to provide \$250 to the Mayor without updating the Ordinance.

CRITERIA                     According to the NM Constitution Article IV Section 27 "No law shall be enacted to increase the compensation of any officer during his/her term of office." Thus, a sitting Mayor or Council Member cannot pass a vote to increase (or diminish) their current compensation

CAUSE                         Prior Management was not aware of this requirement. The previous auditors did not review this requirement and make a comment bringing it to the attention of the Board in previous years.

EFFECT                        The Mayor is not being paid according to the approved Ordinance.

RECOMMENDATION            The Board needs to update and approve a new Ordinance.

RESPONSE                    The new ordinance correcting this was adopted by the Village of Reserve Board of Trustees in October 2015.

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 Clerk plans to add the board members to payroll at the start of FY 17.

Incorrect W-3 Filed - Non-Compliance Matter  
(2014-001)

CONDITION	The W-3 (and W-2's) filed for the 2014 calendar year did not agree to the taxes reported on the 941 (IRS) reports. (Off by \$4,891)
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 Clerk will amend the appropriate forms prior to the end of 2016.

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	After the FY 17 budget is completed, the Village of Reserve Board of Trustees will determine how much can be afforded to deposit towards these commitments in early FY 17. Then a regular monthly schedule will be established and funds deposited accordingly until this commitment is met entirely.



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 Clerk has begun using the payroll system module inside of the accounting system in January 2016. This should remedy this problem.

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 \$2,513.
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 Clerk is now aware these funds must match and does not expect a reoccurrence.

Expenditures Charged to Two Different Grants -  
Non-Compliance Matter  
(2015-001)

CONDITION	Expenditures totaling \$1,154 were charged to two different DWI grants. Thus, the Village received \$2,308 but only paid \$1,154.
CRITERIA	Public entities can only use one revenue resource for one expenditure according to grant regulations set forth by the Department of Finance and Administration.
CAUSE	The fiscal oversight coordinator was not reviewing these reimbursement requests to ensure only one grant was being charged for these expenditures.
EFFECT	The Village received \$814 too much from a grant.
RECOMMENDATION	The Village Board should ensure that all future fiscal oversight coordinators review all documentation before any reimbursements are requested.
RESPONSE	The Village of Reserve Board of Trustees will ensure that all future fiscal oversight coordinators review all documentation before any reimbursements are requested.

Fiscal Oversight Contract - Other Matter  
(2015-002)

CONDITION                    The Board approved a fiscal oversight contract that was written by the person chosen to be the fiscal oversight. Also, this contract allowed the oversight to obtain the full amount even if the Village did not obtain the full amount awarded by the granting agency.

CRITERIA                    For acceptable internal controls, those hired as consultants or oversights, should not prepare their own contracts. The Village should obtain guidance on how to prepare these types of legal documents (using legal and/or accounting counsel).

CAUSE                        The Village again relied on the advice of their individual requesting to become a consultant instead of sound legal and/or accounting council.

EFFECT                      The Village paid \$9,196 for services that were neither required or appeared necessary in this particular instance.

RECOMMENDATION            The Village Board should evaluate all future contracts with consultants to ensure they are required or necessary to facilitate existing grants.

RESPONSE                    The Village of Reserve Board of Trustees does not intend to enter into a fiscal oversight contract in the future. This fiscal oversight was a requirement from the state to continue the Catron County DWI Program.

Travel Voucher Changed After Approval - Other Matter  
(2015-003)

CONDITION	A travel voucher originally approved for \$389 was changed and paid to the employee in the amount of \$508. A difference of \$119.
CRITERIA	Documents approved by management should not be changed without documented approval.
CAUSE	The employee changing the travel voucher amount did not obtain approval to change that amount.
EFFECT	The employee was paid \$119 without management approval.
RECOMMENDATION	All future changes made to supporting documentation should be approved by management.
RESPONSE	The Village Clerk will ensure, as of July 2016, all future changes made to supporting documentation is approved by management.

Incorrect Payroll Deductions -  
Non-Compliance Matter  
(2015-004)

CONDITION	The Village has an outside company prepare payroll each pay period. During one of these payroll periods an employee was paid for their vacation. The payroll company showed PERA matching for the employer. This is not correct.
CRITERIA	The PERA manual clearly states that PERA shall not be computed "on lump-sum annual leave payments".
CAUSE	Management is not reviewing these payments to ensure all deductions or matching requirements are correct.
EFFECT	The amount matched of \$239 was reported.
RECOMMENDATION	Management should ensure all payroll deductions and matching requirements are correct each payroll.
RESPONSE	Payroll is now handled, as of January 2016, completely in house by the Clerk. This error should not happen again.

Insurance not Withheld Correctly - Other Matter  
(2015-005)

CONDITION                    Insurance for Village employees started in January, 2015. Insurance for one employee was not withheld from their January, 2015 pay periods. This individual then had an extra insurance amount withheld in one of their June pay periods. This effect shows the employee owes the Village \$126 for the difference.

CRITERIA                    All payroll deductions need to be calculated and deducted correctly each pay period by the payroll company used by the Village.

CAUSE                        Management attempted to calculate these correctly and to obtain documentation from the County to ensure each employees insurance was deducted and then paid to the County correctly, however, the Village was unable to verify these amounts or the deductions were made correctly.

EFFECT                      An employee of the Village that now works for the County did not have \$126 withheld from their paycheck and appears to still owe this amount to the Village. The Village paid this \$126 on the employees behalf to the County for January.

RECOMMENDATION            Management should continue to review payroll records and pay the County only those amounts that appear to be correct.

RESPONSE                    Insurance is no longer provided through the County as of July 2015.

DWI Expenditures - Non-Compliance Matter  
(2015-006)

CONDITION	The DWI Coordinator spent \$3,191 in DWI expenditures without requesting proper reimbursement. The DWI Coordinator requested \$2,814 in expenditures that were already requested. The difference being \$377 not being reimbursed correctly.
CRITERIA	All reimbursement reports submitted to the DWI granting agencies should be complete, accurate and approved before submission.
CAUSE	The DWI Coordinator was not trained by the DWI oversight. Also, the DWI oversight did not properly review and approve the quarterly reimbursement requests.
EFFECT	The DWI Coordinator and DWI Oversight incorrectly submitted reimbursement requests resulting in \$377 not being reimbursed by the DWI grant.
RECOMMENDATION	The Village no longer has the DWI Fund so this situation should not continue.
RESPONSE	The Village no longer has the DWI Fund, as of July 2015, so this situation should not continue.



DWI Expenditures, Reimbursement Requests and  
Bank Statements Not Being Reconciled - Other Matter  
(2015-007)

CONDITION                    The previous DWI Coordinator was not trained on how to ensure all expenditures paid through the bank statement were actually reported as expenditures in the DWI grant and also requested from the grant for reimbursement. Examples are:

1. Workers Compensation Fees in the amount of \$56 deducted by ACH in the DWI bank account but not recorded as expenditures in this fund. Also, the \$56 was never requested as a reimbursement from the grant. Thus, the General Fund had to pay this amount.
2. A travel voucher was paid to an employee in the amount of \$385 but only \$325 was requested for reimbursement. Thus, the General Fund had to pay this amount.
3. \$631 was paid for utilities but only \$288 was requested for reimbursement. The General Fund had to cover the difference of \$343.

CRITERIA                    All employees should be adequately trained and supervised to ensure all payments are made correctly and all revenues earned are received.

CAUSE                        The Board did not ensure that the DWI oversight trained the DWI Coordinator correctly. The Board also did not review the oversight procedures to ensure the oversight duties included reviewing the Coordinators duties and finding/correcting these errors.

EFFECT                      The DWI fund was shorted approximately \$1,007 due to these expenditures that were not included as expenditures and reimbursement for these amounts requested.

RECOMMENDATION

The Village no longer has the DWI fund or any DWI grants. However, all future grants should be adequately controlled, reviewed and approved to ensure they are spent/received correctly.

RESPONSE

The Village no longer has the DWI Fund, as of July 2015, so this situation should not continue.

DWI Oversight Authority - Significant Deficiency  
(2015-008)

CONDITION	The DWI oversight instructed the Village to 1. close their DWI bank account and open a new one, 2. kept all documents relating to the DWI fund at the County and 3. did not allow the Village to administer (make decisions) for the DWI fund.
CRITERIA	All funds are to be administered, handled and safeguarded by the Village.
CAUSE	The Village Board was misled by the oversight into believing that the oversight had the Authority to make these changes.
EFFECT	The Village gave up all responsibility of this fund. Thus, did not safeguard the assets or the transactions made with DWI monies/grants/expenditures.
RECOMMENDATION	The Village should not allow ANY books of record to be taken out of the Villages offices or its control. Oversight responsibilities do not include complete control over funds.
RESPONSE	The Village Clerk will ensure all original documents remain in the Village or in management's control.

Travel Vouchers Incomplete  
Non-Compliance Matter  
(2015-009)

CONDITION	Management is not paying travel vouchers correctly. Some of the issues found are: 1) Vouchers approved after travel date. 2) Signature of Approval missing. 3) 100% of travel paid (20% not withheld until after travel has been taken)
CRITERIA	Travel vouchers are to be approved before the travel is taken. Also, only 80% of the total travel amount can be provided before the travel is taken. These are according to DFA regulations.
CAUSE	Management was not ensuring the DFA regulations were being followed.
EFFECT	DFA regulations are not being followed.
RECOMMENDATION	Management should review the DFA regulations concerning travel vouchers before anymore are issued.
RESPONSE	The Village Clerk will review the DFA regulations concerning travel vouchers before anymore are issued, as of July 2016.

DWI Cash in Consolidated Bank Account -  
Significant Deficiency  
(2015-010)

CONDITION	The client has been carrying forward a deficit amount for the DWI fund in the consolidated Bank account for several years. The amount was \$18,381 at June 30, 2014. Since the Village no longer has a DWI fund or future DWI grants the General Fund will need to cover this amount. Thus, further depleting the General Fund Cash balance.
CRITERIA	Management of the Village should ensure that all deficits in cash are covered by future receivables, grants or transfers before the deficit is created.
CAUSE	Management has not ensured there are revenue resources to cover all DWI expenditures.
EFFECT	The General Fund will now have to cover any deficit balances in the consolidated bank account in reference to the DWI fund.
RECOMMENDATION	Management should ensure all funds that have a deficit cash balance have a revenue resource that will cover that deficit before the deficit is created.
RESPONSE	The Village no longer has the DWI Fund, as of July 2015, so this situation should not continue.

Los Jovenes Fund Expenditures Paid Out  
of DWI Bank Account/Fund - Other Matter  
(2015-011)

CONDITION	Los Jovenes expenditures were initially being paid out of the DWI bank account and then posted to the DWI fund.
CRITERIA	All funds need to have their transactions posted correctly to them specifically and restricted to being paid and deposited from the correct bank account.
CAUSE	The DWI Coordinator and DWI oversight did not ensure these expenditures were not paid out of the DWI Fund/Bank account.
EFFECT	The oversight was corrected several months later, however, this again shows why the Village did not need an oversight.
RECOMMENDATION	Since the Village no longer has the DWI program this comment should not be repeated.
RESPONSE	The Village no longer has the DWI Fund or the Los Jovenes Fund, as of July 2015, so this situation should not continue.

DWI Receivable Deposited and Posted in the  
Wrong Fund and Bank Account - Other Matter  
(2015-012)

CONDITION                    A receivable of \$4,133 (for June 30, 2014) and \$5,484 (for June 30, 2015) from a DWI grant were deposited into the consolidated Bank Account, however, never moved to the DWI bank account. Also, these amounts were never posted as a reduction of the receivables in the DWI Fund.

CRITERIA                    All amounts due need to be posted when received by the grantor not only in the correct bank account but the correct fund.

CAUSE                        Management was not aware of this amount since there were so many employees (supposedly) taking care of the DWI grants, fund and monies.

EFFECT                      The funds were adjusted by this amount, however, the DWI fund would have been understated if the amount had not been transferred and posted correctly.

RECOMMENDATION            This comment will not continue as the Village no longer receives or administers DWI monies/grants.

RESPONSE                    The Village no longer has the DWI Fund, as of July 2015, so this situation should not continue.

Transfers Shown on DFA Report Incorrect - Other Matter  
(2015-013)

CONDITION                    There is an amount shown on the clients Department of Finance and Administration quarterly report (June 30, 2015) that shows a transfer from the General Fund to the Fire Protection Fund in the amount of \$11,855. This is incorrect as it is not a transfer from one fund to another but a transfer between bank accounts.

CRITERIA                     Transfers shown on the DFA quarterly report are for those amounts that are transferred between funds. This includes permanent or temporary transfers. These amounts are budgeted for and reflected as transfers on the budget portion of the DFA report.

CAUSE                        Management was trying to reconcile the quarterly report to the current audit report. They were not aware that the beginning cash balance column is the correct place to change beginning balances or to show them in the adjustment column.

EFFECT                      The DFA report reflects a transfer between funds that did not actually happen.

RECOMMENDATION            All future DFA reports should be reviewed to ensure only transfers between FUNDS are included. All transfers between bank accounts are not relevant.

RESPONSE                    The Village Clerk has received training that should prevent this type of mistake from happening again.



Enterprise Fund Indebted to General Fund -  
Significant Deficiency  
(2015-014)

CONDITION                    The Sewer Fund has a cash deficit of \$93,325. There are not enough monies from the user charges to cover this deficit. This means that the General Fund will need to make a transfer to the Sewer Fund to adjust for the deficit and bring the cash balance to zero or a positive balance.

CRITERIA                     Enterprise Funds need to charge a user rate adequate to cover all expenses and any future repairs and maintenance of the capital assets. Also, expenditures should not exceed the amount of revenues (including cash carryover.)

CAUSE                         Management is not reviewing the financial statements each month to ensure spending in any fund that does not have the financial resources is curtailed.

EFFECT                        The Fund is now in a deficit of almost \$100,000 of which will take all of the General Fund cash to bring the Sewer Fund to a zero cash balance.

RECOMMENDATION            Management needs to discontinue spending from the Sewer Fund until the cash deficit has been resolved.

RESPONSE                    The Utility Department is expensive to operate and the Village has a very small customer base to draw revenue from. This is a continual challenge for the Village. The Village Clerk is working on adjusting utility rates incrementally to increase revenue for the Enterprise fund. These rate adjustments are expected to take effect beginning in the fall of 2016.

One Sided Journal Entries Made - Other Matter  
(2015-015)

CONDITION	Management made a transfer in the amount of \$16,000 from the General Fund to the DWI Fund. The entry made in the business software system was a one-sided entry. A Due to and Due from account corresponding to each fund was never created. Thus, creating an extreme amount of time for the auditor and consultant adjusting these funds to ensure the cash balances for these funds were corrected and reconciled.
CRITERIA	Management should be trained on how to prepare journal entries or posting transactions to ensure all are correct.
CAUSE	Management at the time was unaware of the effects of a one-sided entry or that they could occur.
EFFECT	The cash balances for these two funds were incorrect.
RECOMMENDATION	Management should be trained further as to accounting practices and procedures for these types of transactions/journal entries.
RESPONSE	The Village Clerk desires and will receive training on proper journal entering in July 2016.

Lodgers Tax Payments Received Late - Other Matter  
(2015-016)

CONDITION Lodgers Taxes in the amount of \$2,266 for the first three quarters of the 2014-2015 fiscal year were not received until July, 2015. This is extremely late without any action from Management of the Village to collect these amounts.

CRITERIA All amounts due the Village should be received in a timely manner. If not the Village Management should take steps to obtain these monies owed.

CAUSE Management was aware however, no follow-up action was taken.

EFFECT These monies could not be used/spent in the proper fiscal year.

RECOMMENDATION All monies owed to the Village should be tracked, monitored and received in a timely basis. If not management should take proper steps to collect these amounts.

RESPONSE The Village Clerk has had extreme difficulty receiving the Lodger's tax report and payment from the lodger in the past in a timely manner. This has improved dramatically in recent quarters and management will continue a strong effort to collect these on time.

Outstanding Utility Receivables - Other Matter  
(2015-017)

CONDITION                    The aged account receivable report has \$4,393 in overdue balances being reported as over 90 days old for Village accounts.

CRITERIA                    Aged receivable reports should be updated and completed on a daily basis.

CAUSE                        The Village does not have a proper system to provide an aged receivable report for management to use and enforce outstanding balances due.

EFFECT                      Management cannot enforce collections of overdue balances if their reporting/accounting for these balances is inadequate.

RECOMMENDATION            Village management needs to correctly report receivables for the utilities charged by the Village.

RESPONSE                    The utility software system has been generating utility service bills for Village owned properties. The Assistant Clerk will contact software provider and investigate how to stop this and zero out the balances. Implementation should be by the end of FY 16 or early FY 17.

Health Insurance Deductions -  
Non-Compliance Matter  
(2015-018)

CONDITION	The Village joined with the County to provide health insurance to their employees. The County however, was not providing proper, accurate, detailed invoices reflecting the deduction for each employee each pay period. Because of this situation the Village owed the County \$9,525 at the end of the fiscal year.
CRITERIA	All amounts owed by the Village need to be properly supported by a purchase order, invoice, etc, according to DFA policies and regulations.
CAUSE	Management of the Village attempted to obtain the proper documents from the County, however, documentation was never provided from the County manager.
EFFECT	This expenditure is not properly supported by a purchase order invoice or any other document provided by the Village. The total was obtained by various documents the Clerk had at the Village.
RECOMMENDATION	The Village no longer has insurance ties with the County, therefore, this comment should be resolved next fiscal year.
RESPONSE	The Village no longer has insurance ties with the County, as of July 2015, therefore, this comment should be resolved next fiscal year.

Law Enforcement Services Cancelled - Not Renegotiated -  
Non-Compliance Matter  
(2015-019)

CONDITION                    The agreement with the County Sheriff was cancelled on February 26, 2015. This agreement was not renegotiated before the end of the fiscal service. Because of this cancellation law enforcement services were not provided by the Village for part of the fiscal year.

CRITERIA                     Pursuant to NMSA 1978, Section 3-12-4 (A) a Village must provide a police officer for the safety, protection and welfare of the Villages citizens and property.

CAUSE                        The Village was unable to obtain a new agreement before the end of the year.

EFFECT                      The Village is not providing services according to NMSA 1978, Section 3-12-4 (A).

RECOMMENDATION            The Village needs to provide services so as to comply with NMSA 1978, Section 3-12-4 (A).

RESPONSE                    The financial situation of the Village has improved. A new ISA with the Catron County Sheriff's Dept was entered into in October of 2015.

#### FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2015 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 June 8, 2016 to discuss the current audit report. In attendance were Ms. Hilda D. Kellar, Mayor, Ms. Eddilu Brown, Mayor Pro-tem, Mr. Clay Snyder, Council Member, Mr. Wilford Estrada, Council Member, Ms. Debbie Lee, Council Member, Mr. Andre' Giron, Village Clerk, Ms. Amanda Cox, Deputy Clerk, Mr. Antonio Lucero, Contract Auditor and Ms. Pamela A. Rice, CPA, Contract Auditor. A properly closed regular session was held.