STATE OF NEW MEXICO
VILLAGE OF RESERVE
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
INDEPENDENT AUDITORS' REPORT

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VILLAGE OF RESERVE
FOR THE YEAR ENDED JUNE 30, 2018
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STATE OF NEW MEXICO
VILLAGE OF RESERVE
DIRECTORY OF OFFICIALS
JUNE 30, 2018

Village Council

NAME	TITLE
Hilda D Kellar	Mayor
Debbie Lee	Mayor Pro Term
Wilford Estrada	Trustee
Clay J. Snyder	Trustee
Leisil Luera	Trustee

Village Officials

Andre Giron	Municipal Clerk
Amanda Cox	Deputy Clerk

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner
Tony Morán, CPA, Partner
Christopher Salcido, CPA, Partner
J. David Beasley, J.D., Partner

INDEPENDENT AUDITORS' REPORT

Mr. Wayne Johnson
Office of the State Auditor
and the Mayor and Village Council of the
Village of Reserve, New Mexico

Report on Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, aggregate remaining fund information, and the budgetary comparisons for the general fund, and major special revenue fund of Village of Reserve, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements 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 misstatement, whether due to fraud or error.

Auditors' 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 from 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Management has omitted the Management's Discussion and Analysis which is required to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the GASB 68 10 year schedules on pages 54 - 56 and GASB 75 10 year schedules on pages 57 - 58 be presented to supplement the basic financial statements. 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 inquiries 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 we 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 financial statements the combining and individual fund financial statements and any other schedule required by the Audit Rule that collectively comprise the Village of Reserve's basic financial statements. The combining and individual nonmajor fund financial statements and any other schedule required by the Audit Rule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by Section 2.2.2. NMAC are the responsibility of management and were derived from and relate 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by Section 2.2.2. NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 on our consideration of Village of Reserve's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village of Reserve’s internal control over financial reporting and compliance.

Beasley Mitchell & Co LLP

Beasley, Mitchell & Co.
Las Cruces, New Mexico
December 14, 2018

GOVERNMENT - WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF RESERVE
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 260,394	$ 100,127	$ 360,521
Restricted cash	398,864	102,331	501,195
Taxes receivable	40,419	-	40,419
Accounts receivable	-	18,930	18,930
Investments	21,560	-	21,560
Total current assets	721,237	221,388	942,625
NON-CURRENT ASSETS:			
Capital assets, net of accumulated depreciation	5,184,191	2,405,183	7,589,374
Total non-current assets	5,184,191	2,405,183	7,589,374
Total assets	5,905,428	2,626,571	8,531,999
DEFERRED OUTFLOWS:			
Deferred outflows - PERA	20,677	19,603	40,280
Deferred outflows - RHCA	1,608	1,524	3,132
Total deferred outflows	22,285	21,127	43,412
Total assets and deferred outflows	$ 5,927,713	$ 2,647,698	$ 8,575,411

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
VILLAGE OF RESERVE
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	$ 13,281	$ 25,723	$ 39,004
Compensated absences	7,363	-	7,363
Customer deposits	-	20,700	20,700
Accrued expenses	2,292	966	3,258
Current portion of long-term debt	23,332	567	23,899
Total current liabilities	46,268	47,956	94,224
NON-CURRENT LIABILITIES:			
Net pension liability	34,061	132,203	166,264
Net OPEB liability	77,476	73,429	150,905
Loans and notes payable, net of current	750,860	7,938	758,798
Total non-current liabilities	862,397	213,570	1,075,967
Total liabilities	908,665	261,526	1,170,191
DEFERRED INFLOWS:			
Deferred inflows - PERA	17,087	16,198	33,285
Deferred inflows - RHCA	17,634	16,712	34,346
Total deferred inflows	34,721	32,910	67,631
Total liabilities and deferred inflows	943,386	294,436	1,237,822
NET POSITION:			
Net investment in capital assets	4,409,999	2,396,678	6,806,677
Restricted for:			
Special revenue funds	39,094	-	39,094
Capital project	8,358	-	8,358
Debit services	382,864	-	382,864
Unrestricted	144,012	(43,416)	100,596
Total net position	4,984,327	2,353,262	7,337,589
Total liabilities, deferred inflows, and net position	$ 5,927,713	$ 2,647,698	$ 8,575,411

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
VILLAGE OF RESERVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expense) Revenue and Change in Net Position Primary Government		
Functions/Programs:	Expenses	Charges for Services	Program Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	$ 183,772	$ -	$ -	$ -	$ (183,772)	$ -	$ (183,772)
Public safety	98,333	27,579	7,598	-	(63,156)	-	(63,156)
Public works	109,319	-	-	-	(109,319)	-	(109,319)
Misc. governmental	-	-	-	-	-	-	-
Unallocated depreciation	320,607	-	-	-	(320,607)	-	(320,607)
Total governmental activities	712,031	27,579	7,598	-	(676,854)	-	(676,854)
Business-type activities:							
Water and solid waste	388,224	251,335	-	-	-	(136,889)	(136,889)
Second well project	57,730	472,933	-	-	-	415,203	415,203
Total business-type activities	445,954	724,268	-	-	-	278,314	278,314
Total primary government	$ 1,157,985	$ 751,847	$ 7,598	$ -	(676,854)	278,314	(398,540)
		General Revenues:					
		Taxes:					
		Property taxes			14,268	-	14,268
		Gross receipts taxes			149,570	-	149,570
		Motor vehicle and fuel taxes			5,004	-	5,004
		License and fees			4,456	-	4,456
		Small cities Assistance			90,000	-	90,000
		Miscellaneous			160,889	-	160,889
		Transfers between governmental and business-type			(12,361)	12,361	-
		Total general revenues and transfers			411,826	12,361	424,187
		Change in net position			(265,028)	290,675	25,647
		Net position, beginning of year			5,341,384	2,149,809	7,491,193
		Restatement			(92,029)	(87,222)	(179,251)
		Net position, beginning of year as restated			5,249,355	2,062,587	7,311,942
		Net position, end of year			$ 4,984,327	$ 2,353,262	$ 7,337,589

See independent auditors' report and accompanying notes to financial statements

GOVERNMENTAL FUND STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF RESERVE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Fire Fund	Debt Service	Fire Protection Project Fund	Non-Major Governmental Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 221,521	$ 22,530	$ -	$ 8,358	$ 7,985	$ 260,394
Restricted cash	16,000	-	382,864	-	-	398,864
Taxes receivable	40,419	-	-	-	-	40,419
Due from other funds	-	-	-	-	-	-
Investments	-	21,560	-	-	-	21,560
Total assets	$ 277,940	$ 44,090	$ 382,864	$ 8,358	$ 7,985	$ 721,237
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE						
LIABILITIES:						
Current liabilities						
Accounts payable	$ 300	$ 12,981	$ -	$ -	$ -	$ 13,281
Accrued expenses	2,292	-	-	-	-	2,292
Total liabilities	2,592	12,981	-	-	-	15,573
FUND BALANCES:						
Restricted, reported in:						
Capital project	-	-	-	8,358	-	8,358
Special revenue funds	-	31,109	-	-	7,985	39,094
Debit services	-	-	382,864	-	-	382,864
Unassigned, reported in:						
General fund	275,348	-	-	-	-	275,348
Total fund balances	275,348	31,109	382,864	8,358	7,985	705,664
Total liabilities, deferred inflows, and fund balances	$ 277,940	$ 44,090	$ 382,864	$ 8,358	$ 7,985	$ 721,237

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
VILLAGE OF RESERVE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds		$ 705,664
Amount reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
The cost of capital assets	8,814,599	
Accumulated depreciation	(3,630,408)	5,184,191
Deferred outflows: - PERA		20,677
Deferred outflows: - RHCA		1,608
Deferred inflows due to actual non-investment experience that was better than expected and changes in benefits or assumption which result in a decrease to net pension liability.		(17,087)
Deferred inflows due to actual non-investment experience that was better than expected and changes in benefits or assumption which result in a decrease to net OPEB liability.		(17,634)
Other long-term liabilities and certain other liabilities 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:		
Note payable	(774,192)	
Net pension liability	(34,061)	
Net OPEB liability	(77,476)	
Compensated absences	(7,363)	(893,092)
Total net position - governmental activities		$ 4,984,327

STATE OF NEW MEXICO
VILLAGE OF RESERVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Fire Fund	Debt Service	Fire Protection Project Fund	Non-Major Governmental Fund	Total Governmental Funds
REVENUES						
Taxes	$ 165,989	$ -	$ -	$ -	$ 2,853	$ 168,842
Charges for services	27,579	-	-	-	-	27,579
Licenses and fees	4,456	-	-	-	-	4,456
Small Cities Assistance	90,000	-	-	-	-	90,000
State grant	7,598	-	-	-	-	7,598
Miscellaneous	70,974	21,847	33,536	14,532	20,000	160,889
Total revenues	366,596	21,847	33,536	14,532	22,853	459,364
EXPENDITURES						
General government	209,684	-	-	-	-	209,684
Public safety	-	78,333	-	-	20,000	98,333
Public works	-	-	-	70,174	39,145	109,319
Debt service:						
Principal	-	-	156,807	-	-	156,807
Interest	-	-	19,082	-	-	19,082
Total expenditures	209,684	78,333	175,889	70,174	59,145	593,225
Excess (deficiency) of revenues over expenditures	156,912	(56,486)	(142,353)	(55,642)	(36,292)	(133,861)

STATE OF NEW MEXICO
VILLAGE OF RESERVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Fire Fund	Debt Service	Fire Protection Project Fund	Non-Major Governmental Fund	Total Governmental Funds
OTHER FINANCING SOURCES (USES):						
Bond proceed	-	-	381,273	-	-	381,273
Transfer in	454	63,169	32,918	-	37,201	133,742
Transfer out	(125,452)	(20,264)	-	-	(387)	(146,103)
Total other sources (uses)	(124,998)	42,905	414,191	-	36,814	368,912
Net change in fund balance	31,914	(13,581)	271,838	(55,642)	522	235,051
Fund balance at beginning of year	243,434	44,690	111,026	64,000	7,463	686,809
Fund balance at end of year	$ 275,348	$ 31,109	$ 382,864	$ 8,358	$ 7,985	$ 705,664

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
VILLAGE OF RESERVE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds		$ 235,051
Amount reported for governmental activities in the Statement of Activities are different because:		
Change in deferred outflows - PERA		(10,866)
Change in deferred outflows - RHCA		140
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation expense	(320,607)	(320,607)
Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures		156,807
Net change in deferred inflows - PERA		1,612
Net change in deferred inflows - RHCA		(17,634)
Change in net pension liability reported in the government wide financial statements		57,748
Change in net OPEB liability reported in the government wide financial statements		16,021
Bond Proceed		(381,273)
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid).		(2,027)
Change in net position of governmental activities		$ (265,028)

STATE OF NEW MEXICO
VILLAGE OF RESERVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	$ 147,500	$ 147,500	$ 125,570	$ (21,930)
Licenses and fees	6,300	6,300	4,456	(1,844)
Charges for services	21,500	21,500	27,579	6,079
Small cities assistance	90,000	90,000	90,000	-
State grants	-	-	7,598	7,598
Miscellaneous revenue	5,000	5,000	70,974	65,974
Total revenues	270,300	270,300	326,177	55,877
EXPENDITURES:				
General government	351,700	351,700	207,092	144,608
Total expenditures	351,700	351,700	207,092	144,608
Deficiency of revenues over expenditures	(81,400)	(81,400)	119,085	200,485
OTHER FINANCING SOURCES (USES)				
Transfers in	-	454	454	-
Transfers out	(5,148)	(125,452)	(125,452)	-
Total other financing uses	(5,148)	(124,998)	(124,998)	-
Net changes in fund balance	(86,548)	(206,398)	(5,913)	200,485
Fund balance - beginning of the year	243,434	243,434	243,434	-
Fund balance - end of the year	$ 156,886	$ 37,036	$ 237,521	$ 200,485

Reconciliation of budgetary basis to GAAP basis:	
Net change in fund balance budgetary basis	$ (5,913)
Net revenue accruals	40,419
Net expenditure accruals	(2,592)
Net change in fund balance GAAP basis	$ 31,914

STATE OF NEW MEXICO
VILLAGE OF RESERVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SPECIAL REVENUE FUND - FIRE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State-Fire Marshall Allotment	$ 77,000	$ 77,000	$ 21,847	$ (55,153)
Total revenues	77,000	77,000	21,847	(55,153)
EXPENDITURES:				
Public safety	75,000	75,000	65,352	9,648
Total expenditures	75,000	75,000	65,352	9,648
Transfers in	-	63,169	63,169	-
Transfers out	(18,300)	(20,264)	(20,264)	-
Total other financing sources	(18,300)	42,905	42,905	-
Net changes in fund balance	(16,300)	44,905	(600)	(45,505)
Fund balance - beginning of the year	44,690	44,690	44,690	-
Fund balance - end of the year	$ 28,390	$ 89,595	$ 44,090	$ (45,505)

Reconciliation of budgetary basis to GAAP basis:	
Net change in fund balance budgetary basis	$ (600)
Net expenditure accruals	(12,981)
Net change in fund balance GAAP basis	$ (13,581)

STATE OF NEW MEXICO
VILLAGE OF RESERVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SPECIAL REVENUE FUND - FIRE PROTECTION PROJECT FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Miscellaneous revenue	$ 250,000	$ 250,000	$ 14,532	$ (235,468)
Total revenues	250,000	250,000	14,532	(235,468)
EXPENDITURES:				
Public works	924,000	924,000	70,174	853,826
Total expenditures	924,000	924,000	70,174	853,826
Excess of revenues over expenditures	(674,000)	(674,000)	(55,642)	618,358
OTHER FINANCING SOURCES (USES)				
Transfers in	54,450	54,450	-	(54,450)
Total other financing sources (uses)	54,450	54,450	-	(54,450)
Net changes in fund balance	(619,550)	(619,550)	(55,642)	563,908
Fund balance - beginning of the year	64,000	64,000	64,000	-
Fund balance - end of the year	$ (555,550)	$ (555,550)	$ 8,358	$ 563,908

Reconciliation of budgetary basis to GAAP basis:	
Net change in fund balance budgetary basis	$ (55,642)
Net change in fund balance GAAP basis	$ (55,642)

PROPRIETARY FUNDS

STATE OF NEW MEXICO
VILLAGE OF RESERVE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Water & Sewer	Second Well Project	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 100,127	$ -	$ 100,127
Accounts receivable	18,930	-	18,930
Total current assets	119,057	-	119,057
NON-CURRENT ASSETS:			
Capital assets, net of accumulated depreciation	857,176	1,548,007	2,405,183
Restricted cash and cash equivalents	102,331	-	102,331
Total non-current assets	959,507	1,548,007	2,507,514
Total assets	1,078,564	1,548,007	2,626,571
DEFERRED OUTFLOWS:			
Deferred outflow - PERAs	19,603	-	19,603
Deferred outflows - RHCA	1,524	-	1,524
Total assets and deferred outflows	$ 1,099,691	$ 1,548,007	$ 2,647,698

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
VILLAGE OF RESERVE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Water & Sewer	Second Well Project	Total
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	$ 25,723	$ -	$ 25,723
Payroll liabilities	966	-	966
Customer meter deposits	20,700	-	20,700
Current portion of long-term debt	567	-	567
Total current liabilities	47,956	-	47,956
NON-CURRENT LIABILITIES:			
Net pension liability	132,203	-	132,203
Net OPEB liability	73,429	-	73,429
Notes payable, net of current	7,938	-	7,938
Total non-current liabilities	213,570	-	7,938
Total liabilities	261,526	-	261,526
DEFERRED INFLOWS:			
Deferred inflows - PERA	16,198	-	16,198
Deferred inflows - RHCA	16,712	-	16,712
Total liabilities and deferred inflows	294,436	-	294,436
NET POSITION			
Net investment in capital assets	848,671	1,548,007	2,396,678
Unrestricted	(43,416)	-	(43,416)
Total net position	805,255	1,548,007	2,353,262
Total liabilities, deferred inflows and net position	$ 1,099,691	$ 1,548,007	$ 2,647,698

STATE OF NEW MEXICO
VILLAGE OF RESERVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Water & Sewer	Second Well Project	Total
OPERATING REVENUE:			
Charges for services	$ 251,335	$ 472,933	$ 724,268
Total operating revenue	251,335	472,933	724,268
OPERATING EXPENSES:			
Maintenance and materials	214,629	-	214,629
Miscellaneous	-	57,730	57,730
Utilities	23,314	-	23,314
Depreciation	150,281	-	150,281
Total operating expenses	388,224	57,730	445,954
Operating loss	(136,889)	415,203	278,314
NON-OPERATING REVENUES:			
Transfers in	50,817	-	50,817
Transfers out	(38,389)	(67)	(38,456)
Total transfers	12,428	(67)	12,361
Change in net position	(124,461)	415,136	290,675
Net position, beginning of year	1,016,938	1,132,871	2,149,809
Restatement	(87,222)	-	(87,222)
Net position, end of year	$ 805,255	$ 1,548,007	$ 2,353,262

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
VILLAGE OF RESERVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Water & Sewer	Second Well Project	Total
Cash flows from operating activities:			
Cash received from customers	$ 246,718	$ 472,933	$ 719,651
Cash paid to suppliers and employees	44,951	-	44,951
Cash paid to suppliers and goods and services	(215,558)	(104,670)	(320,228)
Net cash provided by operating activities	76,111	368,263	444,374
Cash flows from non-capital financing activities:			
Miscellaneous income	12,428	-	12,428
Transfers from other funds	-	(67)	(67)
Net cash provided by non-capital financing activities	12,428	(67)	12,361
Cash flows from capital and related financing activities:			
Interest expense	(17,197)	-	(17,197)
Change in capital assets	(1)	(368,263)	(368,264)
Principal payments on debt	(567)	-	(567)
Net cash used in capital and related financing activities	(17,765)	(368,263)	(386,028)
Net decrease in cash and cash equivalents	70,774	(67)	70,707
Cash and cash equivalents - beginning	131,684	67	131,751
Cash and cash equivalents - ending	$ 202,458	$ -	$ 202,458
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$ (136,889)	$ 415,203	$ 278,314
Adjustments to operating loss to net cash used in operating activities:			
Depreciation	150,281	-	150,281
Changes in net position and liabilities:			
Accounts receivable	(6,097)	-	(6,097)
Other assets	13,201	-	13,201
Accounts payable	23,074	(46,940)	(23,866)
Customer deposits	1,480	-	1,480
Other liabilities	31,061	-	31,061
Net cash provided by operating activities	$ 76,111	$ 368,263	$ 444,374

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Reserve (the "Village") have been prepared in accordance with general accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the Village's accounting policies are described below.

A. Reporting Entity

The Village of Reserve was incorporated under the laws of the State of New Mexico during 1974. The Village operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation and water, culture-recreation, health and social services, public improvements, planning and zoning, and general administrative service matters.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, set rates or charges and issue bonded debt.

The Village has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected Village members are financially accountable. There are no other primary governments with which the Village Council Members are financially accountable. There are no other primary governments with which the Village has a significant relationship.

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-Wide Financial Statements (GWFS) - The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the Village. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level. The Village has no Fiduciary Funds. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are 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 program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: 1) Charges for services is the term used for a broad category of program revenues that arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Revenues in this category include fees charged for specific services, such as water use or garbage collection; licenses and permits, such as businesses licenses, liquor licenses, and building permits; operating special assessments, such as for street cleaning or special street lighting; and any other amounts charged to service recipients. Fines and forfeitures are also included in this category because they result from direct charges to those who are otherwise directly affected by a program or service, even though specific grants and contributions (operating and capital) include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes to purchase, construct, or renovate capital assets associated with a specific program. These should be reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the reporting government. These categories of program revenue are specifically attributable to a program and reduce the net expense of that program to the reporting government.

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Village and accounts for all revenues and expenditures of the Village not encompassed within other funds.

<u>SPECIAL REVENUE FUNDS</u>

Fire Fund **-** To account for the operation and maintenance of the Village Fire Department. Financing is primarily from State grants. The fund was created by the authority of state grant provisions (NMSA 59A-53-1).

<u>DEBIT SERVICE FUND</u>

Debt Service Fund **-** To account for the management and payments of long term debt

<u>CAPITAL PROJECTS FUNDS</u>

Fire Protection Project Fund - To account for resources received to design the fire building within the Village limits. Funding is a grant.

<u>Enterprise Funds</u>

Proprietary Funds **-** To account for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The Village has presented the following major proprietary funds:

Water and Sewer Fund **-** To account for the provision of water service and for the disposal of solid waste to the residents of the Village. Activities include administration, operations and maintenance of the water system and billing and collection activities. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for water debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government wide and proprietary financial statements are reported using the economic resources measurement focus. The government wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Derived tax revenue, such as franchise and sales tax revenue, is recognized when the underlying exchange transaction occurs.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Village's taxpayer or citizenry, as a whole; program revenues reduced the cost of the function to be financed from the Village's general revenues. Program revenues include charges for services or applicants who purchase, use, or directly benefit from the goods or services provided by the given function.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting (continued)

However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Cash and Cash Equivalents - The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Village is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments - All money not immediately necessary for the public uses of the Village may be invested in:

(a) bonds or negotiable securities of the United States, the state or any county, municipality or Village which has a taxable valuation of real property for the last preceding year of at least one million dollars ($1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or

(b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government; or

(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables - Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Deferred Outflows - In the government-wide fund financial statements, deferred outflows are contributions to a pension plan after the measurement date, and the change in assumption.

Property Taxes - The County collects the Village's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the Village on a monthly basis. The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues for the budget presentation.

Restricted Funds - Restricted assets for the Village include utility customer deposits reflected in the business-type funds. These assets may only be expended for the specific purposes as noted, due to externally imposed provisions of the agreements with utility customers.

Capital Assets - Capital assets, which include property, buildings, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Village as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The construction period interest is not capitalized in the proprietary funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Assets	Years
Buildings	40 - 50
Building improvements	40
Public domain infrastructure	12 - 20
System infrastructure	20 - 30
Equipment	10 - 12
Vehicles	3 - 5
Computer equipment	5

Use of Restricted Funds - When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenue - The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

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's 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences - Village employees are entitled to certain compensated absences based on their employment classification and length of employment. With minor exceptions, the Village allows 40 hour week employees to accumulate unused sick leave. Accumulated unused sick leave, however, is not paid upon termination from employment or retirement, but will be paid only upon illness while in the employment of the Village. Accordingly, no provision for accumulated unused sick leave has been made in the accompanying financial statements.

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Village. Accumulated unused vacation is payable upon retirement or termination from employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund 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 and retirements.

Deferred Inflows - Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred inflows and reflected within the balance sheet.

Net Position - The government-wide and business-type activities fund financial statements utilize a net position presentation. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, and then unrestricted resources as needed.

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

Unrestricted Net Position - This category reflects net position of the Village, not restricted for any project or other purpose.

Fund Balance - In the fund financial statements, governmental fund balances are classified as follows:

Nonspendable - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) 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, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted - Fund balance should be reported when constraints placed on the use of resources are either:

a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
b. Imposed by law through constitutional provisions or enabling legislation. Enabling legislation, as the term is used in this Statement, authorizes the government 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 a government 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.

Unassigned - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Village's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

Inter-Fund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements are reported as transfers. All other inter-fund transfers are reported as operating transfers.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

Implementation of New Accounting Standards

In June 2017, GASB Statement No. 87 Leases, was issued. Effective date: The provisions of this Statement are effective for financial statements for the objective of this

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement is to improve accounting and financial reporting for periods beginning after December 15, 2019. Earlier application is encouraged. The Center is still evaluating how this pronouncement will affect the financial statements.

In April 2018, GASB No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, was issued. Effective date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements related to debt for periods beginning after June 15, 2018. Furthermore, GASB No. 88 clarifies which liabilities governments should include when disclosing information. Earlier application is encouraged. The Center is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, was issued. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District is still evaluating how this pronouncement will affect the financial statements.

In December 2018, GASB No. 90, Majority Equity Interests, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets for the Village are prepared prior to June 1 and must be approved by the Council Members and the New Mexico Department of Finance and Administration. Once the budget has been formally approved, the Village Council Members and the Department of Finance and Administration must also approve any amendments. A separate budget is prepared for each fund. Line items within each budget may be

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Proprietary Funds.

The Village is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principals applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principals, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year-ended June 30, 2018 is presented.

Budgetary Control

1. Prior to June 1, the Village's Clerk-Treasurer submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted in May and June to obtain taxpayers comments.

2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration.

3. The Village Council is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the State Department of Finance and Administration.

4. Formal budgetary integration is employed as a management control device during the year for all funds.

5. The level of budget authority is at the fund level.

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the Village. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution. The rate of interest in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities which are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments.

Cash Deposited with Financial Institutions

The Village maintains cash in one financial institution within Reserve, New Mexico. The Village's deposits are carried at cost.

As of June 30, 2018, the amount of cash reported on the financial statements differs from the amount on deposit with the financial institution because of transactions in transit and outstanding checks. A summary of the reconciliation is as follows:

	Amount Per Bank	Plus DIT	Outstanding Checks	Balance Per Books
Operating account	$ 312,320	$ -	$ 5,043	$ 307,277
Fire fund account	22,998	-	468	22,530
Utility Deposits	20,700	-	-	20,700
USDA water	6,109	-	-	6,109
NMFA	382,864	-	-	382,864
CD	16,000	-	-	16,000
USDA water Reserve	6,109	-	-	6,109
Replacement Reserve	100,127	-	-	100,127
Total	$ 867,227	$ -	$ 5,511	$ 861,716

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)

Statement of Net Position:	
Cash	$ 344,521
CD	16,000
Restricted cash	501,195
Total Cash	861,716
Investments	21,560
Total	$ 883,276

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Village. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Village carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	First State Bank
Amount held in bank June 30, 2018	$ 867,227
Less NMFA reserve	382,864
Less FDIC Insurance	250,000
Uninsured Public Funds	234,363
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	127,961
Pledged Securities	908,996
Over (Under) Collateralized	$ 781,035

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Demand, time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to $250,000 in aggregate.

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, 2018, none of the Village's bank balance of $867,227 was exposed to custodial credit risk.

4. ACCOUNTS AND TAXES RECEIVABLES

Receivables as of June 30, 2018, were as follows:

	Governmental Activities	Business-Type Activities
Taxes:		
Property taxes	$ 3,083	$ -
Gasoline taxes	1,734	-
Gross receipts taxes	33,139	-
Motor vehicle taxes	2,463	-
Other receivables:		
Services	-	18,930
	$ 40,419	$ 18,930

Taxes receivable for the governmental funds consists primarily of taxes collected by the collection agency in the current year but not remitted to the Village until after year-end. All governmental fund receivables are considered collectible.

5. CAPITAL ASSETS

Capital asset activity for the Village's primary government for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Government activities:				
Capital assets not being depreciated:				
Land	$ 61,242	$ -	$ -	$ 61,242
Total capital assets not being depreciated	61,242	-	-	61,242
Capital Assets, being depreciated				
Buildings and improvements	1,206,057	-	-	1,206,057
Infrastructure	6,094,169	-	-	6,094,169
Vehicles	496,899	-	-	496,899
Furniture & Fixtures	30,246	-	-	30,246
Equipment	925,986	-	-	925,986
Total capital assets, being depreciated	8,753,357	-	-	8,753,357
Total capital assets	8,814,599	-	-	8,814,599
Less accumulated depreciation for:				
Buildings and improvements	(529,049)	(39,139)	-	(568,188)
Infrastructure	(1,615,383)	(243,764)	-	(1,859,147)
Vehicles	(495,809)	(1,090)	-	(496,899)
Furniture & Fixtures	(3,271)	(3,025)	-	(6,296)
Equipment	(666,289)	(33,589)	-	(699,878)
Total accumulated depreciation	(3,309,801)	(320,607)	-	(3,630,408)
Total other capital assets, net	$ 5,504,798	$ (320,607)	$ -	$ 5,184,191

Depreciation expense was charged to governmental activities as follows:

Unallocated	$ 320,607
Total depreciation expense	$ 320,607

5. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Transfers	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land - Water	$ 172,039	$ -	$ -	$ 172,039
Total capital assets not depreciated	172,039	-	-	172,039
Other Capital Assets				
Building - Water	91,666	-	-	91,666
Equipment	45,172	-	-	45,172
Vehicles	64,856	-	-	64,856
Plant	3,384,526	-	-	3,384,526
Construction in progress	39,516	368,263	(407,779)	-
Infrastructure	1,300,523	-	407,779	1,708,302
Total capital assets at historical cost	4,926,259	368,263	-	5,294,522
Total capital assets	5,098,298	368,263	-	5,466,561
Less accumulated depreciation				
Accumulated depreciation	(2,743,802)	(150,281)	-	(2,894,083)
Infrastructure	(167,295)	-	-	(167,295)
Total capital assets depreciated	(2,911,097)	(150,281)	-	(3,061,378)
Business-type capital assets, net	$ 2,187,201	$ 217,982	$ -	$ 2,405,183

Depreciation expense for business-type activities for the year ended June 30, 2018 was $150,281.

6. NOTES PAYABLE AND COMPENSATED ABSENCES

A summary of activity of compensated absences is as follows:

	Balance 6/30/17	Additions	Reductions	Balance 06/30/18	Amount Due Within One Year
Notes payable - Gov	$ 549,727	$ 381,273	$ 156,808	$ 774,192	$ 23,332
Notes payable - Bus	9,072	-	567	8,505	567
Total notes payable	558,799	381,273	157,375	782,697	23,899
Compensated absences - Gov	5,336	10,266	8,238	7,363	7,363
Total	$ 564,135	$ 391,539	$ 165,613	$ 790,060	$ 31,262

The Village obtained their loans from the United States Department of Agriculture. The loans requires variable annual payments and fixed interest from 3.25% and matures June 2054. Loan debt service requirements to maturity are as follows:

GOVERNMENTAL Years Ending June 30,	Principal	Interest	Total
2019	$ 2,000	$ 3,705	$ 5,705
2020	2,000	3,640	5,640
2021	2,000	3,575	5,575
2022	2,000	3,510	5,510
2023	2,000	3,510	5,510
2024-2028	10,000	15,050	25,050
2029-2033	10,000	12,550	22,550
2034-2038	10,000	10,050	20,050
2039-2043	10,000	7,550	17,550
2044-2048	10,000	10,050	20,050
2049-2054	56,000	6,045	62,045
	$ 116,000	$ 79,235	$ 113,140

The Village obtained their loans from the New Mexico Finance Authority. The loans requires variable annual payments and variable interest from 0.30% to 3.36% and matures June 2035. Loan debt service requirements to maturity are as follows:

6. NOTES PAYABLE AND COMPENSATED ABSENCES (CONTINUED)

GOVERNMENTAL

Years Ending June 30,	Principal	Interest	Total
2019	$ 21,332	$ 2,912	$ 24,244
2020	21,332	2,270	23,602
2021	21,332	2,525	23,857
2022	21,332	2,525	23,857
2023	21,332	2,525	23,857
2023-2028	80,950	4,500	85,450
2029-2033	80,950	2,250	83,200
2034-2035	8,359	178	8,537
	$ 276,919	$ 19,685	$ 296,604

Business-Type

Years Ending June 30,	Principal	Interest	Total
2018	$ 567	$ -	$ 567
2019	567	-	567
2020	567	-	567
2021	6,804	-	6,804
2023	-	-	-
	$ 8,505	$ -	$ 8,505

7. PROPERTY TAXES

Union County collects the Village's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the Village on a monthly basis. The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues for the budget presentation.

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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's 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

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan description - The Public Employees Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Audit Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the Public Employees Retirement Fund 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 Public Employees Retirement 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), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits provided - Benefits are generally available at age sixty-five with five or more years of service or after twenty-five years of service, regardless of age for Tier I members. Provisions also exist for retirement between ages sixty and sixty-five, with varying amounts of service required. Certain police and fire members may retire at any age with twenty or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average salary for the thirty-six consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2.00% to 3.50% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

Tier II – The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013, with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the members' age and service credit equals at least eighty-five or at age sixty-seven with eight or more years of service credit. General members hired on or before June 30, 2013 (Tier 1) remain eligible to retire at any age with twenty-five or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4, and 5 are eligible to retire at any age with twenty-five or more years of service credit.

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in twenty-five year retirement plans; however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age sixty with six or more years of service credit. Generally, under Tier II pension factors were reduced by 0.50%, employee contribution increased by 1.50% and effective July 1, 2014, employer contributions were raised by 0.50%. The computation of final average salary increased as the average of salary for sixty consecutive months.

Contributions -See PERA's comprehensive annual financial report for the contribution rates and pension factors as of July 1, 2016.

	Employee Contribution Percentage			Pension Factor per Year of Service		
	Annual Salary less than $20,000	Annual Salary less greater $20,000	Employer Contribution Percentage	Tier I	Tier II	Pension Maximum as a Percentage of the Final Average Salary
State Plan 3	7.42 %	8.92 %	16.99 %	3.00 %	2.50 %	90.00 %
Municipal Plan 1(plan open to new employers)	7.00 %	8.50 %	7.40 %	2.00 %	2.00 %	90.00 %
Municipal Plan 2(plan open to new employers)	9.15 %	10.65 %	9.55 %	2.50 %	2.00 %	90.00 %
Municipal Plan 3(plan closed to new employers on 6/95)	13.15 %	14.65 %	9.55 %	3.00 %	2.50 %	90.00 %
Municipal Plan 4(plan closed to new employers on 6/00)	15.65 %	17.15 %	12.05 %	3.00 %	2.50 %	90.00 %
Municipal Police Plan 1	7.00 %	8.50 %	10.40 %	2.00 %	2.00 %	90.00 %
Municipal Police Plan 2	7.00 %	8.50 %	15.40 %	2.50 %	2.00 %	90.00 %
Municipal Police Plan 3	7.00 %	8.50 %	18.90 %	2.50 %	2.00 %	90.00 %
Municipal Police Plan 4	12.35 %	13.85 %	18.90 %	3.00 %	2.50 %	90.00 %
Municipal Police Plan 5	16.30 %	17.80 %	18.90 %	3.50 %	3.00 %	90.00 %
Municipal Fire Plan 1	8.00 %	9.50 %	11.40 %	2.00 %	2.00 %	90.00 %
Municipal Fire Plan 2	8.00 %	9.50 %	17.90 %	2.50 %	2.00 %	90.00 %
Municipal Fire Plan 3	8.00 %	9.50 %	21.65 %	2.50 %	2.00 %	90.00 %
Municipal Fire Plan 4	12.80 %	14.30 %	21.65 %	3.00 %	2.50 %	90.00 %
Municipal Fire Plan 5	16.20 %	17.70 %	21.65 %	3.50 %	3.00 %	90.00 %
Municipal Detention Officer Plan 1	16.65 %	18.15 %	17.05 %	3.00 %	3.00 %	90.00 %
State Police and Adult Correctional Officer Plan 1	7.60 %	9.10 %	25.50 %	3.00 %	3.00 %	90.00 %
State Plan 3 - Peace Officer	7.42 %	8.92 %	16.99 %	3.00 %	3.00 %	90.00 %
Juvenile Correctional Officer Plan 2	4.78 %	6.28 %	26.12 %	3.00 %	3.00 %	90.00 %

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, Village of Reserve reported a liability of $166,203 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018.

Village of Reserve's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Village's proportion was 0.1638%, which was an increase of 0.0091%, from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Village recognized pension expense of $59,358. At June 30, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Differences between expected and actual experience	$ 6,533	$ 8,516
Changes of assumptions	7,667	1,718
Net difference between projected and actual earnings on pension plan investments	13,641	-
Changes in proportion and differences between Village of Roy contributions and proportionate share of contributions	850	23,051
Village of Roy contributions subsequent to the measurement date	11,589	-
Total	$ 40,280	$ 33,285

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

In June 30, 2018 $11,589, deferred outflows - contributions made after measurement date, will be recognized as a reduction of net pension liability. Other deferred amounts to be recognized in fiscal years following the reporting date are below:

Year Ended June 30:		
2019	$	(9,065)
2020	$	6,566
2021	$	1,892
2022	$	(3,987)

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, 2017 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, 2017 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, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial assumptions	
* Investment rate of return	7.51% annual rate, net of investment expense
* Projected benefit payment	100 years
* Payroll growth	2.75% for the first 9 years, then 3.25% annual rate
* Projected salary increases	2.75% to 14.00% annual rate
* Includes inflation at	2.25% annual rate, first 9 years, then 2.75% thereafter
* Mortality Assumption	PR-2000 Mortality Tables (combined table for healthy post-retirements, Employee Table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
* Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2016 (economic)

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

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

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 Expected Real Rate of Return
Global Equity	4.5 %	7.39 %
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	20.0	7.35
Total	100.0 %	

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 percent assumed long-term 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 net pension liability to changes in the discount rate:
The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present Village of Roy's net pension liability in each PERA Fund Division that Village of Roy 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.

	1% Decrease 6.51%	Current 7.51%	1% Increase 8.51%
Net Pension Liability	$ 260,591	$ 166,264	$ 87,819

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA financial report.

9. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Plan Description - Employees of the Village are provided with OPEB through the Retiree Health Care Fund (Fund) – a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Village (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico. NMRHCA is an independent agency of the state of New Mexico. The funds administered by NMRHCA are considered part to the state of New Mexico financial reporting entity and are OPEB trust funds of the state of New Mexico. NMRHCA's financial information is included with the financial presentation of the state of New Mexico.

Benefits Provided

The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents, and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees Covered by Benefit Terms

At June 30, 2017, the Fund's measurement date, following employees were covered by the benefit terms:

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. That report, and further information, can be obtained by writing to the Retiree Health Care Village at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Village were $27,306 for the year ended June 30, 2018.

9. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2018, the Village reported a liability of $150,905 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Village's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the Village's proportion was 0.02911 percent.

For the year ended June 30, 2018, the Village recognized OPEB expense of $52,446. At June 30, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 26,384
Net difference between projected and actual earnings on OPEB plan investments	-	2,171
Difference between expected and actual experience	-	5,791
Contributions made after the measurement date	3,132	-
	$ 3,132	$ 34,346

Deferred outflows of resources totaling $3,132 represent Village contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending	
2019	$ (7,302)
2020	(7,302)
2021	(7,302)
2022	(7,302)
2023	(5,138)
	$ (34,346)

9. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal , level percent of pay,calculated on individual employee basis
Asset valuation method	Market Value of assets
Actuarial assumptions	
Inflation	2.50% for ERB: 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation.
Healthcare cost trend rate	8% graded down to 4.5% over 14 years for non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

Rate of Return – The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of Investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions. The best estimates for the long-term expected rate of return is summarized as follows:

Assets Class	Long-Term Rate of Return
U.S. core of fixed income	4.1%
U.S equity - large cap	9.10%
Non U.S. - emerging markets	12.2%
Non U.S. - developed equities	9.8%
Private equity	13.8%
Credit and structured finance	7.3%
Real estate	6.9%
Absolute return	6.1%
U.S. equity - small/mid cap	9.1%

9. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates – The following presents the net OPEB liability of the Village, as well as what the Village's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

1% Decrease 2.81%	Current Discount Rate 3.81%	1% Increase 4.81%
$ 183,045	$ 150,905	$ 125,688

The following presents the net OPEB liability of the Village, as well as what the Village's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Trend Rate	1% Increase
$ 128,355	$ 150,905	$ 168,488

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

10. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. To manage these risks the Village participates as a member of the New Mexico Self Insurer's Fund, a pooled joint powers Insurance Village. The Village is administered by the New Mexico Municipal League, a nonprofit, comprised of 103 public entities. The Village is organized under joint powers agreements as provided by Section 11-1-1 et. Seq, NMSA, 1978. The purpose of the Village is to arrange and administer programs for pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverage. Each member government participates in the election of Board of Directors, who appoints the Insurance Board of Trustees. Insurance premiums paid to the Village for fiscal year 2016 amounted to $7,600.

Tort claims are generally limited by the Tort Claims Act, Section 41-4-1 et. Seq, NMSA, 1978. The Village retains some risk for coverage which may be less than the tort claims limitation. Certain claims relating to certain public construction, operation of motor vehicles, building maintenance and certain health care activities are exempt from the Act.

General Liability Insurance: The policy provides an annual aggregate coverage of $4,000,000 with $400,000 per person for bodily injury and $750,000 per occurrence. Property damage coverage is for $100,000 per occurrence.

Workers' Compensation Insurance: The policy limits provides coverage of $1,050,000 per occurrence and $1,050,000 annual aggregate coverage.

Property Insurance: Property insurance insures Village buildings for an aggregate of $1,396,033, including contents, with separate electronic data processing equipment of $9,000. Deductibles are $250 per occurrence. Automobile comprehensive is included with a deductible of $250.

Fidelity Bond: Blanket fidelity bond coverage in the amount of $500,000 with deductible of $10,000 is provided.

The New Mexico Self Insurer's Fund assesses a premium to the Village to cover expenses of the fund which Includes claims, reinsurance expenses, administration and other costs.

Risk management activities are reported primarily in the General Fund. Other funds may reimburse the General Fund for certain coverage. The Village has not significantly reduced Insurance coverage from the prior year. Settlements have not exceeded Insurance coverage for the past three years. Management is not aware of any outstanding claims.

11. INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2018 consisted the following:

	Transfers In	Transfers Out
General Fund	$ 454	$ (125,452)
Fire Fund	63,169	(20,264)
Debt services	32,918	-
Capital Fund	37,201	-
Second Well	-	(67)
Los Jovenes Fund	-	(387)
Water Fund	50,817	(38,389)
	$ 184,559	$ (184,559)

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2018 the date the financial statements were available to be issued.

13. RESTATEMENT

A prior year adjustment of $179,251 was recorded for during the fiscal year ended June 30, 2018. The restatement was made to adjust Net OPEB liability balance that had balances that were not representative of the Village liabilities, as follows:

	Government wide
Net OPEB liability	$ 179,251
Total prior year adjustment	$ 179,251

14. TAX ABATEMENTS

There are no tax abatements to report under GASB 77.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO VILLAGE OF RESERVE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015
The State of New Mexico Village of Reserve's proportion of the net pension liability	$ 166,264	$ 191,720	$ 148,860	$ 136,519
The State of New Mexico Village of Reserve's proportionate share of the net pension liability	0.0121%	0.0120%	0.0146%	0.0175%
The State of New Mexico Village of Reserve's covered-employee payroll	$ 151,101	$ 132,075	$ 70,615	$ 155,923
The State of New Mexico Village of Reserve's proportionate share of the net pension liability as a percentage of its covered-employee payroll	110.04 %	145.16 %	210.81 %	87.56 %
Plan fiduciary net position as a percentage of the total pension liability	73.74 %	69.18 %	76.99 %	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 State of New Mexico Village of Reserve will present information for those years for which information is available.

STATE OF NEW MEXICO VILLAGE OF RESERVE
SCHEDULE OF CONTRIBUTIONS
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015
Contractually required contribution	$ 11,589	$ 9,773	$ 9,818	$ 11,480
Contributions in relation to the contractually required contribution	11,589	9,773	9,818	11,480
Contribution deficiency (excess)	-	-	-	-
The State of New Mexico Village of Reserve' covered-employee payroll	$ 151,101	$ 132,075	$ 70,615	$ 155,923
Contributions as a percentage of covered-employee payroll	7.66 %	7.40 %	13.90 %	7.36 %

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The State of New Mexico Village of Reserve will present information for those years for which information is available.

Changes of benefit terms- The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 on pages 40-42 of the PERA FY17 audit available at https://www.saonm.org/media/audits/366B_NM_PERA_Schedule_of_Employer_Allocation_FY2017.pdf

Changes of assumptions- The Public Employees Retirement Association (PERA) of the NEW Mexico Annual Actuarial Valuation as of June 30, 2017 is available at https://www.saonm.org/media/audits/366B_NM_PERA_Schedule_of_Employer_Allocation_FY2017.pdf See Appendix B on pages 53 - 61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2017 valuation.

Changes in assumptions resulted in a decrease of $63.3 million to the total pension liability for the PERA Fund and an increase of 0.42% to the funded ratio for the year ended June 30, 2017. See more details of actuarial methods and assumptions on Note 2 on page 34 of PERA's Schedule of Employer Allocations and Pension amounts at https://www.saonm.org/media/audits/366B_NM_PERA_Schedule_of_Employer_Allocation_FY2017.pdf

STATE OF NEW MEXICO VILLAGE OF RESERVE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2018

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 available years.

		2018
State of New Mexico Village of Reserve's proportion of the net OPEB liability		0.00333%
State of New Mexico Village of Reserve's proportionate share of the net OPEB liability	$	150,905
State of New Mexico Village of Reserve's covered-employee payroll	$	138,716
State of New Mexico Village of Reserve's proportionate share of net OPEB liability as a percentage of its covered - employee payroll		108.79%
Plan fiduciary net pension as a percentage of the total OPEB liability		11.34%

STATE OF NEW MEXICO VILLAGE OF RESERVE
SCHEDULE OF CONTRIBUTIONS
OPEB MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2018

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 available years.

	2018
Contractually required contribution	$ 10,574
Contributions in relation to the contractually required contribution	5,307
Contribution deficiency (excess)	$ 5,267
State of New Mexico Village of Reserve's covered-employee payroll	$ 138,716
Contribution as a percentage of covered-employee payroll	3.83%

Benefit changes - In 2018 no benefit changes to those in place. Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available. New Mexico Retiree Health Care Authority audited comprehensive annual financial report is available at the following web address: www.nmrhca.state.nm.us

Changes of Assumptions - The OPEB salary scale, inflation, and payroll assumptions were updated to reflect assumptions used in the OPEB June 30, 2017 retire health care fund valuation. Per capita costs, future trend for health costs, and medical election assumptions were updated.

SUPPLEMENTAL INFORMATION

SPECIAL REVENUE FUNDS

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. (Village is NMSA 3-38-13).

DWI Fund - 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.

LEP Fund - Annual state distribution to all qualified New Mexico police departments. LEP distribution from the state is $20,000.

Capital Project Fund - This fund accounts for the Village's capital project in conjunction with the improving of the water system.

STATE OF NEW MEXICO
VILLAGE OF RESERVE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Special Revenue				
	Lodgers Tax Fund	**DWI Fund**	**LEP Fund**	**Capital Projects Fund**	**Total Nonmajor Fund**
ASSETS					
Cash and cash equivalents	$ 7,985	$ -	$ -	$ -	$ 7,985
Total assets	$ 7,985	$ -	$ -	$ -	$ 7,985
LIABILITIES AND FUND BALANCE					
Fund balance:					
Restricted, reported in:					
Special revenue funds	$ 7,985	$ -	$ -	$ -	$ 7,985
Total liabilities and fund balance	$ 7,985	$ -	$ -	$ -	$ 7,985

STATE OF NEW MEXICO
VILLAGE OF RESERVE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue				
	Lodgers Tax Funds	**DWI Funds**	**LEP Funds**	**Capital Projects Funds**	**Total Nonmajor Funds**
REVENUES					
Taxes	$ 2,853	$ -	$ -	$ -	$ 2,853
Miscellaneous income	-	-	20,000	-	20,000
Total revenues	2,853	-	20,000	-	22,853
EXPENDITURES					
Public safety	-	-	20,000	-	20,000
Public works	1,944	-	-	37,201	39,145
Total expenditures	1,944	-	20,000	37,201	59,145
Excess (deficiency) of revenues over expenditures	909	-	-	(37,201)	(36,292)
OTHER FINANCING SOURCES					
Operating transfers in	-	-	-	37,201	37,201
Operating transfers out	(387)	-	-	-	(387)
Total other financing sources	(387)	-	-	37,201	36,814
Net change in fund balance	522	-	-	-	522
Fund balance, beginning of year	7,463	-	-	-	7,463
Fund balance, end of year	$ 7,985	$ -	$ -	$ -	$ 7,985

STATE OF NEW MEXICO
VILLAGE OF RESERVE
SCHEDULE OF DEPOSITORIES
AS OF JUNE 30, 2018

	Type	Amount Per Bank	Plus DIT	Outstanding Checks	Balance Per Books
First State Bank					
Operating account	CK	$ 333,880	$ -	$ (5,043)	$ 328,837
Fire Fund	CK	1,438	-	(468)	970
USDA Water	CK	6,109	-	-	6,109
USDA Water Reserve	CK	6,109	-	-	6,109
Replacement Reserve	CK	100,127	-	-	100,127
NMFA	NMFA	382,864	-	-	382,864
Water Meter	SV	20,700	-	-	20,700
Certificate of Deposit	CD	16,000	-	-	16,000
Total		$ 867,227	$ -	$ (5,511)	$ 861,716

Type:
CK= Checking
SV= Savings
CD= Certificate of Deposit

	First State Bank	US Treasury
Amount held in bank June 30, 2018	$ 867,227	$ 21,560
Less NMFA reserve	382,864	-
Less USA Treasury	-	21,560
Less FDIC Insurance	250,000	-
Uninsured Public Funds	234,363	-
50% Collateral Requirements		
(Section 6-10-17 NMSA-1978)	117,182	-
Pledged Securities	908,996	-
Over (Under) Collateralized	$ 791,814	$ -

STATE OF NEW MEXICO
VILLAGE OF RESERVE
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
AS OF JUNE 30, 2018

Description of Pledged Collateral	Amount	Name and Location of Safekeeper
FFCB, CUSIP#3133EEB33, Maturing 07/22/2024	$ 294,669	Federal Home Loan Bank of Dallas
FFCB, CUSIP#31331VKU9, Maturing 4/16/2025	614,327	Federal Home Loan Bank of Dallas
Total pledged securities	$ 908,996	

COMPLIANCE SECTION

Beasley, Mitchell & Co.
Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner
Tony Morán, CPA, Partner
Christopher Salcido, CPA, Partner
J. David Beasley, J.D., Partner

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 AUDITORS' REPORT

Mr. Wayne Johnson
Office of the State Auditor
and the Mayor and Village Council of the
Village of Reserve

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 fund and major special revenue funds of Village of Reserve, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Village of Reserves's basic financial statements, and the combining and individual funds of the Village, presented as supplemental information, and have issued our report thereon dated December 14, 2018.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Village of Reserve's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village of Reserve's internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Reserve's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did not identify any deficiencies in internal control to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Reserve's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item.

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 results 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.

Beasley, Mitchell & Co LLP

Beasley, Mitchell & Co.
Las Cruces, New Mexico
December 14, 2018

STATE OF NEW MEXICO
VILLAGE OF RESERVE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

PRIOR YEAR FINDINGS:

2011-002	DFA Quarterly Reports Incorrect	Resolved
2013-001	Meter Deposit Bank Account	Resolved
2013-002	Water Meter Deposits	Resolved
2014-001	Incorrect W-3 Filed	Resolved
2016-002	Per Diem - Significant Deficiency	Resolved
2016-003	Expenditures in Excess of Budget	Resolved
2017-001	Journal Entries Approval	Resolved
2017-002	Loan from USDA	Resolved

CURRENT YEAR FINDINGS:

No New Findings

STATE OF NEW MEXICO
VILLAGE OF RESERVE
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2018

The financial statements of the Village of Reserve as of, and for the year ended, June 30, 2018 were prepared by Beasley, Mitchell & Co., LLP, with the aid of responsible Village personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

STATE OF NEW MEXICO
VILLAGE OF RESERVE
ENTRANCE AND EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2018

An entrance conference was conducted October 2, 2018 in a closed meeting of the Village of Reserve pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Village of Reserve	
Andre Giron	Mayor
Andre Giron	Municipal Clerk
Amanda Cox	Deputy Clerk
Beasley, Mitchell & Co., LLP	
Amr Sakka, CPA	Audit Senior
Michael Cooper	Staff accountant

An exit conference was conducted December 10, 2018 in a closed meeting of the Village of Reserve pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Village of Reserve	
Hilda Kellar	Mayor
Eddilu Brown	Council, Mayor Assistant
Andre Giron	Municipal Clerk
Amanda Cox	Deputy Clerk
Beasley, Mitchell & Co., LLP	
Amr Sakka, CPA	Audit Senior