

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

FINANCIAL STATEMENTS

June 30, 2008

(With Independent Auditor's Report Thereon)

Prepared by

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STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

(With Independent Auditor's Reports Thereon)

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

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STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

OFFICIAL ROSTER
June 30, 2008

Village Trustees

Elected Officials

Steve M. Lucero - Mayor
John J. Urban - Mayor Pro-tem
Roman J. Montoya - Trustee
Christine A. Trujillo - Trustee
Cynthia A. Gonzales - Trustee
Bernice Trujillo - Municipal Judge

Administration

Christina R. Lucero - Clerk/Treasurer

INDEPENDENT AUDITOR'S REPORT

Hector Balderas, State Auditor
Steve M. Lucero, Mayor
and The Board of Trustees
Village of San Ysidro
San Ysidro, New Mexico

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of San Ysidro (Village) as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. I have also audited the financial statements of each of the Village's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Village's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and with standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

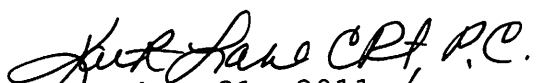
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2008, and the

respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the nonmajor governmental funds, the capital project fund, and enterprise funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 31, 2011, on my consideration of the Village of San Ysidro's internal control over financial reporting and my test 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 my 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 the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the result of my audit.

The Village has not presented the management's discussion and analysis, which is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements that collectively comprise the Village's financial statements and budgetary comparisons. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements, and in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


October 31, 2011

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**STATEMENT OF NET ASSETS - GOVERNMENT WIDE
June 30, 2008**

ASSETS	Primary Government		Total
	Government Activities	Business Type Activities	
Current Assets:			
Cash and cash equivalents	\$ 108,619	\$ 97,630	\$ 206,249
Restricted assets:			
Cash and cash equivalents		3,693	3,693
Total cash (Note 3)	108,619	101,323	209,942
Investments (Note 4)	280,666	-	280,666
Receivables (net) (Note 5)	93,503	12,856	106,359
Taxes receivable (Note 5)	9,229	-	9,229
Total current assets	492,017	114,179	606,196
Noncurrent Assets:			
Land	195,000	5,000	200,000
Capital assets, net of depreciation (Note 12)	883,227	837,318	1,720,545
Total noncurrent assets	1,078,227	842,318	1,920,545
 Total Assets	 \$ 1,570,244	 \$ 956,497	 \$ 2,526,741
 LIABILITIES			
Current liabilities:			
Accounts payable	\$ 66,566	\$ 5,454	\$ 72,020
Accrued liabilities	545	178	723
Due within one year (Note 6)	1,909	1,778	3,687
Current liabilities payable from restricted assets		3,693	3,693
Total current liabilities	69,020	11,103	80,123
Noncurrent liabilities:			
Due in more than one year (Note 6)	-	53,400	53,400
 Total Liabilities	 \$ 69,020	 \$ 64,503	 \$ 133,523
 NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,078,227	\$ 787,918	\$ 1,866,145
Restricted for:			
Capital projects	33,266		33,266
Special	143,468		143,468
Unrestricted	246,263	104,076	350,339
 Total Net Assets	 \$ 1,501,224	 \$ 891,994	 \$ 2,393,218

See Accompanying Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**STATEMENT OF ACTIVITIES - GOVERNMENT-WIDE
June 30, 2008**

<u>Functions/Programs</u>	<u>Expense</u>	<u>Charges for Service</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
			<u>Operating Grants and Contribution</u>	<u>Capital Grants and Contribution</u>	
Primary government:					
Governmental activities					
General government	\$ 126,209	\$ 7,839	\$ 41,595	\$ 36,124	\$ (40,651)
Public safety	82,107	12,653	20,600		(48,854)
Culture and recreation	14,284			50,100	35,816
Highways and streets	-			31,760	31,760
Depreciation	41,559				(41,559)
Interest on debt	<u>592</u>				<u>(592)</u>
Total governmental activities	<u>264,751</u>	<u>20,492</u>	<u>62,195</u>	<u>117,984</u>	<u>(64,080)</u>
Business-type activities:					
Water Department	<u>87,819</u>	<u>57,320</u>			<u>(30,499)</u>
Total business-type activities	<u>87,819</u>	<u>57,320</u>			<u>(30,499)</u>
Total primary government	\$ <u>352,570</u>	\$ <u>77,812</u>	\$ <u>62,195</u>	\$ <u>117,984</u>	\$ <u>(94,579)</u>
			<u>Government Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Changes in net assets					
Net (expense) revenue			\$ (64,080)	\$ (30,499)	\$ (94,579)
General Revenues:					
Taxes levied for general			147,900		147,900
Unrestricted investment earning			13,720	3,150	16,870
Miscellaneous			1,703		1,703
Transfer - internal activities			<u>7,538</u>	<u>(7,538)</u>	<u>0</u>
Total general revenues/ transfers			<u>170,861</u>	<u>(4,388)</u>	<u>166,473</u>
Change in net assets			106,781	(34,887)	71,894
Net assets, beginning of year			<u>1,394,443</u>	<u>926,881</u>	<u>2,321,324</u>
Net assets, end of year			\$ <u>1,501,224</u>	\$ <u>891,994</u>	\$ <u>2,393,218</u>

See Accompanying Notes to Financial Statements

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2008

ASSETS	<u>General Fund</u>	<u>Corrections</u>
Cash and cash equivalents	\$ 71,661	\$ 4,978
Investments	151,214	129,452
Receivables (net)	18,356	
Taxes receivable	9,229	
Other current assets		
Total Assets	\$ <u>250,460</u>	\$ <u>134,430</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 1,743	\$
Accrued payroll	545	
Other current liabilities		
Total Liabilities	<u>2,288</u>	<u> </u>
FUND BALANCES		
Unreserved, reported in:		
General Fund	248,172	
Special Revenue Fund		134,430
Capital Project Fund		
Debt Service Fund		
Total Fund Balances	<u>248,172</u>	<u>134,430</u>
 Total Liabilities and Fund Balances	\$ <u>250,460</u>	\$ <u>134,430</u>

<u>Capital Projects</u>	<u>Nonmajor Government Funds</u>	<u>Totals</u>
\$ 22,847	\$ 9,133	\$ 108,619
		280,666
25,031	50,116	93,503
		9,229
\$ <u>47,878</u>	\$ <u>59,249</u>	\$ <u>492,017</u>
\$ 14,612	\$ 50,211	\$ 66,566
		545
<u>14,612</u>	<u>50,211</u>	<u>67,111</u>
		248,172
	9,038	143,468
33,266		33,266
<u>33,266</u>	<u>9,038</u>	<u>424,906</u>
\$ <u>47,878</u>	\$ <u>59,249</u>	\$ <u>492,017</u>

See Accompanying Notes to Financial Statements

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

RECONCILIATION OF GOVERNMENTAL FUND
BALANCE SHEET TO STATEMENT OF NET ASSETS
Year Ended June 30, 2008

Total Fund Balance - Total Governmental Fund \$ 424,906

Amounts reported for government activities in the Statement of Net Assets differs from the amounts reported in the Governmental Funds Balance Sheet because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet

Cost of assets capitalized (total) 1,495,436
Accumulated depreciation (417,209)

Long-term liabilities, including loans payable and compensated absences, are not due and payable in the current period, and therefore, are not reported in the government fund balance sheet

Due within one year (1,909)

Net assets of governmental activities \$ 1,501,224

See Accompanying Notes to Financial Statements

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended JUNE 30, 2008

REVENUES	General <u>Fund</u>	<u>Corrections</u>
Taxes	\$ 147,649	\$
Grants	41,595	
Fines	5,424	
Charges for services	1,225	1,190
Miscellaneous	<u>14,831</u>	
Total Revenues	210,724	<u>1,190</u>
 EXPENDITURES		
Current:		
General government	118,834	
Public safety	71,369	1,025
Culture and recreation		
Highways and streets		
Capital outlay		
Debt service:		
Loan payment	<u> </u>	<u> </u>
Total Expenditures	190,203	1,025
Excess of Revenue Over (Expenditures)	20,521	165
 OTHER FINANCING SOURCES (USES)		
Transfers in		
Transfers out	<u>(10,243)</u>	<u> </u>
Total Other Financing (Uses) Sources	(10,243)	-
Net Change in Fund Balances	10,278	165
 FUND BALANCES, Beginning of Year		
	<u>237,894</u>	<u>134,265</u>
 FUND BALANCES, End of Year		
	\$ <u>248,172</u>	\$ <u>134,430</u>

Capital Projects	Nonmajor Government Funds	Totals
\$ 67,884	\$ 251	\$ 147,900
	70,700	180,179
		5,424
	12,653	15,068
	592	15,423
<u>67,884</u>	<u>84,196</u>	<u>363,994</u>
		118,834
	9,713	82,107
	14,284	14,284
		-
77,830	50,211	128,041
<u> </u>	<u>8,336</u>	<u>8,336</u>
77,830	82,544	351,602
(9,946)	1,652	12,392
3,718	6,525	10,243
<u> </u>	<u> </u>	<u>(10,243)</u>
3,718	6,525	-
(6,228)	8,177	12,392
<u>39,494</u>	<u>861</u>	<u>412,514</u>
\$ <u>33,266</u>	\$ <u>9,038</u>	\$ <u>424,906</u>

See Accompanying Notes to Financial Statements

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Net Changes in Fund Balance	
Total Governmental Funds	\$ 12,392

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 as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalized threshold.

This activity is reconciled as follows:

Cost of asset capitalized	128,041
Depreciation expense	(41,559)

Repayment of debt principle is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of debt repayment.

7,744

Net change in compensated absences	163
Change in net assets of governmental activities	\$ <u>106,781</u>

See Accompanying Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2008**

REVENUES	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Difference</u>
Municipal taxes:				
Property tax	\$ 12,213	\$ 12,213	\$ 12,660	\$ 447
Gasoline tax	18,950	18,950	21,376	2,426
Gross receipts taxes	<u>46,826</u>	<u>46,826</u>	<u>50,654</u>	<u>3,828</u>
	<u>77,989</u>	<u>77,989</u>	<u>84,690</u>	<u>6,701</u>
Licenses and fees:				
Business registrations	845	845	50	(795)
Liquor licenses	200	200	400	200
Administrative fees	24,147	24,147	23,832	(315)
Impact fees	<u>2,388</u>	<u>2,388</u>	686	<u>(1,702)</u>
	<u>27,580</u>	<u>27,580</u>	<u>24,968</u>	<u>(2,612)</u>
State shared taxes:				
Auto license	415	415	537	122
Cigarette tax - 2 cents	376	376	469	93
Gross receipts taxes	<u>44,481</u>	<u>44,481</u>	<u>46,454</u>	<u>1,973</u>
	<u>45,272</u>	<u>45,272</u>	<u>47,460</u>	<u>2,188</u>
Fines and forfeits:				
Court fines/fees	<u>16,127</u>	<u>16,127</u>	5,029	(11,098)
	<u>16,127</u>	<u>16,127</u>	<u>5,029</u>	<u>(11,098)</u>
Other:				
Earnings on investments	<u>-</u>	<u>-</u>	14,710	14,710
	<u>-</u>	<u>-</u>	<u>14,710</u>	<u>14,710</u>
State and federal grants:				
State small cities assistance	<u>35,000</u>	<u>35,000</u>	<u>41,595</u>	<u>6,595</u>
Total revenues	\$ <u>201,968</u>	\$ <u>201,968</u>	\$ <u>218,452</u>	\$ <u>16,484</u>

(Continued)

See Accompanying Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2008**

EXPENDITURES	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Difference</u>
Executive and legislative	\$ 15,957	\$ 15,957	\$ 14,302	\$ 1,655
Financial/administrative	62,011	62,011	59,385	2,626
Judicial	24,884	24,884	25,482	(598)
Public safety	83,859	83,859	73,353	10,506
Parks and recreation	18,611	18,611	19,055	(444)
Streets	<u>7,600</u>	<u>7,600</u>	<u>8,999</u>	<u>(1,399)</u>
Total expenditures	<u>212,922</u>	<u>212,922</u>	<u>200,576</u>	<u>12,346</u>
 Excess (deficiency) of revenues over expenditures	 \$ <u>(10,954)</u>	 \$ <u>(10,954)</u>	 \$ <u>17,876</u>	 \$ <u>28,830</u>
 Budgetary notation - Cash appropriated from prior year for current year expenditures	 \$ <u>75,300</u>			

Reconciliation to GAAP Basis - Note 13

See Accompanying Notes to Financial Statements

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
CORRECTION FUND
For the Year Ended June 30, 2008

REVENUES	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Difference</u>
Charges for services:				
Local correction fee	\$ <u>3,180</u>	\$ <u>3,180</u>	\$ <u>1,190</u>	\$ <u>(1,990)</u>
EXPENDITURES				
Care of prisoners	<u>880</u>	<u>880</u>	<u>1,024</u>	<u>(144)</u>
	<u>880</u>	<u>880</u>	<u>1,024</u>	<u>(144)</u>
Excess (deficiency) of revenues over expenditures	\$ <u>2,300</u>	\$ <u>2,300</u>	\$ <u>166</u>	\$ <u>(2,134)</u>
Reconciliation to GAAP - No adjustment necessary				

See Accompanying Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008**

ASSETS	Business-Type Activities Enterprise Funds		<u>Total</u>
	<u>Water</u>	<u>Water System Improvement</u>	
Current Assets:			
Cash and cash equivalents	\$ 65,786	\$ 31,844	\$ 97,630
Restricted assets:			
Cash and cash equivalents	<u>3,693</u>		<u>3,693</u>
Total cash (Note 3)	69,479	<u>31,844</u>	101,323
Receivables (net)	<u>12,856</u>		<u>12,856</u>
Total current assets	<u>82,335</u>	<u>31,844</u>	<u>114,179</u>
Noncurrent Assets:			
Land	5,000		5,000
Capital assets, net of depreciation (Note 12)	<u>661,424</u>	<u>175,894</u>	<u>837,318</u>
Total noncurrent assets	<u>666,424</u>	<u>175,894</u>	<u>842,318</u>
 Total Assets	 <u>\$ 748,759</u>	 <u>\$ 207,738</u>	 <u>\$ 956,497</u>
 LIABILITIES			
Current liabilities:			
Accounts payable	\$ 5,454	\$	\$ 5,454
Accrued liabilities	178		178
Due within one year	1,778		1,778
Current liabilities payable from Restricted Assets	<u>3,693</u>		<u>3,693</u>
Total current liabilities	11,103		11,103
Noncurrent liabilities:			
Due in more than one year	<u>53,400</u>		<u>53,400</u>
 Total Liabilities	 <u>\$ 64,503</u>	 <u>\$</u>	 <u>\$ 64,503</u>
 NET ASSETS			
Invested in capital assets, net of related debt	612,024	175,894	787,918
Unrestricted	<u>72,232</u>	<u>31,844</u>	<u>104,076</u>
 Total Net Assets	 <u>\$ 684,256</u>	 <u>\$ 207,738</u>	 <u>\$ 891,994</u>

See Accompanying Notes to Financial Statements

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

	Business-Type Activities Enterprise Funds		
	Water System		Total
	Water	Improvement	
Operating revenue:			
Charges for services	\$ <u>57,127</u>	\$ _____	\$ <u>57,127</u>
Operating expense:			
Operating expenses	44,775		44,775
Depreciation	<u>34,137</u>	<u>6,211</u>	<u>40,348</u>
Total operating expense	<u>78,912</u>	<u>6,211</u>	<u>85,123</u>
Operating income	(21,785)	(6,211)	(27,996)
Nonoperating Revenue (Expense):			
Interest income	2,041	1,302	3,343
Interest expense	<u>(2,696)</u>	_____	<u>(2,696)</u>
Total Nonoperating Revenues (Expense)	<u>(655)</u>	<u>1,302</u>	<u>647</u>
Income before operating transfers	(22,440)	(4,909)	(27,349)
Transfers in (out)	<u>(7,538)</u>	_____	<u>(7,538)</u>
Change in Net Assets	(29,978)	(4,909)	(34,887)
Total Net Assets, Beginning of Year	<u>714,234</u>	<u>212,647</u>	<u>926,881</u>
Total Net Assets, End of Year	\$ <u>684,256</u>	\$ <u>207,738</u>	\$ <u>891,994</u>

See Accompanying Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
For the Year Ended June 30, 2008**

	Business-Type Activities Enterprise Funds		<u>Total</u>
	<u>Water</u>	<u>Water System Improvement</u>	
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 50,245	\$ _____	\$ 50,245
Payments to supplies and employees	(41,782)	_____	(41,782)
Net cash provided (used) operating activities	<u>8,463</u>	<u>-</u>	<u>8,463</u>
Cash flows from noncapital financing activities			
Principal paid on revenue bonds	(900)		(900)
Interest paid on revenue bonds	(2,696)		(2,696)
Transfers in (out)	(7,538)	_____	(7,538)
Net cash provided (used) noncapital financing activities	<u>(11,134)</u>	<u>-</u>	<u>(11,134)</u>
Cash flows from investing activities:			
Interest on investments	<u>2,041</u>	<u>1,303</u>	<u>3,344</u>
Net increase (decrease) in cash and cash equivalents	<u>(630)</u>	<u>1,303</u>	<u>673</u>
Cash and cash equivalents, beginning of year	<u>70,109</u>	<u>30,541</u>	<u>100,650</u>
Cash and cash equivalents, end of year	\$ <u>69,479</u>	\$ <u>31,844</u>	\$ <u>101,323</u>

	Business-Type Activities Enterprise Funds		
	Water System Improvement		<u>Total</u>
	<u>Water</u>	<u>Improvement</u>	<u>Total</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$(21,785)	\$(6,211)	\$(27,996)
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation	34,137	6,211	40,348
(Increase) decrease in accounts receivable	(6,881)		(6,881)
Increase (decrease) in accounts payable	3,576		3,576
Increase (decrease) in accrued expenses	<u>(584)</u>	<u> </u>	<u>(584)</u>
Net cash provided (used) by operating activities	\$ <u>8,463</u>	\$ <u>-</u>	\$ <u>8,463</u>

See Accompanying Notes to Financial Statements

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

Note 1: Summary of Significant Accounting Policies

The Village of San Ysidro is incorporated as a municipality in the State of New Mexico and operates under the direction of a Mayor-Council form of government. The Village provides the following services as authorized by its charter: public safety (police and fire), highway and streets, water services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the Village of San Ysidro conform to accounting principles generally accepted in the United States of America as applicable to governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Village has elected to apply to its proprietary activities Financial Accounting Standard Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The following is a summary of the more significant policies.

New Accounting Standards Adopted

In June 1999, the Government Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

Note 1: Summary of Significant Accounting Policies (continued)

New Accounting Standards Adopted (continued)

For the first time, the financial statements include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Village's activities, including infrastructure (roads, bridges, etc.).

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Village has implemented the general provisions of the Statement in previous years.

Reporting Entity - Component Units

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and Government Accounting Standards Board (GASB) Statement.

The basic, but not the only criteria for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

Note 1: Summary of Significant Accounting Policies (continued)

Reporting Entity - Component Units (continued)

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no component units identified or excluded from the reporting entity.

Basic Financial Statements - Government-wide

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's police and fire protection, parks, correction and recreation, public safety, and general administrative services are classified as governmental activities. The Village water services are classified as business-type activities. Neither fiduciary funds nor component units that are fiduciary in nature are included in the government wide financial statements.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

Note 1: Summary of Significant Accounting Policies (continued)

Basic Financial Statements - Government-wide
(continued)

and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenues (property, sales, and use taxes, certain intergovernmental revenues, fines, permits, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, community, and youth services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

The Village does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1: Summary of Significant Accounting Policies (continued)

Basic Financial Statements - Government-wide
(continued)

The government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net assets resulting from the current year's activities.

Fund Accounting

The accounts of the Village of San Ysidro are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

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

Major funds specific to the Village are:

Correction Special Revenue Fund: To account for the provision of a local correction fee collected with local fines. (NMSA 35-14-11)

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1: Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Capital Projects Fund: To account for resources used to (a) provide for improvement to the community park; (b) municipal building improvements. Funding sources are state of New Mexico appropriations, CDBG funds and local sources.

Proprietary Fund Types

Proprietary (Enterprise) Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are exempt from federal income tax.

Major and Nonmajor Funds

The funds are further classified as major and nonmajor as follows:

Major Funds:

General Fund
Capital Project Fund

See above description.
To account for the financing, construction, and maintenance of capital outlay.

Special Revenue Funds:

Correction

See above description.

Nonmajor Funds:

The following are nonmajor funds - see page 38 for description:

Law Enforcement Protection Fund
Rodeo Fund
Recreation Fund

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1: Summary of Significant Accounting Policies (continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement date, regardless of the measurement focus applied.

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

The modified accrual basis of accounting is followed by the governmental fund types for financial statement purposes. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or within 60 days after year-end. For state shared and locally assessed taxes, available is defined as those amounts collected within sixty days of the balance sheet date.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation long-term debt which is recognized when due.

Cash basis accounting is utilized in the governmental funds to assure effective budgetary control and accountability. This legally prescribed budgetary basis differs from generally accepted accounting principles in the respect that the former does not

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1: Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

allow for year-end adjustments to be included in presentation in the statement of revenues, expenditures, and changes in fund balance. This accounting principle has resulted in the following differences between revenues and expenditures detailed in the Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Revenue, Expenditures, Budget (Non-GAAP Basis) and Actual.

The proprietary fund is accounted for using the accrual basis of accounting. The revenues are recognized when they are earned and expenses are recognized when incurred. Billed sewer utility receivables are recorded at year-end.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within a year of the date acquired by the Village. Investments are stated at cost and consist of certificate of deposits and Local Government Investment Pool readily convertible to cash. The Village's practice is to limit deposits and investments to insured and collateralized demand account and certificate of deposit. Protection of the Village's cash and investments is provided by the various federal deposit insurance corporations (FDIC) as well as qualified pledged securities by the institution holding the assets. The bank surety is further explained in Note 2.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received.

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1: Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Water and sewer system	30-50 years
Machinery and equipment	5-10 years
Improvements	10-40 years
Other infrastructure	10-50 years

GASB No. 34 requires the Village to report and depreciate infrastructure assets. Prior to June 30, 2007, the Village did not have any infrastructure. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Village. Neither their historical cost nor related depreciation has historically been reported in the financial statements. In accordance with Statement No. 34, the Village has included the value of all infrastructure (using the depreciation method) into its basic financial statements.

Budgets and Budgetary Accounting

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

1. The Village Clerk-Treasurer submits to the Village Council a proposed operating budget for the fiscal year commencing July 1st. The operating budget includes proposed expenditures and the means of financing them.

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1: Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

2. Public hearings are conducted at the Village offices to obtain taxpayer comments. The budget is legally enacted through passage of a resolution.
3. The Village is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Local-Government Division of the State Department of Finance and Administration.
4. Formal budgetary integration is employed as a management control device during the year for all of the governmental fund types.
5. Encumbrances are considered in budget preparation.
6. The level of classifications detail in which expenditures may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year end.
7. All budgets are adopted on a cash basis.
8. A budget has been legally adopted for all proprietary fund types and governmental fund types.

During current budget year, two special funds, to follow, exceeded their budgets. The shortages were covered by the general fund.

Encumbrances

Encumbrance accounting is not utilized by the Village.

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

Note 1: Summary of Significant Accounting Policies (continued)

Cash, Cash Investments and Cash Equivalents

Cash and cash investments include amounts in demand deposits as well as short-term investments. Short-term investments, consisting of certificates of deposits, are stated at cost. Interest-bearing deposits with maturities of 90 days or less are considered to be cash (equivalents) in the statement of cash flows.

Accumulated Compensated Absences

Vacation and sick leave for the full-time employees in the amount of \$2,686 has been included in these financial statements. Vacation is earned after one year of employment with the Village in the amount of two weeks per year. Sick leave is earned at the rate of five days per year after the completion of the probation period (90 days) and may cumulate up to ten days. Sick leave will not be paid at time of termination of employment for any days not taken during the time of employment with the Village.

Accrued Expense

Payroll for the last two days in June was paid in July, 2008. Payroll in the amount of \$544, included in governmental activities, and \$49, in the water department, were accrued at June 30, 2008.

Revenues in Proprietary Funds

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary continuing operations of the fund. Principle operating revenues for the proprietary funds are charges to customers for service. Principle operating expense are the cost of providing services and include depreciation of capital assets. Other revenue and expense are classified as nonoperating in the financial statements.

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

Note 1: Summary of Significant Accounting Policies (continued)

Restricted Resources

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

Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as a reduction or expenditure in the fund that is reimbursed. All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring and nonroutine permanent transfers or equity are reported as residual equity transfers. Interfund receivables and payables at June 30, 2008 have been eliminated from the government -wide financial statements.

Fund Equity

Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

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

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 2: Bank Surety

As permitted by statute, the Village's cash and cash investments during the year consisted of demand deposits and petty cash. These deposits were covered by the standard federal depository insurance and the balance collateralized at 50% in the form of securities, held by the financial institution's agent in the Village's name. Collateral is held under provisions of Section 6-10-17, NMSA, 1978. A breakdown of deposits and collateral is as follows:

	<u>First Community Bank</u>	<u>Jemez Valley Credit Union</u>
Total amount on deposit	\$ <u>147,348</u>	\$ <u>78,515</u>
FDIC/NCUA covered	<u>250,000</u>	<u>78,515</u>
FDIC/NCUA uncovered	(102,652)	
50% collateral required	73,674	
Over/(Under) requirement	\$ <u>176,326</u>	
Total deposits:		
Category 1 - Insured with securities		\$ 225,863
Category 2 - Uncollateralized		<u>-</u>
Total deposits in bank		225,863
Add deposits in transit		380
Less outstanding checks		<u>(16,301)</u>
Total cash and cash equivalents		\$ <u>209,942</u>

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

Note 2: Bank Surety (continued)

Reconciliation of cash and cash equivalents with Exhibit 1:

Cash and cash equivalents	\$ 206,249
Restricted assets:	
Cash and cash equivalents	<u>3,693</u>
Total cash and cash equivalents	\$ <u>209,942</u>

Custodial Credit Risk - Deposits

The Village has the following depository accounts. All deposits are carried at cost plus accrued interest. The Village does not have a deposit policy.

Depository Account	
Insured	\$ 225,863
Uninsured and uncollateralized	<u>-</u>
Total deposits	\$ <u>225,863</u>

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, 2008, \$0 of the Village's bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u><u>0</u></u>
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The Village maintains two money market investment accounts with the State of New Mexico Treasurer Department. The cash balance at June 30, 2008, was \$280,666. (See Note 4)

The investments held by the State Treasurer are not insured.

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 3: Cash and Temporary Investments

<u>Account Name/Type</u>	<u>Account Number</u>	<u>Balance</u>
First Community Bank		
General-checking	1205552	\$ 108,763
Water System-income checking	1205560	34,813
Water Bond Reserve-1995-checking	1579517	<u>3,772</u>
Total First Community Bank		147,348
Jemez Valley Credit Union		
Savings	25600	205
Certificate of Deposit	25600-84	31,844
Certificate of Deposit	25600-85	31,844
Certificate of Deposit	25600-83	<u>14,622</u>
Total Jemez Valley Credit Union		78,515
Amounts on deposit		225,863
Deposits in transit		380
Outstanding items		<u>(16,301)</u>
Cash and temporary investments		\$ <u>209,942</u>
Summary - Note 2:		
General	\$ 71,661	
Special	36,958	
Proprietary	<u>101,323</u>	
Total cash	\$ <u>209,942</u>	

Note 4: Investment in the New Mexico Investment Pool

The Village holds the following investments in the New Mexico Investment Pool:

State of New Mexico - LGIP		
Money Market	4112	\$ 76,290
Money Market	2647	<u>204,376</u>
Total State of New Mexico		\$ <u>280,666</u>

Credit Risk - The LGIP is rated AAAM by Standards and Poor's.

Interest Rate Risk - Weighted Average Maturity (WAM) for the LGIP as of June 30, 2008, was 46 day average for the month.

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

Note 4: Investment in the New Mexico Investment Pool
(continued)

The investments in the New Mexico Investment Pool are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10.1A and E, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool Investments are monitored by the same investment committees and the same policies and procedures that apply to all other state investments.

The Local Government Investment Pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts in the fund were invested. Participation in the local government investment pool is voluntary.

Note 5: Accounts Receivables

The account receivables of the governmental fund types consist primarily of taxes collected by the collecting agency in the current year, but not remitted to the Village until after year end and judicial court fines and fees assessed in the current year but not collected.

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

Note 5: Accounts Receivables (continued)

<u>Type</u>	<u>General Fund</u>	<u>Special Revenue</u>
Grant receivable	\$	\$ 75,131
Property taxes	1,123	
Gasoline taxes	1,715	
Miscellaneous taxes	72	16
Gross receipt taxes	6,319	
Court fines and fees	<u>18,356</u>	
Total	\$ <u>27,585</u>	\$ <u>75,147</u>

The accounts receivables of the proprietary funds represent earned income from water and reverse osmosis services. Those accounts greater than 60 days old and appearing uncollectible have been provided for in an allowance for doubtful accounts in the amount of \$8,272. Those amounts unbilled for water and reverse osmosis services have not been estimated or recorded as the amount is insignificant.

Note 6: Long-Term Debt

Governmental Activities

General Long-Term Debt

In 2006, the Village obtained a loan for acquisition of a police vehicle for the law enforcement department from the state of New Mexico. The Village has pledged revenues from its distribution from the State Law Enforcement Protection Fund and amounts sufficient to service this obligation are being intercepted by the Authority. The purchase price of the vehicle was \$23,500, and the interest rate is 3.0%. The loan was paid in full during 2008.

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 6: Long-Term Debt (continued)

Governmental Activities (continued)

General Long-Term Debt (continued)

Changes in long-term debt for the year are as follows:

	Balance 7-1-07	Additions	Payments	Balance 6-30-08	Current Portion
Loan-NMFA	\$ 8,093	\$	\$ 8,093	\$ -	\$
Comp. Absence	<u>1,723</u>	<u>1,909</u>	<u>1,723</u>	<u>1,909</u>	<u>1,909</u>
	\$ <u>9,816</u>	\$ <u>1,909</u>	\$ <u>9,816</u>	\$ <u>1,909</u>	\$ <u>1,909</u>

Maturities over five years:

<u>June 30</u>	<u>Principle</u>
2008	\$ <u>1,909</u>

Governmental accrued compensation absences and the notes payable will be paid by the general fund. The business-type notes payable and accrued compensation will be paid by the water department.

Business-Type Activities
1996 Water Revenue Bonds Payable

The Village issued \$63,000 of a 4.875% revenue bond in 1997 to finance the Village's new water infiltration system. Annual payments including interest are payable June 17th of each year. This debt is included in proprietary fund balance sheet.

Changes in long-term debt for the year as follows:

	Balance 7-1-07	Additions	Payments	Balance 6-30-08	Current Portion
Bonds	\$ 55,300	\$	\$ 900	\$ 54,400	\$ 1,000
Comp. Absence	<u>802</u>	<u>778</u>	<u>802</u>	<u>778</u>	<u>778</u>
	\$ <u>56,102</u>	\$ <u>778</u>	\$ <u>1,702</u>	\$ <u>55,178</u>	\$ <u>1,778</u>

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

Note 6: Long-Term Debt (continued)

Business-Type Activities (continued)
1996 Water Revenue Bonds Payable (continued)

Maturities are as follows:

<u>June 30</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,778	\$ 2,652	\$ 4,430
2010	1,000	2,603	3,603
2011	1,100	2,554	3,654
2012	1,100	2,501	3,601
2013	1,200	2,447	3,647
2014-2019	6,700	11,325	18,025
2020-2024	8,500	9,531	18,031
2025-2029	11,000	7,215	18,215
2030-2034	13,700	4,285	17,985
2035-2036	9,100	858	9,958
	\$ <u>55,178</u>	\$ <u>45,971</u>	\$ <u>101,149</u>

Note 7: Property Taxes

The Village of San Ysidro receives property taxes from the Sandoval County Treasurer for operational purposes. Property taxes are assessed on January 1 of each year, except on livestock, and are payable in two equal installments on November 10th of the year in which the tax bill is prepared and April 10th of the following year. In addition, tax levies are authorized by statute to service payments due on general obligation bonds which have been authorized pursuant to state law.

The Mill Levy tax rates for the Village of San Ysidro for the year ended June 30, 2008, were as follows:

	<u>Residential</u>	<u>Nonresidential</u>
General Operating	5%	6%

These are the tax rates applied to each \$1,000 property value taxable by the Village.

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

Note 8: Retirement Plan

Plan Description

All of the Village of San Ysidro full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy

Plan members are required to contribute 7% for law enforcement and 7% for all other members (range from 4% to 16.3% depending upon the division, i.e., state general, state hazardous duty, state police, municipal general, municipal police, municipal fire) of their gross salary. The Village of San Ysidro is required to contribute 10% for law enforcement and 7% for all other plan members (range from 7% to 25.72% depending upon the division) of the gross covered salary. The contribution requirements of plan members and the Village of San Ysidro are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Village of San Ysidro's contributions to PERA for the years ending June 30, 2008, 2007, and 2006, were \$8,494, \$7,400, and \$7,409, respectively, equal to the amount of the required contributions for each year.

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 9: Retiree Health Care Act

The Village has elected not to participate in the New Mexico Retiree Health Care Act.

Note 10: Risk Management

The Village is exposed to various risks for loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the Village carries insurance with the New Mexico Self Insurer's Fund for a shared premium cost. The Village established a limited risk management program for general and auto liability, workman's compensation, employer's liability, and property. Premiums are paid by the General, Fire, and Water Funds.

Note 11: Contingent Liabilities

There is no provision for contingent liabilities in the Village's financial statements.

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

Note 12: Changes in Capital Assets

Governmental Activities

	<u>Balance 7/1/07</u>	<u>Addition</u>	<u>Deletions</u>	<u>Balance 6/30/08</u>
Capital Assets not being depreciated:				
Land	\$ 195,000	\$	\$	\$ 195,000
Capital Assets being depreciated:				
Infrastructure	315,330	31,760		347,090
Land improvements	39,519			39,519
Building/improvements	450,133	46,070		496,203
Furniture and equipment	292,758	50,211		342,969
Vehicles	<u>74,655</u>			<u>74,655</u>
Total capital assets	<u>1,367,395</u>	<u>128,041</u>		<u>1,495,436</u>
Less accumulated depreciation:				
Infrastructure	(3,153)		6,307	(9,460)
Land improvement	(2,750)		1,937	(4,687)
Building/improvements	(70,652)		14,290	(84,942)
Furniture and equipment	(266,341)		7,743	(274,084)
Vehicles	<u>(32,754)</u>		<u>11,282</u>	<u>(44,036)</u>
Total accumulated depreciation	<u>(375,650)</u>		<u>41,559</u>	<u>417,209</u>
Net capital assets	\$ <u>991,745</u>	\$ <u>128,041</u>	\$ <u>41,559</u>	\$ <u>1,078,227</u>

Depreciation expense was allocated to the functional expense categories based on the assets assigned:

General government	\$ 13,398
Public safety	13,806
Highways and streets	6,307
Culture and recreation	<u>8,048</u>
Total depreciation expense allocated	\$ <u>41,559</u>

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

Note 12: Changes in Capital Assets (continued)

Business-Type Activities

	Balance 7/1/07	Addition	Deletions	Balance 6/30/08
Land	\$ 5,000	\$	\$	\$ 5,000
Water utility plant	498,154			498,154
Water system improvements	769,955			769,955
Utility meters and equipment	40,160			40,160
Total capital assets	<u>1,313,269</u>			<u>1,313,269</u>
Less accumulated depreciation				
Water utility plant	(257,757)		15,096	(272,853)
Water system improvements	(157,813)		22,568	(180,381)
Utility meters and equipment	(15,033)		2,684	(17,717)
Total accumulated depreciation	<u>(430,603)</u>		<u>40,348</u>	<u>(470,951)</u>
Net capital assets	\$ <u>882,666</u>	\$ <u>-</u>	\$ <u>40,348</u>	\$ <u>842,318</u>

Note 13: Reconciliation of Budgetary Basis to GAAP Basis

The following is an explanation of differences between budgetary basis and GAAP basis for the general fund for the year ended June 30, 2008:

Governmental Funds:

<u>Revenues</u>	<u>General</u>
Total revenues per budgetary basis	\$ 218,452
Increase (decrease) in taxes receivable	1,079
Account activity not reflected in client reports	722
Increase (decrease) in court fines receivable	(1,991)
Adjustment to revenue-charges for services include grant and other reimbursements	(7,538)
Total revenues per GAAP	\$ <u>210,724</u>

<u>Expenditures</u>	<u>General</u>
Total expenditures per budgetary basis	\$ 200,576
Increase (decrease) in accounts payable	126
Increase (decrease) in accrued payroll and taxes	(3,303)
Transfer	(6,788)
Reclassification of expenditures	(408)
Total expenditures per GAAP basis	\$ <u>190,203</u>

REQUIRED SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

SPECIAL REVENUE FUNDS

To account for those activities which resources are to be used for specific purposes.

Law Enforcement Protection Fund (LEPF)

To account for the proceeds of a state grant provided for the purchase and repair of equipment as well as specialized training of police personnel. (NMSA 29-13-7)

Recreation Fund

To account for the operations of certain recreational activities in the Village. Financing is provided by gross receipts tax. (NMSA 7-12-1 and 15)

Youth Rodeo Fund

To account for the operation of equestrian and livestock educational activities in the Village. (Village Resolution)

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

COMBINING BALANCE SHEET - NONMAJOR FUNDS
SPECIAL REVENUE FUNDS
June 30, 2008

	<u>LEPF</u>	<u>Rodeo</u>
Assets:		
Cash and cash equivalents	\$ 6,633	\$ -
Accounts receivable		
Total assets	\$ <u>6,633</u>	\$ <u>-</u>
Liabilities and Fund Balance:		
Liabilities:		
Accounts payable	\$ _____	\$ _____
Fund balance:		
Unreserved - undesignated	<u>6,633</u>	<u> </u>
Total fund balance	<u>6,633</u>	<u>-</u>
Total liabilities and fund balance	\$ <u>6,633</u>	\$ <u>-</u>

<u>Debt Service</u>	<u>Recreation</u>	<u>Total 2008</u>
\$ _____	\$ 2,500	\$ 9,133
	<u>50,116</u>	<u>50,116</u>
\$ <u>-</u>	\$ <u>52,616</u>	\$ <u>59,249</u>
\$ _____	\$ <u>50,211</u>	\$ <u>50,211</u>
	<u>50,211</u>	<u>50,211</u>
_____	<u>2,405</u>	<u>9,038</u>
_____	<u>2,405</u>	<u>9,038</u>
\$ <u>-</u>	\$ <u>52,616</u>	\$ <u>59,249</u>

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR FUND
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2008

	<u>LEPF</u>	<u>Rodeo</u>
Revenues:		
Municipal taxes	\$	\$
State shared taxes		
Charges for services		
Other	3,490	1,992
Federal and state grants	<u>20,600</u>	
Total revenues	<u>24,090</u>	<u>1,992</u>
Expenditures:		
Current:		
Public safety	9,713	
Highways and streets		
Culture recreation		3,952
Interest expense		
Debt service		
Capital outlay		
Total expenditures	<u>9,713</u>	<u>3,952</u>
Excess (deficiency) of revenues over expenditures	14,377	(1,960)
Other financing sources and uses:		
Transfer(to)from general fund	(7,744)	3,455
Net change in fund balance	6,633	1,495
Fund Balances:		
Beginning of year	-	(1,495)
End of year	\$ <u>6,633</u>	\$ <u>-</u>

<u>Debt Service</u>	<u>Recreation</u>	<u>Total 2008</u>
\$	\$	\$
	251	251
	7,171	12,653
592		592
	<u>50,100</u>	<u>70,700</u>
<u>592</u>	<u>57,522</u>	<u>84,196</u>
		9,713
	10,332	14,284
592		592
7,744		7,744
	<u>50,211</u>	<u>50,211</u>
<u>8,336</u>	<u>60,543</u>	<u>82,544</u>
(7,744)	(3,021)	1,652
7,744	3,070	6,525
-	49	8,177
-	<u>2,356</u>	<u>861</u>
\$ <u>-</u>	\$ <u>2,405</u>	\$ <u>9,038</u>

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
LAW ENFORCEMENT PROTECTION
For the Year Ended June 30, 2008

REVENUES	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Difference</u>
State grants:				
State grant	\$ 20,600	\$ 20,600	\$ 20,600	\$ -
Other			3,490	3,490
	<u>20,600</u>	<u>20,600</u>	<u>24,090</u>	<u>3,490</u>
 EXPENDITURES				
Public safety:				
Operating expenses	<u>20,600</u>	<u>20,600</u>	<u>9,713</u>	<u>10,887</u>
	<u>20,600</u>	<u>20,600</u>	<u>9,713</u>	<u>10,887</u>
Transfer Out			(7,744)	(7,744)
Excess (deficiency) of revenues over expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>6,633</u>	\$ <u>6,633</u>
Reconciliation to GAAP - No adjustment required				

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
RECREATION
For the Year Ended June 30, 2008**

REVENUES	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Difference</u>
State shared taxes:				
Cigarette tax - 1 cent	\$ 189	\$ 189	\$ 235	\$ 46
Grant	<u>59,023</u>	<u>59,023</u>	<u>7,171</u>	<u>(51,852)</u>
	<u>59,212</u>	<u>59,212</u>	<u>7,406</u>	<u>(51,806)</u>
EXPENDITURES				
Recreation:				
Operating expense	<u>61,147</u>	<u>64,217</u>	<u>10,577</u>	<u>53,640</u>
	<u>61,147</u>	<u>64,217</u>	<u>10,577</u>	<u>53,640</u>
Transfer	-	3,070	3,070	
Excess (deficiency) of revenues over expenditures	\$ <u>(1,935)</u>	\$ <u>(1,935)</u>	(101)	\$ <u>1,834</u>
Budgetary notation - cash appropriated from prior year for current year expenditures	\$ <u>2,601</u>			
Reconciliation to GAAP -				
Increase in accounts receivable			50,116	
(Increase) in accounts payable			<u>(49,966)</u>	
Net change in fund balance			\$ <u>49</u>	

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**BUDGETARY COMPARISON SCHEDULE
RODEO FUND
For the Year Ended June 30, 2008**

REVENUES	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Difference</u>
State grant:				
State grant	\$	\$	\$	\$
Other	<u> </u>	<u> </u>	<u>1,922</u>	<u>1,922</u>
	-	-	1,992	1,992
 EXPENDITURES				
Culture/recreation	<u> </u>	<u> </u>	<u>3,952</u>	<u>(3,952)</u>
	-	-	3,952	(3,952)
Transfer in			3,455	3,455
Excess (deficiency) of revenues over expenditures	\$ <u> </u>	\$ <u> </u>	\$ <u>1,495</u>	\$ <u>1,495</u>
 Reconciliation to GAAP - No adjustment required				

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

DEBT SERVICE FUND

To account for the obligations of the Village and payment of those obligations.

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Difference</u>
Receipts				
Miscellaneous	\$ <u> 32</u>	\$ <u> 32</u>	\$ <u> 592</u>	\$ <u> 560</u>
Expenditures				
Debt service	<u>8,702</u>	<u>8,702</u>	<u>8,336</u>	<u> 366</u>
Excess/deficiency	(8,670)	(8,670)	(7,744)	926
Other financing sources				
Transfers - in	<u>8,702</u>	<u>8,702</u>	<u>7,744</u>	<u>(958)</u>
Excess (deficiency) of revenue over expenditures	\$ <u> 32</u>	\$ <u> 32</u>	\$ <u> 0</u>	\$ <u>(32)</u>

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

CAPITAL PROJECTS FUND

To account for funds which are used to fund capital outlay in the government funds within the Village.

Capital Projects - To account for resources to a) provide equipment for the community park; b) make improvements to Village office; and c) make Scenic By-way improvements. Funding sources are State of NM appropriations, DOT grants and local sources.

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Difference
Revenues				
Grants - state	\$ 50,000	\$ 50,000	\$ 21,039	\$ (28,961)
Grant - federal	21,814	21,814	21,814	-
CDBG	27,500	27,500	-	(27,500)
Other	<u>329,890</u>	<u>329,890</u>	<u>-</u>	<u>(329,890)</u>
	<u>429,204</u>	<u>429,204</u>	<u>42,853</u>	<u>(386,351)</u>
Expenditures				
Utilities	329,890	329,890		329,890
Infrastructure	43,717	43,717	31,760	11,957
Building/equipment	50,000	50,000	31,458	18,542
Other	<u>27,500</u>	<u>27,500</u>	<u>-</u>	<u>27,500</u>
	<u>451,107</u>	<u>451,107</u>	<u>63,218</u>	<u>387,889</u>
Transfer in			3,718	3,718
Excess (deficiency) of revenues over expenditures	\$ <u>(21,903)</u>	\$ <u>(21,903)</u>	(16,647)	\$ <u>5,256</u>
Budgetary notation - Cash appropriated from prior year for current year expenditures	\$ <u>39,494</u>			
Reconciliation to GAAP -				
Increase in accounts receivable			25,031	
(Increase) in accounts payable			<u>(14,612)</u>	
Net change in fund balance			\$ <u>(6,228)</u>	

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS
As of and for the Year Ended June 30, 2008

PROPRIETARY (ENTERPRISE) FUNDS

To account for those services provided to the residents of the Village on a user-charge basis.

Water Fund

To account for the provision of water services to residents of the Village.

Water System Improvement Project

To account for the provision of water tank, new meter equipment, water mains and fire hydrants for residents of the Village.

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**BUDGETARY COMPARISON SCHEDULE
PROPRIETARY FUND
WATER UTILITY
For the Year Ended June 30, 2008**

REVENUES AND OTHER SOURCES	Original <u>Budget</u>	Revised <u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Sales of services and fees	\$ 59,648	\$ 59,648	\$ 50,245	\$ (9,403)
Interest income			<u>2,041</u>	<u>2,041</u>
Total revenues	<u>59,648</u>	<u>59,648</u>	<u>52,286</u>	<u>(7,362)</u>
 EXPENDITURES AND OTHER USES				
Operating expenses	64,448	64,448	41,782	22,666
Interest on bonds			2,696	(2,696)
Principal on bonds			900	(900)
Operating transfers-out			<u>7,538</u>	<u>(7,538)</u>
Total expenses	<u>64,448</u>	<u>64,448</u>	<u>52,916</u>	<u>11,532</u>
Transfer out	(16,202)	(16,202)	0	16,202
Excess (deficiency) of revenue over expenses	\$ <u>(21,002)</u>	\$ <u>(21,002)</u>	(630)	\$ <u>20,372</u>
 Budgetary notation -				
Cash appropriated from prior year for current year expenditures	\$ <u>70,109</u>			
 Reconciliation to GAAP:				
Nonbudgeted items:				
Depreciation			(34,137)	
Other differences:				
Accounts receivable			6,881	
Accounts payable			(3,576)	
Accrued liabilities			584	
Principal on debt			<u>900</u>	
Net income (loss)			\$ <u>(29,978)</u>	

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

BUDGETARY COMPARISON SCHEDULE
PROPRIETARY FUND
WATER SYSTEM IMPROVEMENT PROJECT
For the Year Ended June 30, 2008

REVENUES	Original <u>Budget</u>	Revised <u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Interest income	\$	\$	\$ 1,302	\$ 1,302
CDBG Grant				
Total revenues	<u>0</u>	<u>0</u>	<u>1,302</u>	<u>1,302</u>
 EXPENDITURES				
Operating expense				
Total expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Transfer In				
Excess (deficiency) of revenue over expenses	\$ <u>0</u>	\$ <u>0</u>	1,302	\$ <u>1,302</u>
 Reconciliation to GAAP:				
Depreciation			<u>6,211</u>	
Net income (loss)			\$ (<u>4,909</u>)	

**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,
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Hector Balderas, State Auditor,
Steve M. Lucero, Mayor, and Members
of the Village Trustees for the
Village of San Ysidro, New Mexico

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparison for the general fund and the major special revenue funds, and the combining and individual funds presented as supplemental information of the state of New Mexico of the Village of San Ysidro (Village), as of June 30, 2008, and have issued my report thereon dated October 31, 2011. I have conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control

over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operations of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect Village's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Village's financial statements that is more than inconsequential will not be prevented or detected by Village's internal control. I considered the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 98-1, 00-2, 06-1, 06-2 and 06-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the reportable conditions described above, I consider the following item to be a material weakness: 98-1.

Compliance

As part of obtaining reasonable assurance about whether the Village of San Ysidro's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses.

I noted certain matters that are required to be reported under *Government Auditing Standards* January 2008 Revision paragraphs 5.14 and 5.16 and Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 05-1, 05-2, 06-3 and 08-1.

The Village's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit the Village's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Village Trustees of the Village of San Ysidro, the Office of the State Auditor, the New Mexico Legislature, and the State of New Mexico's Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

Karl Law CRT, P.C.

October 31, 2011

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2008**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses an unqualified opinion on the financial statements of the Village of San Ysidro.
2. Eight reportable conditions disclosed during the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. One of the conditions is reported as a material weakness.
3. No instances of noncompliance material to the financial statement of the Village of San Ysidro were disclosed during the audit.
4. These financial statements have been prepared by the auditor, Kathleen R. Lane, CPA. However, the contents of these financial statements remain the responsibility of the Village.

Federal Awards

5. There were no federal grants awarded to the Village in the current year.

Prior Year Findings, Not Resolved and Repeated

- 98-1 Monthly Financial Reports-Summary and Detail
- 00-2 Segregation of duties
- 05-1 Personnel Payroll Records
- 05-2 Over expenditure of Budget
- 06-1 Water Department Billing Report for July 2008 Not Available
- 06-2 Court Action on Delinquent Accounts Receivable
- 06-3 Late Audit Report

Current Year Finding

- 08-1 Unauthorized use of Village equipment

**STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO**

**SCHEDULE OF FINDINGS
For the Year Ended June 30, 2008**

(98-1) Monthly Financial Reports -
Summary and Fund Detail

Prior Year Finding (1998-1999), not resolved and repeated in current year (2007-2008)

Condition:

The supporting Excel spreadsheets prepared to support the totals reported on the monthly financial report did not agree with the quarterly DFA report.

Criteria:

Good internal accounting control practice dictates a clear audit trail should exist from cash receipts and disbursements reported to the total spreadsheet. Each fund's beginning cash balance should be corrected to the prior year audited balance, plus receipts, less disbursement should equal ending cash balances.

Effect:

The audit trail was not clear and incomplete.

Cause:

The detail spreadsheets did agree with total cash receipts and disbursements but did not agree with the quarterly reports sent to DFA.

Recommendation:

Due to the small staff, it would help to have another person review the numbers on the report to correct any mathematical errors. The Village Clerk should take additional time and attend additional training to complete the financial reports. Use of computer accounting programs and spreadsheets will aid in the preparation and accuracy of reports.

Response:

The Village Clerk has been working with her DFA analyst to correct the above problems. The Clerk now has a better understanding of the reports. The Clerk attends workshops to aid in the Village financial reporting and will be utilizing the Village accounting program much further.

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

SCHEDULE OF FINDINGS
For the Year Ended June 30, 2008

(00-2) Segregation of Duties

Prior Year Findings (1999-2000), not resolved and repeated in the current year:

Condition:

Due to the small office size, segregation of duties is not available. The Village Clerk records receipts and disbursement, reconciles the accounts and prepares financial reports.

Criteria:

The person who has custody of assets should not also be responsible for recording and reconciling the reports.

Effect:

Since there is not anyone else involved in the accounting process errors can occur and be undetected.

Cause:

The Village is a small community.

Recommendation:

Due to lack of segregation of duties and the small community, I recommend a board trustee review and sign off on monthly cash disbursements and bank reconciliation. If feasible, I would recommend that the Clerk-Treasurer not prepare bank reconciliations.

Response:

The Mayor and Council review reports at every regular monthly meeting and ask questions. The Mayor feels they have good oversight of the financial accounting.

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

SCHEDULE OF FINDINGS
For the Year Ended June 30, 2008

(05-1) Personnel Payroll Records

Prior Year Findings (2004-2005), not resolved and repeated in the current year:

Condition:

Of ten employee personnel/payroll files tested, the following were noted:

- a. Forms I-9 were not completed properly for all but two employees.

Criteria:

For those persons hired after 1986, a properly completed Form I-9 is required by law.

Effect:

Personnel files are not as complete as they should be.

Cause:

Village staff did not follow the instructions for the proper completion of the form.

Recommendation:

Copies of completed Forms I-9 (for those hired after 1986) are required by law.

Response:

Concur. These forms will be reviewed for correction.

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

SCHEDULE OF FINDINGS
For the Year Ended June 30, 2008

(05-2) Over expenditure of Budget

Prior Year Findings (2004-2005), not resolved and repeated in the current year:

Condition:

The following Funds had expenditures in excess of the budgeted amount:

Youth Rodeo	\$3,952
Correction	\$ 144

Criteria:

Per state statute (NMSA 6-6-6), the approved budget for a local public body is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof.

Effect:

The budget was not followed and the Village is in violation of statute.

Cause:

The Youth Rodeo Fund was a new special fund in 2007. The expenses were unexpected. The correction fund was overspent by \$144.

Recommendation:

A Budget Adjustment Request near year end can adjust the budget. All fund expenditures should be monitored for budgetary limits.

Response:

Concur.

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

SCHEDULE OF FINDINGS
For the Year Ended June 30, 2008

(06-1) Water Department Billing
Report for July 2008 Not Available

Prior Year Findings (2005-2006), not resolved and repeated in the current year:

Condition:

The Water Utility Billing Report for July 2008 was not available to the auditor.

Criteria:

Good internal accounting control practice dictates that monthly billing and accounts receivable reports be generated and retained. The July report is used to establish Water Utility accounts receivable at June 30, 2008.

Effect:

The accounts receivable total for the Water Utility had to be calculated based on other reports.

Cause:

A computer system error occurred during the July 2008 processing.

Recommendation:

Policies should be instituted to insure that the billing report data integrity will be maintained.

Response:

Concur.

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

SCHEDULE OF FINDINGS
For the Year Ended June 30, 2008

(06-2) Court Action on Delinquent Accounts Receivable

Prior Year Findings (2005-2006), not resolved and repeated in the current year:

Condition:

At June 30, 2008, the Municipal Court had a balance of \$18,356 in outstanding fines, dating to the year 1999. Little progress has been made in collection of these amounts.

Criteria:

Good internal accounting control practice dictates that collection actions should be taken when payment is overdue.

Effect:

If no action is taken, older accounts will never be paid.

Cause:

The court has limited resources.

Recommendations:

One course of action is to enact bench warrants for failure to pay. These will then show up on a driver's license history at renewal time. Processing of a certain number of these accounts per month should be considered.

Response:

The Marshall is continuing to review the outstanding fines and will be making a recommendation to write off uncollectible amounts.

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

SCHEDULE OF FINDINGS
For the Year Ended June 30, 2008

(06-3) Late Audit Report

Prior Year Findings (2005-2006), not resolved and repeated in the current year:

Condition:

The audit report for the year ended June 30, 2008, was not submitted by the deadline set by the Office of the State Auditor. It was sent to the State Auditor Office on November 28, 2011.

Criteria:

Per Section 2.2.2.9 NMAC (State Auditor Rule), the deadline for submission of this report was December 1, 2008. Also per this rule, a finding is required to be written in the event of a late report.

Effect:

The Village was not in compliance with this rule.

Cause:

The original contract was lost between the independent auditor and the Village and was never received by the Office of the State Auditor. Other delays occurred with the independent auditor. The Office of the State Auditor approved a new auditor contract on March 15, 2011, before audit could begin.

Recommendation:

The State Auditor Rule for report deadline should be followed in the future.

Response:

Concur.

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

SCHEDULE OF FINDINGS
For the Year Ended June 30, 2008

(08-1) Unauthorized Use of Village Equipment

Condition:

The Village purchased a skid steer loader on June 30, 2008 for the use of the Village Park. When the auditor went out physically to observe the equipment, it was not on Village property. It was being used by nonemployee individuals.

Criteria:

The Village equipment is to be used by Village employees or authorized individual.

Effect:

There is a potential liability to the Village for unauthorized use of Village equipment.

Cause:

Members of the Rodeo committee, who are not employees of the Village, have been using the skid steer for rodeo arena maintenance as well as park maintenance.

Recommendation:

I recommend an equipment use policy to be established for operating use by qualified individuals.

Response:

The Village has already limited the number of users and notified users of the equipment about an equipment use policy. A letter will be sent out and signed by authorized users and maintained on file.

STATE OF NEW MEXICO
VILLAGE OF SAN YSIDRO

June 30, 2008

Kathleen R. Lane, CPA, prepared the financial statements of the Village of San Ysidro, New Mexico, for the year ended June 30, 2008.

Exit Conference:

An exit conference was held November 22, 2011 at the Village office.

Representing the Village:

Steve M. Lucero, Mayor
Christina R. Lucero, Clerk/Treasurer

Representing Kathleen R. Lane, P.C.:

Kathleen R. Lane, CPA