
Animal Service Center of the Mesilla Valley

*Financial Statements
and
Independent Auditors' Report
June 30, 2011*



CPAs | Business & Financial Advisors

Animal Service Center of the Mesilla Valley

Table of Contents

	<u>Page</u>
Board of Directors	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-10
Basic Financial Statements	
Statement of Net Assets and Governmental Funds Balance Sheet	11
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances	12
General Fund Statement of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual	13
Capital Projects Fund Statement of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual	14
Notes to Financial Statements	15-24
Supplementary Information	
Schedule of Pledged Collateral	25
Schedule of Deposit Accounts and Investments	26
Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	27-28
Schedule of Findings and Responses	29
Exit Conference and Financial Statement Preparation	30

Animal Service Center of the Mesilla Valley
June 30, 2011

BOARD OF DIRECTORS

The Board of Directors, none of whom are employed by the Animal Service Center of the Mesilla Valley for the year ended June 30, 2011, are:

Billy Garrett	Chair
Dolores Connor	Vice Chair
Karen Perez	Board Member
Miguel G. Silva	Board Member
Jess Williams	Board Member
Nathan Small	Board Member
Brian Haines	Board Member
Robert Garza	Board Member

Independent Auditors' Report

Mr. Hector Balderas, State Auditor of New Mexico and
The Board of Directors of the Animal Service Center of the Mesilla Valley

We have audited the accompanying financial statements of the governmental activities and the major fund of the Animal Service Center of the Mesilla Valley (ASCMV) as of and for year ended June 30, 2011, which collectively comprise ASCMV's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of ASCMV's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of ASCMV as of June 30, 2011, and the respective changes in financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011, on our consideration of ASCMV'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* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ASCMV's basic financial statements. The accompanying schedules of pledged collateral and deposit accounts and investments are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REDW LLC

November 22, 2011

Animal Service Center of the Mesilla Valley

Management's Discussion and Analysis

For the Year Ended June 30, 2011

The management discussion and analysis for the Animal Service Center of the Mesilla Valley (ASCMV) presents an overview of the financial performance for the year ended June 30, 2011. It is intended to be read in conjunction with the financial statements, which follow this section.

ASCMV operates under a joint powers agreement between the City of Las Cruces and Dona Ana County. It is the mission of the Center to provide safe shelter for all lost, mistreated, and abandoned animals of the Mesilla Valley and surrounding communities. The Center utilizes all avenues available to it in placing each animal into a safe, loving, and permanent home whenever possible. ASCMV strives to meet the highest standards of humane animal care and husbandry, and to promote responsible pet ownership through public education and outreach.

The board of directors and its management value fiscal and programmatic accountability. ASCMV is the steward for contributions from participating governments, and operates as a governmental entity.

Overview of Financial Statements

This annual report consists of four parts:

1. Management's discussion and analysis.
2. Basic financial statements.
3. Notes to the basic financial statements.
4. Supplementary information.

The basic financial statements combine the organization-wide and fund financial statements. These statements present different views of the organization.

The statement of net assets and the statement of activities are organization-wide financial statements that provide information about ASCMV's overall financial status. The organization-wide financial statements are designed to provide readers with a broad overview of ASCMV's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of ASCMV's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets serve as a useful indicator of whether the financial position of the organization is improving or deteriorating.

The statement of activities presents information showing how ASCMV's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items, for example, accrued vacation leave, that will only result in cash flows in future fiscal periods.

Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2011

ASCMV's financial activities are reported in the general fund, which focuses on how cash and other financial assets flow in and out, and the balances remaining at year-end that are available for spending. Consequently, the general fund provides a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance ASCMV's programs.

The financial statements also include notes that explain some of the information in the financial statements and provide more detail. The statements are followed by a section of supplementary information.

Fiscal Agent

The City of Las Cruces is the fiscal agent for ASCMV. As fiscal agent, the City establishes funds to account for money allocated to a particular purpose, and to demonstrate compliance with legal and contractual requirements.

Financial Analysis of the Animal Service Center of the Mesilla Valley

Net Assets—Net assets increased to \$581,515 at June 30, 2011, from \$544,840 at June 30, 2010. The increase was primarily capital assets.

Table 1 summarizes the net assets:

Table 1
ASCMV Net Assets
As of June 30,

	2011	2010
Assets		
Current assets	\$ 531,457	\$ 528,079
Capital assets, net	114,398	91,980
Total assets	\$ 645,855	\$ 620,059
Liabilities		
Accounts payable	\$ 11,181	\$ 17,063
Accrued payroll liabilities	53,159	58,156
Total liabilities	64,340	75,219
Net Assets		
Invested in capital assets	114,398	91,980
Unrestricted	467,117	452,860
Total net assets	581,515	544,840
Total liabilities and net assets	\$ 645,855	\$ 620,059

Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Changes in Net Assets—Total revenues for the year ended June 30, 2011, were \$1,882,339 compared with expenses of \$1,862,452. The change in net assets was \$36,675. The decrease in total revenues of \$146,839 was primarily because of reduced funding from the City of Las Cruces for the fiscal year. Expenditures for the fiscal year exceeded 2010 spending by approximately \$50,000. This was related to capital outlay, which totaled \$32,390.

Table 2 summarizes the change in net assets for 2010 and 2011.

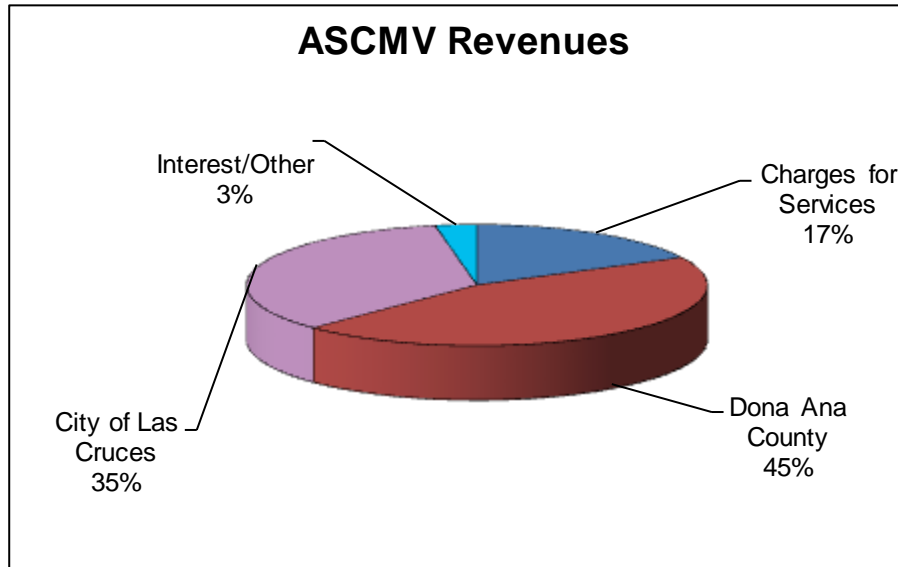
Table 2
Changes in Net Assets
For the Years Ended June 30,

	<u>2011</u>	<u>2010</u>
Revenues		
Charges for services	\$ 328,674	\$ 305,174
Operating contributions		
Dona Ana County	848,365	848,365
City of Las Cruces	650,513	802,151
Other revenues	58,181	61,342
Investment gain (loss)	<u>(3,394)</u>	<u>12,146</u>
Total revenue	<u>1,882,339</u>	<u>2,029,178</u>
Expenses	<u>1,845,664</u>	<u>1,795,497</u>
Change in net assets	36,675	233,681
Net assets, beginning of period	<u>544,840</u>	<u>311,159</u>
Net assets, end of period	<u><u>\$ 581,515</u></u>	<u><u>\$ 544,840</u></u>

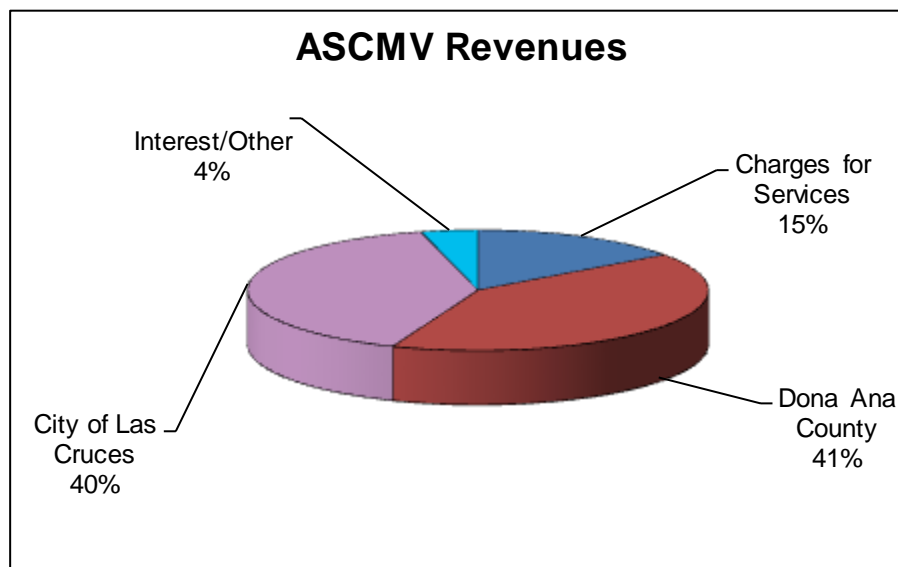
**Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2011**

Charts 1 and 2 show the revenues by source for fiscal years 2011 and 2010, respectively.

**Chart 1
Revenues by Source 2011**



Revenues by Source 2010



Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Budgetary Information—The board of directors approves the annual budget and, when necessary, revisions to the existing budget. ASCMV makes every effort to ensure operational expenditures do not exceed funds available. Budgetary information is presented in the basic financial statements.

Table 3 summarizes the variance between the budgeted and actual expenditures for the year ended June 30, 2011.

Table 3
Budgetary Comparison-Aggregate of All Funds
For the Year Ended June 30, 2011

	Budget		Actual	Variance	Percent Variance
	Original	Final			
Revenues					
Charges for services	\$ 278,254	\$ 278,254	\$ 328,674	\$ 50,420	18%
Operating contributions					
Dona Ana County	848,365	848,365	848,365	-	0%
City of Las Cruces	650,513	650,513	650,513	-	0%
Investment gain (loss)	1,000	1,000	(3,394)	(4,394)	-439%
Other	48,251	48,251	58,181	9,930	21%
Total revenue	<u>1,826,383</u>	<u>1,826,383</u>	<u>1,882,339</u>	<u>55,956</u>	3%
Expenditures					
Animal services	1,999,784	1,745,870	1,835,692	(89,822)	-5%
Capital outlay	-	253,914	32,390	221,524	87%
Total expenditures	<u>1,999,784</u>	<u>1,999,784</u>	<u>1,868,082</u>	<u>131,702</u>	7%
Revenues over (under) expenditures	<u>\$ (173,401)</u>	<u>\$ (173,401)</u>	<u>\$ 14,257</u>	<u>\$ 187,658</u>	-108%

The revenue budget remained unchanged throughout the fiscal year. The difference between the final revenue budget and the actual revenue results are related primarily to an increase in charges for services. The actual revenues were approximately 3% over the final budget with additional revenues of \$55,956 in fiscal year 2011.

The difference between the final expenditures and the actual expenditures are the result of efforts to control expenditures throughout the year. This contributed to total expenditures of 7% less than the budget, and a cost savings of \$131,702.

Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Capital Assets

Capital Assets—As of June 30, 2011, capital assets totaled \$114,398, net of accumulated depreciation of \$29,995. As of June 30, 2010, capital assets totaled \$91,980, net of accumulated depreciation of \$3,235.

Table 4
Capital Assets and
Accumulated Depreciation
For the Year Ended June 30,

	2011	2010
Equipment	\$ 144,393	\$ 95,215
Accumulated depreciation	(29,995)	(3,235)
Capital assets, net	\$ 114,398	\$ 91,980

Economic Outlook

Changes in the general economic conditions of the City of Las Cruces and the surrounding area influence the economic condition of ASCMV. While the regional area has started to experience a return to a more positive growth environment, the effects of the national recession are continuing to linger. The most recent economic indicators show that the rate of employment growth has made a positive turn and increased slightly. The area has also experienced positive revenue gains from public construction projects by the City, federal government, and the local school district. The area has begun to record monthly job growth and the expectation is for the coming year to reflect a gradually improving economy.

The region continues to benefit from quality of life elements, including climate, culture, higher education opportunities at the university campus, advances in alternative energy, and growth in health care services. Population migration to the City has slowed; however, the area remains a popular retirement destination. Attractiveness as a residential community for people, who work in the El Paso region, will continue to provide Las Cruces with growth opportunities. As the economy continues to make slow progress, these items will enhance the economic recovery opportunities in the future.

Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Contacting the Financial Management

The financial report is designed to provide the community and others with an overview of ASCMV finances and demonstrate the organization's accountability for the money it receives. Questions about this report or requests for additional information may be addressed to the Board Chair at:

Animal Service Center of the Mesilla Valley
P.O. Box 20000
Las Cruces, NM 88004

Financial Statements

Animal Service Center of the Mesilla Valley
Statement of Net Assets and Governmental Funds Balance Sheet
As of June 30, 2011

	General Fund	Capital Projects Fund	Adjustments (Note 7)	Statement of Net Assets
Assets				
Current assets				
Cash and cash equivalents	\$ 371,611	\$ 159,846	\$ -	\$ 531,457
Capital assets				
Equipment, net	-	-	114,398	114,398
Total assets	\$ 371,611	\$ 159,846	\$ 114,398	\$ 645,855
Liabilities				
Current liabilities				
Accounts payable	\$ 11,181	\$ -	\$ -	\$ 11,181
Accrued payroll liabilities	53,159	-	-	53,159
Total current liabilities	64,340	-	-	64,340
Fund Balance/Net Assets				
Assigned	-	159,846	-	159,846
Unassigned	307,271	-	-	307,271
Total liabilities and fund balance	\$ 371,611	\$ 159,846	-	467,117
Net assets				
Invested in capital assets			114,398	114,398
Unrestricted			-	467,117
Total net assets			114,398	581,515
Total liabilities and net assets			\$ 114,398	\$ 645,855

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

Animal Service Center of the Mesilla Valley
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
For the Year June 30, 2011

	General Fund	Capital Projects Fund	Adjustments (Note 7)	Statement of Net Assets
Revenues				
Charges for services	\$ 328,674	\$ -	\$ -	\$ 328,674
Operating contributions				
Dona Ana County	848,365	-	-	848,365
City of Las Cruces	650,513	-	-	650,513
Other revenues	58,181	-	-	58,181
Investment gain (loss)	(3,394)	-	-	(3,394)
Total revenues	<u>1,882,339</u>	<u>-</u>	<u>-</u>	<u>1,882,339</u>
Expenditures/Expenses				
Current				
Animal services				
Personnel	1,162,421	-	-	1,162,421
Repairs and maintenance	38,338	-	-	38,338
Services	485,115	11,287	-	496,402
Insurance	10,320	-	-	10,320
Supplies	123,085	-	-	123,085
Other	5,126	-	-	5,126
Depreciation	-	-	9,972	9,972
Capital outlay	-	32,390	(32,390)	-
Total expenditures/expenses	<u>1,824,405</u>	<u>43,677</u>	<u>(22,418)</u>	<u>1,845,664</u>
Change in fund balance/net assets	57,934	(43,677)	22,418	36,675
Transfers	(203,523)	203,523	-	-
Fund balance/net assets, beginning of year	<u>452,860</u>	<u>-</u>	<u>91,980</u>	<u>544,840</u>
Fund balance/net assets end of year	<u><u>\$ 307,271</u></u>	<u><u>\$ 159,846</u></u>	<u><u>\$ 114,398</u></u>	<u><u>\$ 581,515</u></u>

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

Animal Service Center of the Mesilla Valley
General Fund Statement of Revenues, Expenditures and Changes in
Fund Balance—Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues				
Charges for services	\$ 278,254	\$ 278,254	\$ 328,674	\$ 50,420
Operating contributions				
Dona Ana County	848,365	848,365	848,365	-
City of Las Cruces	650,513	650,513	650,513	-
Other revenue	48,251	48,251	58,181	9,930
Investment gain (loss)	1,000	1,000	(3,394)	(4,394)
Total revenues	<u>1,826,383</u>	<u>1,826,383</u>	<u>1,882,339</u>	<u>55,956</u>
Expenditures				
Animal services				
Personnel	1,413,738	1,250,788	1,162,421	88,367
Repairs and maintenance	27,577	41,077	38,338	2,739
Services	412,956	485,615	485,115	500
Insurance	16,400	16,400	10,320	6,080
Supplies	123,113	149,513	123,085	26,428
Other	6,000	6,000	5,126	874
Capital outlay	-	50,391	-	50,391
Total expenditures	<u>1,999,784</u>	<u>1,999,784</u>	<u>1,824,405</u>	<u>175,379</u>
Net change in fund balance	(173,401)	(173,401)	57,934	231,335
Transfers to capital from operations	203,523	203,523	203,523	-
Fund balance, beginning of year	<u>452,860</u>	<u>452,860</u>	<u>452,860</u>	<u>-</u>
Fund balance, end of year	<u>\$ 75,936</u>	<u>\$ 75,936</u>	<u>\$ 307,271</u>	<u>\$ 231,335</u>

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

Animal Service Center of the Mesilla Valley
Capital Projects Fund Statement of Revenues, Expenditures and Changes in
Fund Balance—Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Animal services				
Services	-	-	11,287	(11,287)
Capital outlay	-	203,523	32,390	171,133
Total expenditures	-	203,523	43,677	159,846
Net change in fund balance	-	(203,523)	(43,677)	159,846
Transfer from operations to capital	203,523	203,523	203,523	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ (203,523)</u>	<u>\$ -</u>	<u>\$ 159,846</u>	<u>\$ 159,846</u>

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

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2011

1) Summary of Significant Accounting Policies

Reporting Entity

The Animal Service Center of the Mesilla Valley (ASCMV) is an organization formed by a joint powers agreement (JPA) dated August 4, 2008, between the City of Las Cruces and the County of Dona Ana (the County). The JPA continues on a yearly basis unless terminated by the parties. The City of Las Cruces and Dona Ana County recognize that the net operating costs may exceed the current joint funding level. Both parties intend to share net operating cost of ASCMV. The operations of ASCMV began in February 2009.

The ASCMV operates an animal shelter providing housing, food, and veterinary care for approximately 15,000 animals every year, most of which are brought by animal control or dropped off by owners. The ASCMV tries to reunite those animals with their owners, find rescue organizations to take them, or get them adopted. If these efforts fail, the animals are euthanized.

The ASCMV is governed by a board that consists of six members and two ex-officio members. Three members are appointed from the City Council by the Mayor with the advice and consent of the City Council. Three members are appointed from the County Commission by the Chair with the advice and consent of the County Commission. The two ex-officio members are the City Manager and the County Manager, or their designees.

The City of Las Cruces is the fiscal agent for ASCMV and accounts for its resources as a governmental entity. ASCMV does not have any component units.

Basis of Presentation, Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. ASCMV applies all applicable pronouncements of the Government Accounting Standards Board (GASB) and applicable FASB statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Organization-Wide Financial Statements—The organization-wide financial statements consist of the statement of net assets and statement of activities. These financial statements are reported using the economic resources measurement focus and 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.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2011

Governmental Fund Financial Statements— Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. ASCMV considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

ASCMV reports the following major governmental funds:

- ◆ *General Fund*—The general fund accounts for all financial resources except those required to be accounted for in another fund.
- ◆ *Capital Projects Fund*—The capital projects fund is funded by transfers from the general fund accounts capital asset acquisitions. Acquisitions are reported as capital outlay expenditures in the capital projects fund.

Cash and Cash Equivalents

ASCMV participates in a pool of cash and investments with the Treasurer of the City of Las Cruces. All pooled cash and investments are fully insured or collateralized. Amounts are immediately available to ASCMV and are therefore considered cash equivalents.

Capital Assets

Capital assets are recorded at cost or, in the case of donated assets, at their fair market value at the date of receipt and are depreciated over the estimated useful lives of the related assets. ASCMV capitalizes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year.

Nonexchange Transactions

Nonexchange transactions, in which ASCMV gives (or receives) value without directly receiving (or giving) equal value in exchange, includes donations. On an accrual basis, revenue from donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2011

Budgets

ASCMV's budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), using an estimate of anticipated revenues and expenditures. New Mexico State law prohibits ASCMV from making an expenditure in excess of approved appropriations. If a fund is not overspent, it is in compliance with state law. The budget may be amended by ASCMV's board; however, approval of the State of New Mexico Department of Finance and Administration must be obtained for budget increases.

New Accounting Pronouncements

The following accounting pronouncements have been recently issued, but not yet adopted by ASCMV. Management anticipates that, upon adoption by ASCMV, none of these statements will have a significant impact on the Agency's financial position or results of operations. Pronouncements that are not applicable to the Agency have been omitted.

- ◆ Statement No. 57: OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.
- ◆ Statement No. 62: Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.
- ◆ Statement No. 64: Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53.

2) Cash and Cash Equivalents

ASCMV participates in a pool of cash and investments maintained by the Treasurer of the City of Las Cruces. Pooled cash and investments are reported at fair value and are reported as cash and cash equivalents since they are immediately available to ASCMV.

ASCMV's share of the City's cash and investment pool at June 30, 2011, is \$531,457. At June 30, 2011, the City's cash and investment pool consists of the following:

Carrying amount of bank deposits	\$ 19,495,666
Investments at fair value	108,749,340
Accrued interest	<u>709,515</u>
Total cash and investment pool	<u>\$ 128,954,521</u>

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2011

Bank Balance of Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's investment ordinance requires collateralization of 100% of the uninsured portion of the City's deposits with financial institutions. Securities pledged by financial institutions are accepted at market value, except obligations of the state of New Mexico and its subdivisions, which are accepted at par value. As of June 30, 2011, the City's deposits, totaling \$24,352,237, was insured by FDIC or collateralized by securities held in trust by a third-party bank for the depository bank in the City's name and thus was not exposed to custodial credit risk.

Investments

The City's investment policy allows investment in: a) U.S. Treasury obligations; b) U.S. government agency and instrumentality obligations; c) repurchase agreements whose underlying securities and/or collateral consist of allowed investments described in (a) or (b) above; d) commercial paper rated not less than A-1, P-1, F-1, or equivalent by a nationally recognized rating agency; e) pooled funds maintained by the State Treasurer; and f) mutual funds whose portfolios consist solely of allowed investments.

As of June 30, 2011, the City's investment pool consisted of U.S. agency bonds with a weighted average maturity of less than three months.

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment pool includes step-up coupon securities that total \$108,749,340 issued by U.S. government agencies that are callable by the issuer under certain circumstances. For purposes of calculating weighted average maturity, the City assumes callable securities will be called at the first call option, based on their interest rate, current market interest rate and the City's recent experience with these securities being called at the first call date.

Credit Risk. The City's investment policy lists the criteria for selecting investments and the order of priority as follows: 1) safety; 2) liquidity; and 3) yield. As of June 30, 2011, the City's investments in coupon bonds of U.S. agencies were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The City's money market fund investments were rated AAAM by Standard & Poor's and/or Aaa by Moody's. The external investment pools of the NM State Investment Council are not rated.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2011

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities held in street name with a broker or dealer be insured, and that all other securities be held by the City or a third-party safekeeping financial institution acting as trustee for the City. As of June 30, 2011, all of the City's securities are held in either the street name or by a third-party financial institution in the City's name.

Concentration of Credit Risk. The City's formal investment policy places no limit on the amount the City may invest in any one issuer. As of June 30, 2011, 37% of the City's investment pool was in Federal Home Loan Mortgage Corporation (FHLMC), 53% in Fannie Mae (FNMA) and 10% in Federal Home Loan Bank (FHLB).

3) Capital Assets

	Balances June 30, 2010	Additions	Balances June 30, 2011
Equipment	\$ 95,215	\$ 49,178	\$ 144,393
Less accumulated depreciation	3,235	26,760	29,995
Capital assets, net	\$ 91,980	\$ 22,418	\$ 114,398

During the year, ASCMV purchased \$32,390 of equipment. In addition, a fully depreciated vehicle with a book value of \$16,788 was also donated to ASCMV. As a result, accumulated depreciation increased by \$16,788. Depreciation expense for the year ended June 30, 2011, of \$9,972 was charged to the animal services function.

During the year ASCMV also spent \$60,873 on a remodeling project for the administration building at the Center. The ASCMV administration building is a City facility. Therefore, this capital outlay was considered a donation to the City to be recorded as an increase in the book value of the building. This expenditure is not reflected in ASCMV assets.

The goal of the City is to ultimately transfer ownership of the administration building to ASCMV, with the resulting benefits of this capital asset returning to the Center. The City is working on the details of the building transfer; however, until the ownership transfer is complete, capital improvements to the building will continue to be recorded in the City's assets.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2011

4) Employee Benefit Plans

Retirement Plan

All employees who work 20 or more hours a week participate in a cost-sharing multiple employer public employee retirement plan administered by the Public Employees Retirement Association (PERA). Participation by ASCMV employees was facilitated by the City's membership in PERA, pending approval of ASCMV's membership, which occurred on August 20, 2009, effective for the fiscal year 2010. Prior to ASCMV's participation in PERA, their employee and employer contributions were paid to the City, which in turn funded the PERA contributions.

Benefit provisions are established and may only be amended by state statute. Information pertaining to the actuarially computed present value of vested accumulated plan benefits and nonvested accumulated plan benefits, the plan's net assets available for benefits and the assumed rate of return used in computing the present value, and ten-year historical trend information presenting PERA's progress in accumulating sufficient assets to pay benefits when due is not available by individual government agencies participating in the plan. Actuarial pension data for the State of New Mexico, as employer, is provided at the state-wide level in a separately issued audit report of PERA. The report may be obtained by writing to PERA, PO Box 2123, Santa Fe, NM 87504.

Retirement Eligibility

Eligibility for receiving the monthly benefit equal to the number of years of credited service x 3.0% of their final average monthly salary, the 36 consecutive months of credited service producing the largest average, is as follows:

Employees may retire at: any age with 25 or more years of credited service; or age 60 or older with 20 or more years of credited service. All employees are eligible for retirement at: age 61 or older with 17 or more years of credited service; or age 62 or older with 14 or more years of credited service; or age 63 or older with 11 or more years of credited service; or age 64 or older with eight or more years of credited service; or age 65 or older with five or more years of credited service. Benefits vest after five years of credited service.

Disability Benefits

Members or vested former members with five or more years of credited service will receive their normal retirement pension based on credited service and final average salary at the time of disability or retirement. The five-year service requirement is waived if the disability is incurred in the line of duty. Disability retirements are subject to reevaluation until the disability-retired member reaches normal retirement. Payment of the disability pension is suspended for the balance of any year in which a disability-retired member

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2011

does not submit an annual statement of earnings from gainful employment by June 30th of each year or if the amount of earnings in the previous year is more than the amount that causes the suspension of, or a decrease in, the Social Security Old Age Benefit for a 65-year old.

Funding Policy

The ASCMV has chosen to enroll in a plan that requires the following contribution percentages:

	ASCMV	Employees
All ASCMV contributing employees	9.15%	13.15%

Contribution requirements are as follows:

	Contribution			Eligible	Percentage
	ASCMV	Employee		Wages	Contributed
2011	\$ 90,086	\$ 39,890	\$	625,995	100%
2010	\$ 85,966	\$ 54,305	\$	621,088	100%
02/01/09-06/30/09	\$ 46,737	\$ 42,725	\$	89,462	100%

If a member's employment is terminated before the member is eligible for other benefits under PERA, the member may receive a refund of the member's contribution and interest accrued based on rates established biannually by the retirement board.

The remaining salaries and wages expenses are for employees not eligible to participate in the plan.

Retiree Health Care Plan

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public services in New Mexico. The Retiree Health Care Authority (the "Authority") is the administrator of the plan and determines required contributions under authority of the Act. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Eligible employers include institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act, or the Magistrate Retirement Act.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2011

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period for contributions becomes the time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.666 percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to 0.833 percent of the employee's annual salary.

Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator and made no contributions to the plan. After retirement, premiums are paid to the Authority by the retiree.

The ASCMV has paid all of the employer's required contributions, which was as follows:

2011	\$	7,917
2010		5,833
2009		1,880

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan.

That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd, NE, Suite 104, Albuquerque, New Mexico 87109.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2011

5) Related Party Transactions

ASCMV receives funding from members of the joint powers agreement. During fiscal year 2011, ASCMV received \$650,513 from the City of Las Cruces and \$848,365 from Dona Ana County.

The City is compensated for services rendered to ASCMV as its fiscal agent, as set forth in the joint powers agreement in the amount of \$88,150 per year.

6) Risk Management

ASCMV is exposed to various risks of loss from tort; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters for which ASCMV carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year.

7) Adjustments

Fund balances of ASCMV governmental funds of \$467,117 differ from total net assets of \$581,515 reported on the statement of net assets because capital assets are not reported in the governmental funds. Additionally, the net change in the fund balance of the governmental funds differs from the net assets reported on the statement of activities because capital outlay costs are reported as expenditures in the governmental funds and depreciation expense is reported on the statement of activities.

The following is a summary of the differences:

Fund balance	\$ 467,117
Capital assets are not financial resources and, therefore, are not reported in the funds	<u>114,398</u>
Net assets	<u><u>\$ 581,515</u></u>
Revenues over expenditures	\$ 14,257
Capital outlay	32,390
Depreciation	<u>(9,972)</u>
Net change in net assets	<u><u>\$ 36,675</u></u>

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2011

8) Fund Balance Policy

Prior to fiscal year 2011, the ASCMV reported the governmental fund balances as Reserved and Unreserved. Effective fiscal year 2011, the ASCMV has implemented GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, and reports the governmental fund balances in two categories, which include:

1. Assigned fund balance – comprises amounts *intended* to be used by ASCMV for specific purposes. Intent can be expressed by the Council, or by an official or body to which the Council delegates the authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
2. Unassigned fund balance – is the residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Unassigned Fund Balance is only reported in the General Fund.

On June 2, 2011, the ASCMV board adopted a fund balance policy in accordance with to establish a minimum fund balance reserve of 1/12 of budgeted expenditures effective fiscal year 2011. ASCMV's budgeted expenditures for fiscal year 2011 were \$1,999,784 and 1/12 of this amount is \$166,648. ASCMV's fund balance at June 30, 2011, is \$307,271.

Supplementary Information

Animal Service Center of the Mesilla Valley
Schedule of Pledged Collateral
June 30, 2011

The City of Las Cruces is the fiscal agent of ASCMV. Therefore, ASCMV participates in the City's pooling of cash and investments. The schedule of collateral below represents the amounts that pertain to the City of Las Cruces pooled deposits.

Deposits

<u>Institution/Security</u>	<u>CUSIP #</u>	<u>Maturity Date</u>	<u>Safe Keeping Location</u>	<u>Market Value</u>
Wells Fargo Bank, NA			Wells Fargo Bank	
FG G01838 5.000% 07/01/2035	3128LXBF8	7/1/2035		\$ 3,885
FG G04832 5.000% 10/01/2038	3128M6VZ8	10/1/2038		45,086
FG H01489 6.000% 04/01/2038	3128MTUN6	4/1/2038		41,496
FN 825776 6.000% 08/01/2035	31407BMZ9	8/1/2035		2,647
FN 868293 6.000% 04/01/2036	31409DUS0	4/1/2036		4,859
FN 888268 6.000% 03/01/2037	31410FZ99	3/1/2037		1,670
FN 933732 6.000% 04/01/2038	31412SY58	4/1/2038		1,951,736
FN 983377 5.5000% 08/01/2038	31415LM20	8/1/2038		694,215
				<u>\$ 2,745,594</u>

Summary of Collateralization

Wells Fargo Bank	
Ending bank balance	\$ 24,352,237
Less: FDIC insurance	(21,610,567)
Total uninsured public funds	<u>\$ 2,741,670</u>
Pledged collateral held by the pledging bank's trust department in the City's name	\$ 2,745,594
100% collateral requirement	<u>2,741,670</u>
Pledged collateral in excess of requirement	<u>\$ 3,924</u>
Uninsured and uncollateralized	<u>\$ -</u>

Animal Service Center of the Mesilla Valley
Schedule of Deposit Accounts and Investments
June 30, 2011

The City of Las Cruces is the fiscal agent of ASCMV. Therefore, ASCMV participates in the City's pooling of cash and investments. Details of ASCMV's cash and cash equivalents are as follows:

Account	Type of Account	Pooled Cash & Investments	ASCMV Accounts	Total Reconciled Balance	On Deposit 6/30/2011
Deposit Accounts					
<i>Wells Fargo Bank</i>					
Community Development	Checking	\$ -	\$ -	\$ -	\$ 113,085
Community Development Home Rehab	Checking	-	-	-	20,717
Community Development Home Program	Checking	-	-	-	28,010
Community Development MONAS Loan	Checking	-	-	-	2,098
Metro Narcotics Agency	Savings	-	-	-	95,458
5375 Wells Fargo MM	Savings	-	-	-	1,395,488
8710-Wells Fargo MM	Savings	-	-	-	1,500,723
Treasury Fund - Operating	Checking	21,125,868	-	21,125,868	21,173,326
Payroll Direct Deposit Account	Checking	(37,867)	-	(37,867)	-
Accounts Payable	Checking	(1,822,344)	-	(1,822,344)	-
On Demand	Checking	5,349	-	5,349	23,332
Rio Grande Natural Gas Assoc Revenue	Checking	(154,870)	-	(154,870)	-
Depository	Checking	453,379	-	453,379	-
Credit Card	Checking	4,657	-	4,657	-
Electronic	Checking	(78,506)	-	(78,506)	-
Total deposit accounts		<u>19,495,666</u>	<u>-</u>	<u>19,495,666</u>	<u>\$ 24,352,237</u>
Investments					
<i>Wells Fargo Brokerage Services, LLC</i>					
FNMA	Investment	9,979,650	-	9,979,650	
<i>First Tennessee</i>					
FHLB	Investment	2,955,874	-	2,955,874	
FHLMC	Investment	29,130,836	-	29,130,836	
FNMA	Investment	38,235,570	-	38,235,570	
<i>Morgan Keegan</i>					
FHLB	Investment	7,955,680	-	7,955,680	
FHLMC	Investment	10,663,530	-	10,663,530	
FNMA	Investment	9,828,200	-	9,828,200	
Total investments		<u>108,749,340</u>	<u>-</u>	<u>108,749,340</u>	
Total deposits and investments		128,245,006	-	128,245,006	
<i>Other Cash</i>					
Petty Cash & Change Funds		-	400	400	
<i>Accrued Interest Receivable</i>					
Accrued Interest – Pooled Investments		709,515	-	709,515	
Total cash and investments		<u>128,954,521</u>	<u>400</u>	<u>128,954,921</u>	
Less balances in City of Las Cruces funds		<u>128,423,464</u>	<u>-</u>	<u>128,423,464</u>	
ASCMV cash and cash equivalents		<u>\$ 531,057</u>	<u>\$ 400</u>	<u>\$ 531,457</u>	

**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***

Mr. Hector Balderas, State Auditor of New Mexico and
The Board of Directors of the Animal Service Center of the Mesilla Valley

We have audited the accompanying financial statements of the governmental activities and the major fund, and budgetary comparisons of the Animal Service Center of the Mesilla Valley (ASCMV), Las Cruces, New Mexico, as of and for the year ended June 30, 2011, which collectively comprise ASCMV's basic financial statements and have issued our report thereon dated November 22, 2011. 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.

Internal Control Over Financial Reporting

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

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 ASCMV's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ASCMV's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which would 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 no instance of noncompliance that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, ASCMV's management, the New Mexico Department of Finance and Administration and the New Mexico State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

REDW LLC

November 22, 2011

Animal Service Center of the Mesilla Valley
Schedule of Findings and Responses
For the Year Ended June 30, 2011

There were no audit findings for the fiscal year ended June 30, 2011.

