

Report of Independent Auditors and Financial
Statements with Supplementary Information for

**Animal Service Center of the
Mesilla Valley**

June 30, 2016

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Animal Service Center of the Mesilla Valley

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Animal Service Center of the Mesilla Valley
June 30, 2016

OFFICIAL ROSTER

The Board of Directors, none of whom are employed by the Animal Service Center of the Mesilla Valley for the year ended June 30, 2016, are:

Gregory Smith	Chair
Billy Garrett	Vice Chair
Jack Eakman	Board Member
Kasandra Gandara	Board Member
Dr. David Garcia	Board Member
Wayne D. Hancock	Board Member
David Dollahon	Ex-Officio
Jess Williams	Ex-Officio

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparison schedule for the general fund, of the Animal Service Center of the Mesilla Valley (ASCMV) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise ASCMV's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison schedule for the major capital project fund presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ASCMV's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 each major fund of the Animal Service Center of the Mesilla Valley as of June 30, 2016, 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.

Emphasis of Matter – Reporting Entity

As described in Note 1, the financial statements of the ASCMV are intended to present the financial position of the governmental activities and each major fund of ASCMV. They do not purport to, and do not, present fairly the financial position of the governmental activities and each major fund of the City of Las Cruces as of June 30, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 13 and pension schedules on pages 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements and the general fund budgetary comparison schedule that collectively comprise the Animal Service Center of Mesilla Valley's basic financial statements. The Schedule of Pledged Collateral, Schedule of Deposit Accounts and Investments on pages 39 through 40 and Schedule of Joint Powers Agreements and Memoranda of Understanding on page 41 are schedules required by 2.2.2. *NMAC* and are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Pledged Collateral, Schedule of Deposit Accounts and Investments, and, Schedule of Joint Powers Agreements and Memoranda of Understanding are schedules required by 2.2.2. *NMAC*, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Pledged Collateral, Schedule of Deposit Accounts and Investments, and Schedule of Joint Powers Agreements and Memoranda of Understanding are schedules required by 2.2.2. *NMAC*, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information for Purchases Exceeding \$60,000 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ASCMV's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
November 30, 2016

Animal Service Center of the Mesilla Valley

Management's Discussion and Analysis

For the Year Ended June 30, 2016

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, 2016. 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 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. Required supplementary information
5. 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 position 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 position presents information on all of ASCMV's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, 2016

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 Position—Net position increased to \$513,886 at June 30, 2016, from \$106,552 at June 30, 2015. Actual revenues exceeded expenditures resulting in a change in net position of \$407,334 for fiscal year 2016.

Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Table 1 summarizes the net position:

Table 1
Net Position
As of June 30,

	<u>2016</u>	<u>2015</u>
Assets		
Current assets	\$ 1,024,839	\$ 764,445
Capital assets, net	341,283	329,864
Total assets	<u>1,366,122</u>	<u>1,094,309</u>
Deferred outflows related to pensions	63,985	103,226
Total assets and deferred outflows of resources	<u><u>\$ 1,430,107</u></u>	<u><u>\$ 1,197,535</u></u>
Liabilities		
Current liabilities	\$ 103,229	\$ 131,189
Net pension liability	781,003	698,680
Total liabilities	<u>884,232</u>	<u>829,869</u>
Deferred inflows related to pensions	31,989	261,114
Total liabilities and deferred inflows of resources	<u><u>\$ 916,221</u></u>	<u><u>\$ 1,090,983</u></u>
Net Position		
Net investment in capital assets	\$ 341,283	\$ 329,864
Unrestricted (deficit)	172,603	(223,312)
Total net position	<u>513,886</u>	<u>106,552</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 1,430,107</u></u>	<u><u>\$ 1,197,535</u></u>

Changes in Net Position—Total revenues for the year ended June 30, 2016, were \$2,302,747 compared with expenses of \$1,895,413. Table 2 summarizes the changes in net position for 2016 and 2015, respectively.

Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2016

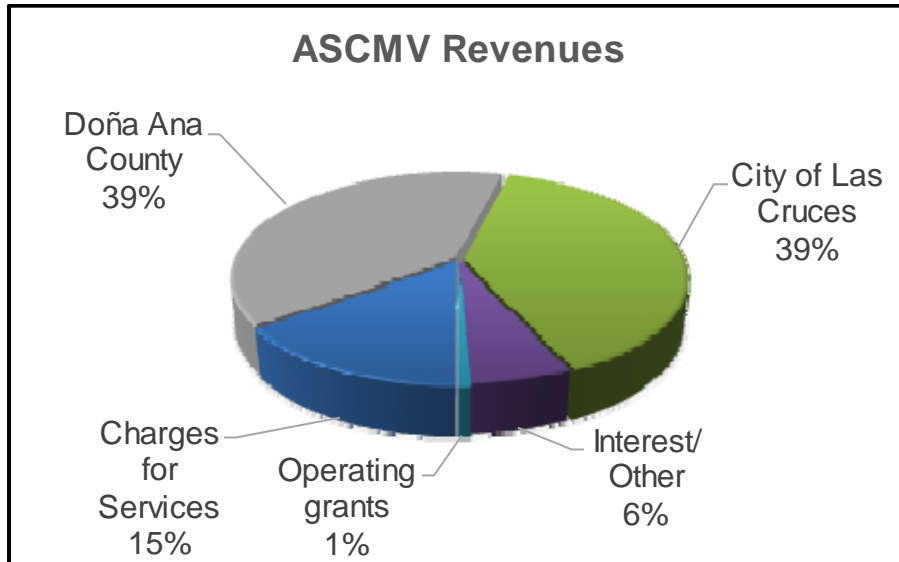
Table 2
Changes in Net Position
For the Years Ended June 30,

	<u>2016</u>	<u>2015</u>
Revenues		
Charges for services	\$ 341,980	\$ 383,201
Operating grants	15,416	176,325
Operating contributions		
Dona Ana County	901,787	901,787
City of Las Cruces	901,787	901,787
Investment income	40,901	59,821
Other revenues	100,876	74,690
Total revenues	<u>2,302,747</u>	<u>2,497,611</u>
Expenses	<u>1,895,413</u>	<u>2,266,370</u>
Change in net position	407,334	231,241
Net position , beginning of year	<u>106,552</u>	<u>(124,689)</u>
Net position , end of year	<u><u>\$ 513,886</u></u>	<u><u>\$ 106,552</u></u>

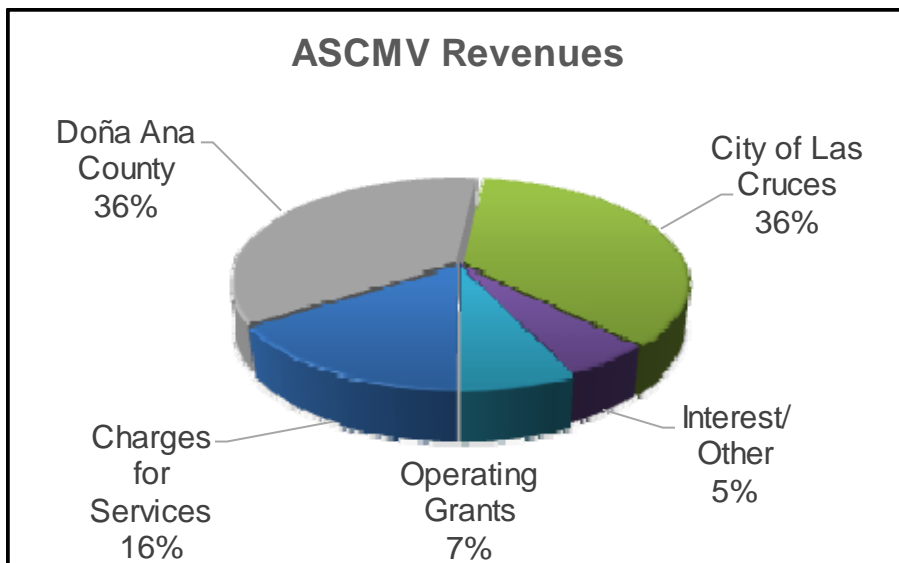
**Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

Charts 1 and 2 show the revenues by source for fiscal years 2016 and 2015, respectively.

**Chart 1
Revenues by Source 2016**



**Chart 2
Revenues by Source 2015**



Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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, 2016.

Table 3
Budgetary Comparison-Aggregate of All Funds
For the Year Ended June 30, 2016

	Budget		Actual	Variance	Percent Variance
	Original	Final			
Revenues					
Charges for services	\$ 333,000	\$ 335,350	\$ 341,980	\$ 6,630	2%
Operating grants	-	38,675	15,416	(23,259)	-60%
Operating contributions					
Dona Ana County	901,787	901,787	901,787	-	0%
City of Las Cruces	901,787	901,787	901,787	-	0%
Investment income	10,000	10,000	40,901	30,901	309%
Other revenues	47,000	47,000	26,351	(20,649)	-44%
Total revenues	2,193,574	2,234,599	2,228,222	(6,377)	0%
Expenditures					
Animal services	2,386,420	2,396,453	1,895,529	500,924	21%
Capital outlay	-	68,251	44,339	23,912	35%
Total expenditures	2,386,420	2,464,704	1,939,868	524,836	21%
Revenues (under) over expenditures	\$ (192,846)	\$ (230,105)	\$ 288,354	\$ 518,459	-225%

In fiscal year 2016, the difference between the original revenue budget and the final budget resulted from the operating grant not being fully expended in fiscal year 2015 from the State of New Mexico Department of Finance and Administration. The cost of the animal transport van was less than estimated, leaving funding to purchase a vehicle wrap in fiscal year 2016.

Animal Service Center of the Mesilla Valley
Management’s Discussion and Analysis
For the Year Ended June 30, 2016

The increase from the original expenditure budget to the final expenditure budget is a result of an increase to capital outlay for the purchase of equipment, design wrap, and a van. The difference between the final expenditures budget and the actual expenditures is mainly due to personnel. ASCMV was not fully staffed in fiscal year 2016. In addition, conservative spending was done for purchased services, supplies, and insurance benefits. This contributed to total cost savings of \$518,459.

Capital Assets

Capital Assets—As of June 30, 2016, capital assets totaled \$341,283, net of accumulated depreciation of \$135,562. As of June 30, 2015, capital assets totaled \$329,864, net of accumulated depreciation of \$102,642.

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

	2016	2015
Equipment	\$ 476,845	\$ 432,506
Accumulated depreciation	(135,562)	(102,642)
Capital assets, net	\$ 341,283	\$ 329,864

Economic Outlook

Changes in the general economic conditions of the City of Las Cruces and the surrounding area influence the economic condition of ASCMV. The local economy is expected to follow the U.S. economy in a slow and uneven recovery. Health Care, Service and Leisure/Hospitality are two sectors that are expected to do well over the near term. The local job picture, in total, will still underperform the nation in part due to our dependence on Public Sector jobs. Private sector job growth should offset public sector job losses leading to a 0.5% growth in FY16.

Population growth which slowed along with the national economy is expected to show a very modest gain in FY16. While the region is expected to add approximately 1,000 net new residents in FY16, the rate of growth will be under 2% for the fifth year in a row. The slowly expanding population base is directly linked to local jobs opportunities and to the national housing market. As retirees planning to relocate begin to see some progress on selling houses in other areas of the U.S., to Las Cruces should see a pick-up in people moving into the area.

Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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 Position and Governmental Funds Balance Sheet
As of June 30, 2016

	General Fund	Capital Projects Fund	Adjustments (Note 8)	Statement of Net Position
Assets				
Current assets				
Cash and cash equivalents	\$ 858,220	\$ 145,820	\$ -	\$ 1,004,040
Accounts receivable	20,799	-	-	20,799
Capital assets				
Equipment, net	-	-	341,283	341,283
Total assets	879,019	145,820	341,283	1,366,122
Deferred Outflows of Resources				
Deferred outflows related to pensions	-	-	63,985	63,985
Total deferred outflows of resources	-	-	63,985	63,985
Liabilities				
Current liabilities				
Accounts payable	14,637	-	-	14,637
Accrued payroll and other	88,592	-	-	88,592
Total current liabilities	103,229	-	-	103,229
Net pension liability	-	-	781,003	781,003
Total liabilities	103,229	-	781,003	884,232
Deferred Inflows of Resources				
Deferred inflows related to pensions	-	-	31,989	31,989
Total deferred inflows of resources	-	-	31,989	31,989
Fund Balance/Net Position				
Assigned	-	145,820	(145,820)	-
Unassigned	775,790	-	(839,775)	(63,985)
Total liabilities, deferred inflows of resources, and fund balance	\$ 879,019	\$ 145,820	(172,603)	852,236
Net position				
Net investment in capital assets			341,283	341,283
Unrestricted			172,603	172,603
Total net position			\$ 513,886	\$ 513,886

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

Animal Service Center of the Mesilla Valley
Statement of Activities and Government Funds Revenues,
Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2016

	General Fund	Capital Projects Fund	Adjustments (Note 8)	Statement of Net Activities
Revenues				
Charges for services	\$ 341,980	\$ -	\$ -	\$ 341,980
Operating grants	15,416	-	-	15,416
Operating contributions				
Dona Ana County	901,787	-	-	901,787
City of Las Cruces	901,787	-	-	901,787
Investment income	40,901	-	-	40,901
Other revenues	26,351	-	74,525	100,876
Total revenues	<u>2,228,222</u>	<u>-</u>	<u>74,525</u>	<u>2,302,747</u>
Expenditures/Expenses				
Current				
Animal services				
Personnel	1,156,115	-	(59,235)	1,096,880
Repairs and maintenance	37,253	-	-	37,253
Services	447,493	-	-	447,493
Insurance	71,475	-	-	71,475
Supplies	149,760	-	-	149,760
Pension	-	-	26,199	26,199
Other	33,433	-	-	33,433
Depreciation	-	-	32,920	32,920
Capital outlay	44,339	-	(44,339)	-
Total expenditures/expenses	<u>1,939,868</u>	<u>-</u>	<u>(44,455)</u>	<u>1,895,413</u>
Change in fund balance/net position	288,354	-	118,980	407,334
Transfers	(100,000)	100,000	-	-
Fund balance/net position, beginning of year	<u>587,436</u>	<u>45,820</u>	<u>372,166</u>	<u>106,552</u>
Fund balance/net position, end of year	<u>\$ 775,790</u>	<u>\$ 145,820</u>	<u>\$ 491,146</u>	<u>\$ 513,886</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)
Revenues				
Charges for services	\$ 333,000	\$ 335,350	\$ 341,980	\$ 6,630
Operating grants	-	38,675	15,416	(23,259)
Operating contributions				
Dona Ana County	901,787	901,787	901,787	-
City of Las Cruces	901,787	901,787	901,787	-
Investment income	10,000	10,000	40,901	30,901
Other revenues	47,000	47,000	26,351	(20,649)
Total revenues	<u>2,193,574</u>	<u>2,234,599</u>	<u>2,228,222</u>	<u>(6,377)</u>
Expenditures				
Animal services				
Personnel	1,644,660	1,486,160	1,156,115	330,045
Repairs and maintenance	50,000	40,424	37,253	3,171
Services	428,820	510,702	447,493	63,209
Insurance	52,290	95,758	71,475	24,283
Supplies	177,250	177,250	149,760	27,490
Other	33,400	48,900	33,433	15,467
Capital outlay	-	68,251	44,339	23,912
Total expenditures	<u>2,386,420</u>	<u>2,427,445</u>	<u>1,939,868</u>	<u>487,577</u>
Net change in fund balance	(192,846)	(192,846)	288,354	(493,954)
Transfers to capital from operations	-	100,000	(100,000)	-
Fund balance, beginning of year	<u>587,436</u>	<u>587,436</u>	<u>587,436</u>	-
Fund balance, end of year	<u><u>\$ 394,590</u></u>	<u><u>\$ 494,590</u></u>	<u><u>\$ 775,790</u></u>	<u><u>\$ (493,954)</u></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, 2016

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 and amended on January 3, 2012, 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

Organization-Wide Financial Statements—The organization-wide financial statements consist of the statement of net position 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, 2016

1) Summary of Significant Accounting Policies (continued)

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.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2016

1) Summary of Significant Accounting Policies (continued)

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.

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.

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.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2016

1) Summary of Significant Accounting Policies (continued)

Net Position

Net position of ASCMV are classified and displayed as three components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of funds with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net funds that do not meet the definition of "net investment in capital assets" or "restricted".

On June 2, 2011, the ASCMV board adopted a fund balance policy to establish a minimum fund balance reserve of 1/12 of budgeted expenditures effective fiscal year 2011. ASCMV's budgeted expenditures for fiscal year 2016 were \$2,427,445 and 1/12 of this amount is \$202,287. ASCMV's fund balance at June 30, 2016, is \$775,790.

Pensions

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

Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as revenue in future periods.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2016

1) Summary of Significant Accounting Policies (continued)

Changes in Accounting

GASB Statement No. 72, *Fair Value Measurement and Application*, is effective for fiscal years beginning after June 15, 2015. The provisions of GASB Statement No. 72 have been implemented for the year ended June 30, 2016. The ASCMV financial statements and note disclosures reflect any required changes.

GASB Statement No. 73, *Amendments to Certain Provisions of GASB Statements 67 and 68*, is effective for years beginning after June 15, 2015. This Statement clarifies the application of certain provisions of Statements 67 and 68. The provisions of GASB Statement No. 73 have been implemented for the year ended June 30, 2016. ASCMV's financial statements and note disclosures reflect any required changes.

GASB Statement No. 82, an amendment of GASB Statements No. 67, No. 68, and No. 73, is effective for years beginning after June 15, 2016. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of GASB Statement No. 82 have been implemented early for the year ended June 30, 2016. ASCMV's financial statements and note disclosures reflect any required changes.

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 ASCMV have been omitted.

- ◆ Statement No. 74: *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- ◆ Statement No. 75: *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- ◆ Statement No. 76: *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2016

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.

ASCMV's share of the City's cash and investment pool at June 30, 2016, is \$1,004,040.

At June 30, 2016, the City's cash and investment pool consists of the following:

Carrying amount of bank deposits	\$ 21,198,302
Investments at fair value	142,296,769
Accrued interest	<u>682,295</u>
Total cash and investment pool	<u><u>\$ 164,177,366</u></u>

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, 2016, the City's deposits, totaling \$86,543,545, 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.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2016

2) Cash and Cash Equivalents (continued)

As of June 30, 2016, the City's investment pool had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Yrs.)</u>
Overnight repurchase agreement	\$ 13,611,029	
U.S. agency coupon bonds	125,686,740	12.07
U.S. treasury bills	2,999,000	0.15
Total Pooled Investments	<u>\$ 142,296,769</u>	

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 \$124,682,860 issued by U.S. government agencies that are callable by the issuer under certain circumstances. For purposes of calculating weighted average maturity, the City uses duration.

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, 2016, the City's investments in coupon bonds of U.S. agencies were rated AA+ 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.

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, 2016, 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, 2016, 56% of the City's investment pool was in Fannie Mae (FNMA), 33% was in Federal Home Loan Mortgage Corporation (FHLMC) and 11% in Federal Home Loan Bank (FHLB).

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2016

2) Cash and Cash Equivalents (continued)

Fair Market Value Hierarchy. The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets: Level 2 inputs are significant other observable inputs: Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2016:

U.S. Agency securities of \$145 million and U.S. Treasury securities of \$3 million are valued using quoted prices in an active market for identical assets (Level 1 input).

3) Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balances June 30, 2015	Additions	Transfers	Balances June 30, 2016
Equipment	\$ 432,506	\$ 44,339	\$ -	\$ 476,845
Less accumulated depreciation	(102,642)	(32,920)	-	(135,562)
Capital assets, net	<u>\$ 329,864</u>	<u>\$ 11,419</u>	<u>\$ -</u>	<u>\$ 341,283</u>

During the year, ASCMV purchased a vehicle in the amount of \$19,348 and a dish machine for \$9,575. A design wrap was placed on an animal transport vehicle that was purchased in FY15. The expenditure of \$15,416 was reimbursed through a grant from The State of New Mexico Department of Finance and Administration. Depreciation expense was \$32,920 for the year ended June 30, 2016.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2016

4) Pension Plan – Public Employees Retirement Association

Plan Description

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

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

Benefits provided

For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at <http://www.nmpera.org/financial-overview>.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2016

4) Pension Plan – Public Employees Retirement Association (continued)

Contributions

The contribution requirements of defined benefit plan members and ASCMV, an agency fund of the City of Las Cruces are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 through 32 of the PERA FY15 annual audit report at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2015.pdf>. The PERA coverage option that applies to ASCMV is 0.0766%. Statutorily required contributions to the pension plan from ASCMV were \$63,985 and employer paid member benefits that were “picked up” by the employer were \$49,846 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2015.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2016

4) Pension Plan – Public Employees Retirement Association (continued)

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City of Las Cruces' proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

At June 30, 2016, ASCMV reported a liability of \$781,003 for its net pension liability. At June 30, 2015, the ASCMV's proportion was 0.0766%.

For the year ended June 30, 2016, ASCMV recognized PERA pension expense of \$26,199.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2016

4) Pension Plan – Public Employees Retirement Association (continued)

At June 30, 2016, ASCMV reported deferred outflows of resources and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ -	\$ 304
Difference between expected and actual experience	-	17,300
Net difference between projected and actual earnings on pension plan investments	-	2,471
Changes in proportion and differences between ASCMV contributions and proportionate share of contributions	-	11,914
ASCMV Contributions subsequent to measurement date	63,985	-
Total	\$ 63,985	\$ 31,989

Deferred outflows of resources of \$63,985 result from contributions subsequent to the measurement date of June 30, 2015 and are recognized as a reduction of the net pension liability for the year ended June 30, 2016. Deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (7,997)
2018	(7,997)
2019	(7,997)
2020	(7,998)
	\$ (31,989)

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2016

4) Pension Plan – Public Employees Retirement Association (continued)

Actuarial assumptions

As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75% annual rate, net of investment expense
• Projected benefit payment	100 years
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate
• Mortality Assumption	RP – Mortality Tables (combined table for healthy post-retirements, Employee table for active members, and Disable table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
• Experience study dates	July 1, 2008 to June 30, 2013

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2016

4) Pension Plan – Public Employees Retirement Association (continued)

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

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Reate of Return	
U.S. Equity	21.1 %	5.00	%
International Equity	24.8	5.20	
Private Equity	7.0	8.20	
Core and Global Fixed Income	26.1	1.85	
Fixed Income Plus Sectors	5.0	4.80	
Real Estate	5.0	5.30	
Real Assets	7.0	5.70	
Absolute Return	<u>4.0</u>	4.15	
Total	<u><u>100.0 %</u></u>		

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2016

4) Pension Plan – Public Employees Retirement Association (continued)

Discount rate

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

Sensitivity of the ASCMV's proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
ASCMV pension liability	\$ 680,228	\$ 781,003	\$ 881,778

Funding Policy

Plan members who earn less than \$20,000 annually are required to contribute 6.58% of their gross salary. Plan members who earn more than \$20,000 annually are required to contribute 8.08% of their gross salary. The ASCMV is required to contribute 16.13% of the gross covered salary. The contribution requirements of plan members and the ASCMV are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of legislature. The ASCMV's contribution to PERA for the fiscal years ending June 30, 2016, 2015, and 2014 were \$63,985, \$103,226, and \$100,177, respectively, which equal the amount of the required contributions for each fiscal year.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2016

5) Post-Employee Benefits – State Retiree Health Care Plan

Plan Description

ASCMV contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined postemployment health care plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the health care plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for health care benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate scheduled for the medical plus basic life plan, plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date, or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2016

5) Post-Employee Benefits – State Retiree Health Care Plan (continued)

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The ASCMV's contributions to the RHCA for the years ended June 30, 2016, 2015, and 2014 were \$11,288, \$11,772, and \$11,819, respectively, which equal the required contributions for each year.

6) Related-Party Transactions

ASCMV receives funding from members of the joint powers agreement. During fiscal year 2016, ASCMV received \$901,787 from the City of Las Cruces and \$901,787 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 \$97,420 per year.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2016

7) 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.

8) Adjustments

Fund balances of ASCMV governmental funds of \$775,790 differ from total net position of \$558,981 reported on the statement of net position because capital assets and net pension liabilities, are not reported in the governmental funds. Additionally, the net change in the fund balance of the governmental funds differs from the net position 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	\$ 775,790
Capital assets are not financial resources and, therefore, are not reported in the funds	341,283
Net pension assets are not available for operations and, therefore, are not reported in the funds	63,985
Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(812,992)
Capital projects fund balance is combined with general fund balance	<u>145,820</u>
Net position	<u><u>\$ 513,886</u></u>

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2016

8) Adjustments (continued)

The net increase of the fund balance of ASCMV's governmental funds revenues, expenditures, and changes in fund balances of \$288,354, differs from the net increase in net position of \$452,429 reported on the statement of activities as follows:

Revenues over expenditures	\$ 288,354
Other Revenues	74,525
Salaries and Benefits	59,235
Capital outlay	44,339
Pension	(26,199)
Depreciation	<u>(32,920)</u>
Net change in net position	<u><u>\$ 407,334</u></u>

Required Supplementary Information

Animal Service Center of the Mesilla Valley
Schedule of Proportionate Share of the Net Pension Liability
Public Employees Retirement Association (PERA)
Last 10 Fiscal Years*

	Fiscal Year	
	2016	2015
ASCMV's proportion of the net pension liability	0.08%	1.78%
ASCMV's proportionate share of the net pension liability	\$ 781,003	\$ 698,680
ASCMV's covered-employee payroll	\$ 669,996	\$ 683,960
ASCMV's proportionate share of the net pension liability as a percentage of its covered employees payroll	116.57%	102.15%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Animal Services Center of the Mesilla Valley will present information for those years for which information is available. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30 of the previous year.

Animal Service Center of the Mesilla Valley
Schedule of Pension Contributions
Public Employees Retirement Association (PERA)
Last 10 Fiscal Years*

	Fiscal Year		
	2016	2015	2014
Statutorily required contribution	\$ 63,985	\$ 103,226	\$ 100,177
ASCMV's contributions in relation to the statutorily required contribution	63,985	103,226	100,177
ASCMV's contribution deficiency (excess)	\$ -	\$ -	\$ -
ASCMV's covered-employee payroll	\$ 669,996	\$ 683,960	\$ 718,667
ASCMV's contribution as a percentage of covered-employee payroll	9.55%	15.09%	13.94%

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

Animal Service Center of the Mesilla Valley
Notes to Required Supplementary Information
June 30, 2016

- 1) *Changes of benefit terms* The Public employee Retirement Association (PERA) Fund, COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf

- 2) *Changes of assumptions* The PERA of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>.

The summary of Key Findings for the PERA Fund (on page 2 of the report).

Supplementary Information

Animal Service Center of the Mesilla Valley
Schedule of Pledged Collateral
June 30, 2016

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			BNY Mellon	
FNMA FNMS 3.000% 09/01/42	3138M8J87	09/01/2042		\$ 8,289,399
FNMA FNMS 3.500% 06/01/43	3138WRXV7	06/01/2043		29,794,910
FNMA FNMS 3.000% 10/01/42	31417DGG2	10/01/2042		18,118,580
FNMA FNMS 3.000% 04/01/43	31417F3R7	04/01/2043		38,343,368
				<u>\$ 94,546,257</u>

Summary of Collateralization

Wells Fargo Bank		
Ending bank balance		\$ 86,543,545
Less: FDIC insurance		(250,000)
Total uninsured public funds		<u>\$ 86,293,545</u>
Pledged collateral held by the pledging bank's trust department in the City's name		\$ 94,546,257
100% collateral requirement		86,293,545
Pledged collateral in excess of requirement		<u>\$ 8,252,712</u>
Uninsured and uncollateralized		<u>\$ -</u>

Animal Service Center of the Mesilla Valley
Schedule of Deposit Accounts and Investments
June 30, 2016

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:

Pooled Deposit Accounts

Account	Type of Account	Fair Value Level	Pooled Cash & Investments	ASCMV Accounts	Total Reconciled Balance	On Deposit 6/30/2016
DEPOSIT ACCOUNTS						
<i>Wells Fargo Bank</i>						
Community Development	Checking	1	\$ -	\$ -	-	\$ 92,609
Community Development Home Rehab	Checking	1	-	-	-	27,600
Community Development Home Program	Checking	1	-	-	-	4,000
Metro Narcotics Agency	Savings	1	-	-	-	85,618
2006 Water Projects	Savings	1	-	-	-	1,410,456
Revenue Bonds Proceeds	Savings	1	-	-	-	62,249,441
Treasury Fund - Operating	Checking	1	22,643,343	-	22,643,343	22,643,574
Payroll Direct Deposit Account	Checking	1	(35,258)	-	(35,258)	-
Accounts Payable	Checking	1	(1,068,779)	-	(1,068,779)	-
On Demand	Checking	1	22,067	-	22,067	30,247
Depository	Checking	1	152,749	-	152,749	-
Credit Card	Checking	1	15,305	-	15,305	-
Electronic	Checking	1	(531,125)	-	(531,125)	-
TOTAL DEPOSIT ACCOUNTS			<u>\$ 21,198,302</u>	<u>-</u>	<u>21,198,302</u>	<u>\$ 86,543,545</u>

Animal Service Center of the Mesilla Valley
Schedule of Deposit Accounts and Investments
June 30, 2016

Pooled Investment Accounts

Account	Type of Account	Fair Value Level	Pooled Cash & Investments	ASCMV Accounts	Total Reconciled Balance
INVESTMENTS					
<i>Wells Fargo Bank</i>					
Stagecoach Sweep Repo	Sweep	2	\$ 13,611,029	-	\$ 13,611,029
<i>First Tennessee</i>					
FHLB Step 11/12/2030-16	Investment	2	5,001,000	-	5,001,000
FHLB Step 5/9/2031-16	Investment	2	7,512,375	-	7,512,375
FHLB 2.35 12/27/2024-16	Investment	2	1,000,880	-	1,000,880
FHLMC Step 5/23/2031-16	Investment	2	12,010,200	-	12,010,200
FHLMC Step 2/23/2031-16	Investment	2	11,003,410	-	11,003,410
FHLMC Step 5/23/2031-16	Investment	2	18,524,050	-	18,524,050
FNMA 1.03 1/30/2018-14	Investment	2	1,000	-	1,000
FNMA 1.05 3/27/2018-13	Investment	2	2,000	-	2,000
FNMA Step 11/25/2030-16	Investment	2	3,008,310	-	3,008,310
FNMA Step 1/17/2031-17	Investment	2	5,006,700	-	5,006,700
FNMA Step 2/10/2031-17	Investment	2	14,021,280	-	14,021,280
FNMA Step 2/20/2031-17	Investment	2	8,013,280	-	8,013,280
FAMC Step 11/24/2030-17	Investment	2	8,007,280	-	8,007,280
FNMA Step 3/10/2031-17	Investment	2	14,544,515	-	14,544,515
FNMA Step 3/28/2030-17	Investment	2	2,005,500	-	2,005,500
FNMA Step 4/7/2031-17	Investment	2	16,024,960	-	16,024,960
T-Bill 0 7/21/2016	Investment	2	999,900	-	999,900
T-Bill 0 8/25/2016	Investment	2	999,660	-	999,660
T-Bill 0 9/22/2016	Investment	2	999,440	-	999,440
TOTAL INVESTMENTS			<u>142,296,769</u>	<u>-</u>	<u>142,296,769</u>
TOTAL DEPOSITS AND INVESTMENTS			163,495,071	-	163,495,071
<i>Other Cash:</i>					
Petty Cash & Change Funds	Cash		-	400	400
<i>Accrued Interest Receivable</i>					
Accrued Interest - Pooled Investments	Accrued Int		682,295	-	682,295
Total cash and investments			164,177,366	400	164,177,766
<i>Less balances in City of Las Cruces funds</i>			163,173,726	-	163,173,726
ASCMV cash and investment balance			<u>\$ 1,003,640</u>	<u>\$ 400</u>	<u>\$ 1,004,040</u>

Animal Service Center of the Mesilla Valley
Schedule of Joint Powers Agreements and Memoranda of Understanding
June 30, 2016

Participants	Responsible Party	Description	Beginning Date	Ending Date	Project Amount	FY 2016 Revenue	Audit Responsibility	Fiscal Agent
City of Las Cruces	ASCMV	Provide financing, operation, and maintenance of the Center	1/29/2008	Perpetual	50%	\$ 901,787	City of Las Cruces	City of Las Cruces
Dona Ana County	ASCMV	Provide financing, operation, and maintenance of the Center	1/29/2008	Perpetual	50%	\$ 901,787	City of Las Cruces	City of Las Cruces
City of Anthony	ASCMV	Provide assistance with off-site animal shelter services	3/13/2014	3/13/2018	\$35 per animal	\$ 7,720	City of Las Cruces	City of Las Cruces
City of Sunland Park	ASCMV	Provide assistance with off-site animal shelter services	11/1/2015	10/31/2017	\$50 per animal	\$ 5,725	City of Las Cruces	City of Las Cruces
White Sands Missile Range	ASCMV	Provide assistance with off-site animal shelter services	10/20/2014	60 day notice	\$35 per animal	\$ -	City of Las Cruces	City of Las Cruces

Other Information

Animal Service Center of the Mesilla Valley
Schedule of Vendor Information for Purchases Exceeding \$60,000
June 30, 2016

RFB#/RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A	Brief Description of the Scope of Work
There were no vendors greater than \$60,000 during fiscal year 2016								

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Animal services				
Services	-	-	-	-
Capital outlay	-	100,000	-	100,000
Total expenditures	-	100,000	-	100,000
Net change in fund balance	-	(100,000)	-	100,000
Transfer from operations to capital	-	100,000	100,000	-
Fund balance, beginning of year	-	45,820	45,820	-
Fund balance, end of year	\$ -	\$ 45,820	\$ 145,820	\$ 100,000

**REPORT OF INDEPENDENT AUDITORS 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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the budgetary comparison schedule for the general fund, of the Animal Service Center of the Mesilla Valley (ASCMV), Las Cruces, New Mexico, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise ASCMV's basic financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ASCMV's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ASCMV's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
November 30, 2016

Animal Service Center of the Mesilla Valley
Schedule of Findings and Responses
For the Year Ended June 30, 2016

There were no audit findings for the fiscal year ended June 30, 2016.

Animal Service Center of the Mesilla Valley
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016

There were no audit findings for the fiscal year ended June 30, 2015.

Animal Service Center of the Mesilla Valley
Exit Conference and Financial Statement Preparation
For the Year Ended June 30, 2016

Exit Conference

An exit conference was conducted on November 15, 2016, in a closed meeting of the Board of Directors pursuant to *Section 12-6-5 NMSA, 1978* with the following individuals in attendance:

ASCMV Board of Directors

David Dollahon Ex-Officio

City of Las Cruces (Fiscal Agent)

Victoria Fredrick	Director of Financial Services
Melissa Meyer	Accounting Manager
Maricela Ortiz	Financial Reporting Analyst
Victoria Delgado	Financial Reporting Analyst
Josh Saffell	Financial Reporting Analyst

ASCMV

Bernice Navarro Administrative Operations Manager

Moss Adams LLP

Ryan Luetkemeyer Senior Manager

Financial Statement Preparation

The City's Accounting Department prepared the accompanying financial statements; however, ASCMV is responsible for the financial statement content.