

**VILLAGE OF DES MOINES,
NEW MEXICO**

***ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITOR'S REPORT***

For the Year ended
June 30, 2005

INTRODUCTORY SECTION

Village of Des Moines, New Mexico
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

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STATE OF NEW MEXICO
VILLAGE OF DES MOINES

LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2005

<u>Name</u>		<u>Title</u>
	<u>City Council</u>	
Shirley Brooks		Mayor
Marjorie Briesh		City Councilor
Sandra Fernandez		City Councilor
Thomas Haynes		City Councilor
Jesse Yeargain		City Councilor
	<u>City Officials</u>	
Karen Bray		Village Clerk/Treasurer

LIST OF ELECTED AND APPOINTED OFFICIALS
May 22, 2009

<u>Name</u>		<u>Title</u>
	<u>City Council</u>	
Lee Dixon		Mayor
Annie Kennedy		Mayor Pro Tem
Scott Warner		City Councilor
Raymond Sisneros		City Councilor
Sandra Fernandez		City Councilor
	<u>City Officials</u>	
Stephanie King		Village Clerk/Treasurer

FINANCIAL SECTION

R. Kelly McFarland

Certified Public Accountant
A Professional Corporation

Member American Institute
of Certified Public Accountants



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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Council Members
Village of Des Moines
Des Moines, New Mexico
And
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

I was engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons of the General Fund, Fire Fund, Senior Citizens Fund and Special Revenue Funds of the Village of Des Moines, New Mexico (Village) as of and for the year ended June 30, 2005, which, collectively, comprise the Village's basic financial statements as listed in the Table of Contents. I was also engaged to audit the financial statements of each of the Village's nonmajor governmental funds, including budgetary comparisons, presented as supplemental information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2005, as listed in the Table of Contents. These financial statements are the responsibility of Village of Des Moines, New Mexico's management.

Because of inadequate capital asset records, I was unable to form an opinion regarding the amounts of capital assets recorded in the governmental activities and business-type activities financial statements.

I was unable to obtain written representations from management of the Village concerning transactions prior to May 22, 2009 which took place under substantially different management, as required by generally accepted auditing standards.

Pursuant to management's request, I did not apply auditing procedures to the effects of transactions occurring after June 30, 2005 to the date of this report, also required by generally accepted auditing standards.

Further, I was unable to examine sufficient competent evidential matter to determine the collectability of receivables of the Ambulance Fund, a component of aggregate remaining fund information and the individual Ambulance Fund presented as supplementary information as a nonmajor governmental fund.

I was unable to apply other auditing procedures to satisfy myself about the carrying amount of the capital assets and accumulated depreciation for both the governmental activities and the business-type activities and the collectability of Ambulance Fund receivables and the effects, if any, such amounts might have on expenses resulting from inadequate records to reflect the proper depreciation expense in the governmental activities and business-type activities and from uncollectible Ambulance receivables and I was unable to obtain written representations from management and I did not apply auditing procedures to subsequent events, 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, I express no such opinion. 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.

Because of the significance of the matters discussed in the second, third, fourth and fifth paragraphs above, I am unable to express an opinion and I do not express an opinion on the basic financial statements or the supplemental information of the Village of Des Moines, New Mexico as of and for the year ended June 30, 2005, referred to in the first paragraph.

In accordance with *Government Auditing Standards*, I have, also, issued my report dated May 22, 2009, on my consideration of Village of Des Moines, New Mexico's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of my audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis on pages 6 through 7 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it. The Village of Des Moines did not include an analysis of significant budget variances, a quantitative summary of significant capital asset and long-term debt activity or a condensed quantitative analysis of the government's overall financial position and results of operations that accounting principles generally accepted in the United States of America require to supplement, although not to be a part of, the basic financial statements.

I was engaged for the purpose of forming opinions on the financial statements that collectively comprise Village of Des Moines, New Mexico's basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The accompanying Supporting Schedules listed in the Table of Contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements and the combining and individual fund financial statements and budgetary comparisons of Village of Des Moines, New Mexico. The scope of my audit was limited as discussed in paragraphs two, three, four and five above and because of the significance of these matters, I do not express an opinion on the basic financial statements and the combining and individual fund financial statements; accordingly, the Supporting Schedules listed in the Table of Contents have not been subjected to auditing procedures in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*; therefore, I do not express an opinion as to the Supporting Schedules listed in the Table of Contents in relation to the basic financial statements taken as a whole.



May 22, 2009

Village of Des Moines

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Village of Des Moines financial performance provides an overview of the Village's financial activities for the fiscal year ending June 30, 2005. The financial statements provide the financial picture for the Village of Des Moines. The Primary Government activities and the Business type activities are presented separately.

This Management Discussion and Analysis precede the basic financial statements as required supplementary information. The Village implemented GASB 34 in the Fiscal Year 03/04 ending June 30, 2004, fiscal year ending June 30, 2005 will be compared with prior year financial statements.

The primary government for the Village of Des Moines consists of: General Government, Public Safety, Public Works, Capital Projects, depreciation and interest on long term debt.

General Government includes the day to day running of the Village. The majorities of the Village's basic services are reported in these funds, which focuses on how money flows in and out of these funds and on how much can readily be converted to cash and the amount left at the end of the fiscal year, which can be used for spending. These funds are reported using a modified cash accounting method.

The Enterprise or Business type funds include those funds which are used to provide services to the customers of the Village. These are services that the Village charges the customer for, whether they reside within or outside the Village limits. The Village currently has four enterprise type funds: Ambulance, Refuse, Water and Water Meter Funds.

The Village also acts as trustee for three Special Revenue Funds: EMS, Fire Protection, and Senior Citizens. These are funds which money is granted to the Village by the State of New Mexico, Union County and Eastern NM Agency on Aging for the operations of these services to the Community.

The Village did not incur any new long-term debt for the fiscal year ending June 30, 2005. However the Village paid off: Water bond debt issued August 1994,(payoff was in March of 2005) the Ambulance which was an intercept payment for the NM Finance Authority in May, 2005. The Fire Department has financed with the NMFA a fire truck payments are made from the State Fire Marshal annual funding. The Fire truck maturity will be in fiscal year 06/07.

The statement net assets and statement of activities report information about the Village as whole. Net assets are the differences between the Village's assets and liabilities. These measure the overall financial picture of the Village. They are used to determine whether the financial health for the Village is improving or deteriorating. The Village Elected Officials review financial statements on a regular basis.

Village of Des Moines, New Mexico
Statement of Net Assets
June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 399,356	\$ 138,924	\$ 538,280
Receivables	32,150	6,576	38,726
Total current assets	<u>431,506</u>	<u>145,500</u>	<u>577,006</u>
Noncurrent assets:			
Capital assets not being depreciated	431	10,427	10,858
Capital assets, net of accumulated depreciation	1,261,596	368,743	1,630,339
Restricted cash and cash equivalents	<u>2,316</u>	<u>4,480</u>	<u>6,796</u>
Total noncurrent assets	<u>1,264,343</u>	<u>383,650</u>	<u>1,647,993</u>
Total assets	<u><u>\$ 1,695,849</u></u>	<u><u>\$ 529,150</u></u>	<u><u>\$ 2,224,999</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 43	\$ -	\$ 43
Customer meter deposits	-	4,480	4,480
Current portion of long-term debt, due within one year	<u>11,000</u>	<u></u>	<u>11,000</u>
Total current liabilities	<u>11,043</u>	<u>4,480</u>	<u>15,523</u>
Noncurrent liabilities:			
Loans and notes payable, due in more than one year	<u>12,000</u>	<u></u>	<u>12,000</u>
Total noncurrent liabilities	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Total liabilities	<u>23,043</u>	<u>4,480</u>	<u>27,523</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,239,027	379,170	1,618,197
Restricted for:			
Bond indebtedness	2,316		2,316
Unrestricted	<u>431,463</u>	<u>145,500</u>	<u>576,963</u>
Total net assets	<u>1,672,806</u>	<u>524,670</u>	<u>2,197,476</u>
Total liabilities and net assets	<u><u>\$ 1,695,849</u></u>	<u><u>\$ 529,150</u></u>	<u><u>\$ 2,224,999</u></u>

The notes to the financial statements are an integral part of this statement.

Village of Des Moines, New Mexico
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 35,909	\$ -	\$ 54,704	\$ -
Public safety	98,317	2,910	60,364	-
Public works	59,965	53	-	-
Culture and recreation	27,033	-	-	-
Interest on long-term debt	2,071			
Total governmental activities	223,295	2,963	115,068	-
Business-type Activities:				
Water	53,585	27,480		
Solid waste	12,301	8,094		
Total business-type activities	65,886	35,574	-	-
Total	\$ 289,181	\$ 38,537	\$ 115,068	\$ -

General Revenues:

Taxes:
 Property taxes
 Gross receipts taxes
Motor vehicle and fuel taxes
 Gas taxes
 Cigarette taxes
Licenses:
 Business license
 Liquor license
Interest income
Miscellaneous income
Total general revenues
Transfers between governmental and business-type activities
Total general revenues and transfers
Change in net assets
Net assets, beginning of year
Net assets, end of year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in
Net Assets

Governmental Activities	Business- type Activities	Total
\$ 18,795	\$ -	\$ 18,795
(35,043)	-	(35,043)
(59,912)	-	(59,912)
(27,033)	-	(27,033)
(2,071)	-	(2,071)
<u>(105,264)</u>	<u>-</u>	<u>(105,264)</u>
-	(26,105)	(26,105)
<u>-</u>	<u>(4,207)</u>	<u>(4,207)</u>
-	(30,312)	(30,312)
<u>(105,264)</u>	<u>(30,312)</u>	<u>(135,576)</u>
6,833		6,833
36,915		36,915
771		771
7,726		7,726
114		114
146		146
250		250
5,718	2,928	8,646
23,089	24,133	47,222
81,561	27,061	108,623
(1,491)	1,491	0
<u>80,070</u>	<u>28,552</u>	<u>108,623</u>
(25,194)	(1,760)	(26,953)
1,698,000	526,429	2,224,429
<u>\$ 1,672,806</u>	<u>\$ 524,670</u>	<u>\$ 2,197,476</u>

Village of Des Moines, New Mexico
Balance Sheet
Governmental Funds
June 30, 2005

	General Fund	Fire Fund	Senior Citizens Fund	EMS Grant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 213,057	\$ 126,729	\$ 13,302	\$ -	\$ 46,268	\$ 399,356
Restricted cash and cash equivalents	-	2,316	-	-	-	2,316
Receivables and internal balances	4,198	-	4,600	-	23,352	32,150
Due from other funds	-	-	-	-	-	-
Total assets	\$ 217,255	\$ 129,045	\$ 17,902	\$ -	\$ 69,620	\$ 433,822
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 43	\$ -	\$ -	\$ -	\$ -	\$ 43
Accrued expenses	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	43	-	-	-	-	43
FUND BALANCES						
Reserved for debt service		2,316			-	2,316
Unreserved:						
Designated for subsequent year, reported in:						
General fund	-					-
Special revenue funds		50,901	-	-	13,904	64,805
Undesignated, reported in:						
General fund	217,212	-	-	-	-	217,212
Special revenue funds	-	75,828	17,902	-	55,716	149,446
Total fund balances	217,212	129,045	17,902	-	69,620	433,779
Total liabilities and fund balances	\$ 217,255	\$ 129,045	\$ 17,902	\$ -	\$ 69,620	\$ 433,822
Adjustments for the Statement of Net Assets:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.						\$ 1,262,027
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.						(23,000)
Net assets of governmental activities						\$ 1,672,806

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

Village of Des Moines, New Mexico
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2005

	General Fund	Fire Fund	Senior Citizens Fund
Revenues:			
Taxes (see Note 13)	\$ 44,654	\$ -	\$ -
Intergovernmental income	35,000	46,185	19,704
Charges for services	172	53	-
Licenses and fees	396	-	-
Investment income	4,568	1,150	-
Miscellaneous	21,502	523	55
Total revenues	106,292	47,911	19,759
Expenditures:			
Current:			
General government	32,979	-	-
Public safety	58,027	13,931	-
Public works	-	-	-
Culture and recreation	-	-	13,695
Capital outlay	32,469	4,491	-
Debt service:			
Principal	5,983	11,000	-
Interest	256	1,815	-
Total expenditures	129,714	31,237	13,695
Excess (deficiency) of revenues over expenditures	(23,422)	16,674	6,064
Other financing sources (uses):			
Transfers in	6,705	-	-
Transfers (out)	(4,420)	-	-
Total other financing sources (uses)	2,285	-	-
Net change in fund balance	(21,137)	16,674	6,064
Fund balance, beginning of year	238,349	112,371	11,838
Fund balance, end of year	<u>\$ 217,212</u>	<u>\$ 129,045</u>	<u>\$ 17,902</u>

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

EMS Grant Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 7,761	\$ 52,415
9,179	5,000	115,068
-	2,910	3,135
-	-	396
-	-	5,718
-	780	22,860
<u>9,179</u>	<u>16,451</u>	<u>199,592</u>
-	-	32,979
5,900	4,739	82,597
-	437	437
-	250	13,945
-	5,869	42,829
-	-	16,983
-	-	2,071
<u>5,900</u>	<u>11,295</u>	<u>191,841</u>
<u>3,279</u>	<u>5,156</u>	<u>7,751</u>
-	2,928	9,633
<u>(3,700)</u>	<u>(3,005)</u>	<u>(11,125)</u>
<u>(3,700)</u>	<u>(77)</u>	<u>(1,492)</u>
(421)	5,079	6,259
421	64,541	427,520
<u>\$ -</u>	<u>\$ 69,620</u>	<u>\$ 433,779</u>

Village of Des Moines, New Mexico
 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of
 Activities
 Governmental Funds
 For the Year Ended June 30, 2005

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in Fund Balance - Total Governmental Funds	\$	6,259
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures		42,829
Depreciation		(91,265)

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Principal payments on notes payable		<u>16,983</u>
Change in net assets of governmental activities	\$	<u><u>(25,194)</u></u>

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

Village of Des Moines, New Mexico
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 82,500	\$ 82,500	\$ 72,896	\$ (9,604)
Intergovernmental income	35,000	35,000	35,000	-
Charges for services	500	500	172	(328)
Licenses and fees	400	400	396	(4)
Investment income	1,300	1,300	4,250	2,950
Miscellaneous	800	800	2,233	1,433
Total revenues	120,500	120,500	114,946	(5,553)
Expenditures:				
Current:				
General government	33,040	33,040	32,994	46
Public safety	68,847	68,847	58,986	9,861
Public works	0	0	0	-
Culture and recreation	0	0	0	-
Health and welfare	0	0	0	-
Capital outlay	20,000	20,000	12,494	7,506
Debt service:				
Principal	0	0	5,983	(5,983)
Interest	0	0	256	(256)
Total expenditures	121,887	121,887	110,713	11,174
Excess (deficiency) of revenues over expenditures	(1,387)	(1,387)	4,233	5,620
Other financing sources (uses):				
Transfers in	36,474	36,474	6,324	(30,150)
Transfers (out)	(60,300)	(60,300)	(28,847)	31,453
Total other financing sources (uses)	(23,826)	(23,826)	(22,523)	1,303
Net change in fund balance	(25,213)	(25,213)	(18,290)	6,923
Budgeted Cash balance, beginning of year	136,394	136,394	136,394	-
Budgeted Cash balance, end of year	<u>\$ 111,181</u>	<u>\$ 111,181</u>	<u>\$ 118,104</u>	<u>\$ 6,923</u>

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

Village of Des Moines, New Mexico
 Fire Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Basis) and Actual
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income	55,841	55,841	46,185	(9,656)
Charges for services	200	200	53	(147)
Licenses and fees	-	-	-	-
Investment income	-	-	1,150	1,150
Miscellaneous	-	-	523	523
Total revenues	56,041	56,041	47,911	(8,130)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	39,275	39,275	17,968	21,307
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	10,000	10,000	454	9,546
Debt service:				
Principal	-	-	11,000	(11,000)
Interest	-	-	1,815	(1,815)
Total expenditures	49,275	49,275	31,237	18,038
Excess (deficiency) of revenues over expenditures	6,766	6,766	16,674	9,908
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	6,766	6,766	16,674	9,908
Budgeted Cash balance, beginning of year	97,478	97,478	97,478	-
Budgeted Cash balance, end of year	<u>\$ 104,244</u>	<u>\$ 104,244</u>	<u>\$ 114,152</u>	<u>\$ 9,908</u>

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

Village of Des Moines, New Mexico
Senior Citizens Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income	19,704	19,704	81,133	61,429
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	55	55
Total revenues	19,704	19,704	81,188	61,484
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	25,704	25,704	13,696	12,008
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	25,704	25,704	13,696	12,008
Excess (deficiency) of revenues over expenditures	(6,000)	(6,000)	67,492	73,492
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(6,000)	(6,000)	67,492	73,492
Budgeted Cash balance, beginning of year	10,275	10,275	10,275	-
Budgeted Cash balance, end of year	<u>\$ 4,275</u>	<u>\$ 4,275</u>	<u>\$ 77,767</u>	<u>\$ 73,492</u>

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

Village of Des Moines, New Mexico
 EMS Grant Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Basis) and Actual
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income	9,200	9,200	9,179	(21)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	9,200	9,200	9,179	(21)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	5,500	5,500	5,900	(400)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	5,500	5,500	5,900	(400)
Excess (deficiency) of revenues over expenditures	3,700	3,700	3,279	(421)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out)	3,700	3,700	3,700	-
Total other financing sources (uses)	3,700	3,700	3,700	-
Net change in fund balance	-	-	(421)	(421)
Budgeted Cash balance, beginning of year	-	-	-	-
Budgeted Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (421)</u>	<u>\$ (421)</u>

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

Village of Des Moines, New Mexico
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Business-type Activities		
	Water Utility	Solid Waste	Total Proprietary
ASSETS			
Current assets:			
Cash	\$ 136,106	\$ 2,818	\$ 138,924
Accounts receivable, net	3,826	168	3,994
Taxes receivable	2,432	150	2,582
Total current assets	142,364	3,136	145,500
Noncurrent assets:			
Capital assets not being depreciated	2,427	8,000	10,427
Capital assets being depreciated	368,743	-	368,743
Restricted cash	4,480	-	4,480
Total noncurrent assets	375,650	8,000	383,650
Total assets	\$ 518,014	\$ 11,136	\$ 529,150
LIABILITIES			
Current liabilities:			
Customer meter deposits	\$ 4,480	\$ -	\$ 4,480
Total current liabilities	4,480	-	4,480
Total liabilities	4,480	-	4,480
NET ASSETS			
Invested in capital assets, net of related debt	371,170	8,000	379,170
Restricted for:			
Bond indebtedness	-	-	-
Reserve and replacement	-	-	-
Unrestricted	142,364	3,136	145,500
Total net assets	513,534	11,136	524,670
Total liabilities and net assets	\$ 518,014	\$ 11,136	\$ 529,150

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

Village of Des Moines, New Mexico
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Business-type Activities		
	Water Utility	Solid Waste	Total Proprietary
Operating revenues:			
Charges for services	\$ 27,481	\$ 8,095	\$ 35,575
Total operating revenues	<u>27,481</u>	<u>8,095</u>	<u>35,575</u>
Operating expenses:			
Depreciation	22,387	-	22,387
Personal services	6,289	2,743	9,032
Contractual services	-	8,597	8,597
Other supplies and expenses	352	-	352
Maintenance and materials	3,217	-	3,217
Miscellaneous	11,994	961	12,955
Utilities	4,496	-	4,496
Insurance	978	-	978
Total operating expenses	<u>49,713</u>	<u>12,301</u>	<u>62,014</u>
Operating income (loss)	<u>(22,232)</u>	<u>(4,206)</u>	<u>(26,439)</u>
Non-operating revenues (expenses):			
Taxes	23,984	-	23,984
Interest expense	(3,872)	0	(3,872)
Interest income	2,848	79.85	2927.78
Miscellaneous income	149	-	149
Total nonoperating revenues (expenses)	<u>23,109</u>	<u>80</u>	<u>23,189</u>
Income (loss) before transfers	876	(4,126)	(3,250)
Transfers	-	1,491	1,491
Change in fund net assets	876	(2,635)	(1,759)
Total net assets, beginning of year	<u>512,658</u>	<u>13,771</u>	<u>526,429</u>
Total net assets, end of year	<u>\$ 513,534</u>	<u>\$ 11,136</u>	<u>\$ 524,670</u>

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

Village of Des Moines, New Mexico
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Business-type Activities		
	Water Utility	Solid Waste	Total Proprietary
Cash flows from operating activities:			
Cash received from user charges	\$ 28,258	\$ 9,331	\$ 37,589
Cash payments to employees for services	(6,288)	(2,743)	(9,031)
Cash payments to suppliers for goods and services	(21,879)	(9,679)	(31,558)
Net cash provided (used) for operating activities	91	(3,091)	(3,000)
Cash flows from noncapital financing activities:			
Government contributions	24,157	11	24,168
Miscellaneous income	149	-	149
Transfers from other funds	-	1,491	1,491
Change in customer deposits	2,790	-	2,790
Net cash provided by noncapital financing activities	27,096	1,502	28,598
Cash flows from capital financing activities:			
Purchases of capital assets	(4,550)	-	(4,550)
Net cash provided by (used) noncapital financing activities	(4,550)	-	(4,550)
Cash flows from investing activities:			
Interest paid	(3,872)	-	(3,872)
Noncurrent liabilities:	(49,000)	-	(49,000)
Decrease in investments	25,723	-	25,723
Interest on investments	2,848	80	2,928
Net cash provided by (used) investing activities	(24,301)	80	(24,221)
Net increase (decrease) in cash and cash equivalents	(1,664)	(1,509)	(3,173)
Cash and cash equivalents, beginning of year	142,250	4,327	146,577
Less: Restricted cash	(4,480)	-	(4,480)
Cash and cash equivalents, end of year	<u>\$ 136,106</u>	<u>\$ 2,818</u>	<u>\$ 138,924</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (22,232)	\$ (4,206)	\$ (26,439)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	22,387	-	22,387
Changes in assets and liabilities:			
Receivables	778	1,237	2,015
Accounts payable and accrued expenses	(842)	(122)	(964)
Net cash provided (used) by operating activities	<u>\$ 91</u>	<u>\$ (3,091)</u>	<u>\$ (3,000)</u>

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

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies

The Village of Des Moines (Village) was incorporated during 1915, and currently operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire,) highways and streets, sanitation and water, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

This summary of significant accounting policies of the Village of Des Moines is presented to assist in the understanding of Village of Des Moines' financial statements. The financial statements and notes are the representation of Village of Des Moines' management who is responsible for their integrity and objectivity. The financial statements of the Village have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the government's accounting policies are described below.

A. *Financial Reporting Entity*

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB No. 14.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Village has no component units.

B. *Government-wide and fund financial statements*

The Village Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the Village accompanied by a total column. Fiduciary activities are not included in these statements. The Village does not have any fiduciary funds.

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies, continued

B. *Government-wide and fund financial statements, continued*

Certain eliminations have been made as prescribed by GASB No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated. The Village does not have balances between the governmental activities and the business-type activities at June 30, 2005, which would be presented as internal balances and eliminated in the total primary government column if such balances were present. The Village does not have internal service fund transactions. Transactions between governmental and business-type activities have not been eliminated.

The Village applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the Village applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants for water, refuse and ambulance services, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Grants defined by this criterion for fiscal year 2005 include small cities assistance, county and legislative appropriations, and fire and ambulance grants. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. *Measurement focus, basis of accounting, and financial statement presentation*

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies, continued

C. *Measurement focus, basis of accounting, and financial statement presentation, continued*

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Protection Fund is to account for the operation and acquisition of assets for the Fire Department. This fund is financed through State Grants. Authorized by Fire Protection Act, 59A-53-1, NMSA, 1978.

The Senior Citizens Fund is used to account for State revenues for senior citizens' activities. Financing is provided by State appropriation and the State of New Mexico Agency on Aging. Authorized by 7-12-1 and 15, NMSA, 1978.

The EMS Fund is used to account for State Grants and charges for services for the operation and enhancement of local emergency medical services in order to reduce injury and loss of life. Authorized by the Emergency Medical Services Fund Act, 24-10A-1, NMSA, 1978.

The Village reports the following major proprietary funds:

The Water Utility Fund accounts for the provisions of water service to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including administration, operations, maintenance, financing, billing, and debt service.

The Solid Waste Fund accounts for the disposal of solid waste for the residents of the Village.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies, continued

C. *Measurement focus, basis of accounting, and financial statement presentation, continued*

following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Village's Enterprise Funds and various other functions of the Village. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, or services provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Wastewater, Solid Waste, and Water Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. *Assets, Liabilities and Net Assets or Equity*

Deposits and Investments. The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes (Public Monies Act 6-10-1 through 6-10-63, NMSA, 1978) authorize the Village to invest in FDIC insured Certificates of Deposit, obligations of the U.S. Government, U.S. Agencies, certain state and municipal bonds, and the State Treasurer's Investment Pool. Deposits in excess of FDIC insurance must be collateralized as discussed in Note 3 to the financial statements.

Investments for the Village for fiscal year 2005 were only in Certificates of Deposit and are reported at fair value.

Receivables and Payables. Activity between funds that are representative between lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies, continued

D. *Assets, Liabilities and Net Assets or Equity, continued*

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are not recorded as revenue until received.

Property taxes are levied on November 1st, based on the assessed value of property as listed on the previous January 1st, and are due in two payments by November 10th and April 10th. Property taxes uncollected after May 10th are considered delinquent. The taxes attach as an enforceable lien on property as of January 1st.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

Restricted Assets. Restricted assets for the Village include cash held by the New Mexico Finance Authority for note payments as reflected in governmental funds and utility customer deposits reflected in the business-type funds. These assets may only be expended for the specific purposes as noted, due to externally imposed provisions of the note agreement and agreements with utility customers, respectively.

Capital Assets. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB No. 34, the historical costs of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government-wide financial statements, if applicable. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated Capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The New Mexico Legislature revised the capitalization policy to \$5,000, effective for fiscal year 2005.

The majority of outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Village during the current fiscal year was \$5,943. No interest was included as part of the cost of capital assets under construction.

**Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005**

Note 1. Summary of Significant Accounting Policies, continued

D. *Assets, Liabilities and Net Assets or Equity, continued*

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

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

Deferred Revenues. Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility of reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues. Utility service prepayments in the Enterprise Funds are reported as deferred revenue until the earnings process is complete.

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

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Village. Accumulated unused vacation is payable upon retirement or termination from employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for examples, as a result of employee resignations and retirements. Unused vacation benefits as of June 30, 2005 were under \$1,133; accordingly, no provision for compensated absences has been recorded in the financial statements.

Long-term Obligations. In the government-wide financial statements, and Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Fund Equity. In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005**

Note 1. Summary of Significant Accounting Policies, continued

D. *Assets, Liabilities and Net Assets or Equity, continued*

Fund Equity - Government-Wide Financial Statements. Equity is classified as net assets and reflected in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes payable and capital leases payable that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints 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.

Enabling legislation authorizes the Village Government to assess, levy, charge or otherwise mandate payment of resources and includes "legally enforceable" provision that resources can only be used for the legislated specific purpose. The term "legally enforceable" is defined as one that an external party to the Village of Des Moines Government - such as citizens, public interest groups or the courts - can compel the government to honor. The Village determines legal enforceability based on professional judgment of management and the advice of counsel. At June 30, 2005, the Village of Des Moines Government did not have any of its net assets restricted by enabling legislation.

- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The policy of the Village is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Reclassifications. Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

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

Note 2. Stewardship, Compliance and Accountability

Budgetary Information

The Village Manager and Finance Officer submit to the Village Commission a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted in May and June to obtain taxpayer comments. Upon approval by the State of New Mexico Department of Finance and Administration (DFA), the budget is legally enacted through passage of the budget resolution. The Village Commission is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the State Department of Finance and Administration. Formal budgetary integration is employed as a management control device during the year for the General Fund,

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 2. Stewardship, Compliance and Accountability, continued

Budgetary Information, continued

Special Revenue Funds, Capital Projects Funds and Debt Service Funds. Budgets for the Village are adopted on a basis that is not in accordance with generally accepted accounting principles in the United States of America (GAAP). The budgets secure appropriations for only one year. All annual appropriations lapse at fiscal year end. Budgeted amounts are as originally adopted, or as amended by the Village Commission. Cash balances estimated during the budget process are budgeted as a resource.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by department and general ledger account. Expenditures are budgeted by department and general ledger account. The level of classification in which expenditures may not legally exceed appropriations from the budget is at the fund level.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds.

The appropriated budget for the year ended June 30, 2005 was properly amended by the Village Commission through the year. These amendments resulted in the following changes:

	<u>Original Budget</u>		<u>Final Budget</u>
Budgeted Funds:			
Water Fund			
Revenues	\$ 44,221	\$	65,646
Expenses	(55,030)		(98,030)
Change in Net Assets	<u>\$ (10,809)</u>	<u>\$</u>	<u>(32,384)</u>

The following is a reconciliation between the Non-GAAP budgetary (cash) basis amounts and the governmental fund financial statements by fund type.

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Senior Citizens Fund</u>	<u>EMS Grant Fund</u>	<u>Non-Major Funds</u>
Excess (deficiency) of revenues over expenditures (GAAP Basis)	\$ (23,422)	\$ 16,674	\$ 6,064	\$ 3,279	\$ 5,156
Adjustments:					
Receivables	3,385		61,428		1,288
Reclassification *	24,158				
Miscellaneous	112				(200)
Excess (deficiency) of revenues over expenditures (Budget Basis)	<u>\$ 4,233</u>	<u>\$ 16,674</u>	<u>\$ 67,492</u>	<u>\$ 3,279</u>	<u>\$ 6,244</u>

* The mechanics of management's accounting systems requires the reclassification of revenues collected by the General Fund for other funds.

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 3. Deposits and Investments

State Statutes authorize the investment of the Village funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Village properly followed State investment requirements as of June 30, 2005.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Village.

Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States Government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

At June 30, 2005, the carrying amount of the Village's deposits was \$545,076 and the bank balance was \$553,025. The entire bank balance throughout the year was covered by federal depository insurance and by collateral held by the Village's agent in the agent's name.

New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least one-half of the amount on deposit with the institution, and deposits in overnight repurchase agreements are required to be covered by pledged collateral equal to 102% of the deposit.

The collateral pledged is included in the supporting schedules of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

The Village has little exposure to interest rate risk, credit risk because it invests only in Certificates of Deposits with maturities typically of less than one year.

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 3. Deposits and Investments, continued

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits (in excess of FDIC insurance) may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2005, \$122,383 of the Village's bank balance of \$553,025 was exposed to custodial credit risk as follows:

Total deposits at June 30, 2005	\$ 553,025
Less: FIDC coverage at June 30, 2005	<u>200,000</u>
Uninsured public funds	353,025
Pledged collateral held by the pledging bank's trust department or agent, but not in the agency's name	<u>230,642</u>
Uninsured and uncollateralized	<u><u>\$ 122,383</u></u>

The Village is exposed to concentration of credit risk as substantially all cash funds are deposited to a single bank.

Note 4. Receivables

Receivables as of June 30, 2005, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Senior Citizens Fund	EMS Grant Fund	Other Governmental Funds	Water Utility	Solid Waste	Total
Receivables:							
Interest Receivable	\$ 318	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 318
Receivable for services		-	-	22,407	10,602	892	33,901
Taxes:							
Gross receipt tax	3,651			328	2,432	150	6,561
Cigarette tax	54						54
Motor vehicle tax	62						62
Gas tax				617			
Property tax	113						113
Intergovernmental:							
State Agency on Aging		4,306					4,306
Eastern New Mexico Area Agency on Aging		294					294
							-
Gross receivables	<u>4,198</u>	<u>4,600</u>	<u>-</u>	<u>23,352</u>	<u>13,034</u>	<u>1,042</u>	<u>45,609</u>
Less: Allowance for Uncollectible	-	-	-	-	6,776	724	7,500
Net Receivables	<u><u>\$ 4,198</u></u>	<u><u>\$ 4,600</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 23,352</u></u>	<u><u>\$ 6,258</u></u>	<u><u>\$ 318</u></u>	<u><u>\$ 38,726</u></u>

All receivables are considered collectible, net of allowance for uncollectible accounts, except Ambulance receivables for which an allowance has not been determined.

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 5. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Interfund Transfers:

	Transfer In	Transfer Out
General Fund	\$ 6,705	\$ 4,420
Street Fund	2,713	
Recreation Fund	216	
Solid Waste Fund	1,491	
EMS Grant Fund		3,700
Ambulance Fund		3,005
	\$ 11,125	\$ 11,125

Transfers from General Fund to other funds are used to provide services. Transfers to General Fund from other funds are to provide funds to pay principal and interest on debt. Transfers are made on a routine basis and are consistent with the activities of the fund making the transfer.

The Village did not have interfund payables/receivables at June 30, 2005.

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2005, including those changes pursuant to the implementation of GASB No. 34, follows. Land is not subject to depreciation.

	Balance June 30, 2004	Additions & Transfers In	Deletions & Transfers Out	Balance June 30, 2005	Accumulated Depreciation	Balance, net of Depreciation June 30, 2005
Capital Assets used in:						
Governmental Activities						
Land	\$ 431	\$ -	\$ -	\$ 431	\$ -	\$ 431
Total Capital Assets Not Being Depreciated:	431	-	-	431	-	431
Buildings	404,030	16,475	-	420,505	78,625	341,880
Infrastructure	1,218,272	5,869	-	1,224,141	410,689	813,452
Equipment	339,374	20,484	-	359,858	253,594	106,264
Total Capital Assets Being Depreciated	1,961,676	42,828	-	2,004,504	742,908	1,261,596
Total	<u>\$ 1,962,107</u>	<u>\$ 42,828</u>	<u>\$ -</u>	<u>\$ 2,004,935</u>	<u>\$ 742,908</u>	<u>\$ 1,262,027</u>
Business-type Activities:						
Land	\$ 10,427	\$ -	\$ -	\$ 10,427	\$ -	\$ 10,427
Total Capital Assets Not Being Depreciated:	10,427	-	-	10,427	-	10,427
Buildings	20,000	-	-	20,000	8,417	11,583
Infrastructure	657,283	952	-	658,235	321,831	336,404
Equipment	45,204	3,597	-	48,801	28,045	20,756
Total Capital Assets Being Depreciated	722,487	4,549	-	727,036	358,293	368,743
Total	<u>\$ 732,914</u>	<u>\$ 4,549</u>	<u>\$ -</u>	<u>\$ 737,463</u>	<u>\$ 358,293</u>	<u>\$ 379,170</u>

**Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005**

Note 6. Capital Assets, continued

Depreciation expense for the year ended June 30, 2005 was charged to the following functions and funds:

Governmental Activities:	
General government	\$ 2,930
Public safety	15,720
Public works	59,528
Culture and recreation	<u>13,088</u>
Entire Operation of the Village	<u>\$ 91,266</u>
Business type activities	
Water Utility	<u>\$ 22,387</u>

Note 7. Long-term Debt

The 1994 Water Revenue Bond was paid off during the current fiscal year.

	<u>1994 Water Revenue Bond</u>
Original issue:	August 11, 1994
Principal:	\$70,000
Interest:	January 1 st and July 1 st
Rates:	7.25%

The 1994 Water Refunding and Extension Revenue Bonds were issued to refinance the 1981 Water Refunding and Extension Revenue Bonds of the Village of Des Moines. The Bonds and all payments of principal, premium, and interest thereon whether at maturity or on a redemption date, shall be paid with the income derived from the operation of the water system.

The payoff of the 1994 Bond Issue outstanding during this fiscal year, including interest payments was as follows:

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Ending June 30, 2005</u>			
Total	<u>\$ 46,000</u>	<u>\$ 3,872</u>	<u>\$ 49,872</u>

**Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005**

Note 7. Long-term Debt, continued

Loans payable as of June 30, 2005 are comprised of the following:

4.5-5.6% loan payable for the purchase of a fire truck, payable in annual payments due February 1st, with interest due semi-annually, through February, 2007 payable to New Mexico Finance Authority. Payments are made through an intercept of the Village's State Fire Fund allocation. \$ 23,000

3.85-4.45% loan payable for the purchase of an ambulance, payable in annual installments, with interest payable every six months to the New Mexico Finance Authority. Payments are made through an intercept of the Village's gross receipt tax. (Paid in full at June 30, 2005) \$ -

The annual requirements to amortize the fire truck loan outstanding as of June 30, 2005, including interest payments are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2006	\$ 11,000	\$ 1,277	\$ 12,277
2007	<u>12,000</u>	<u>671</u>	<u>12,671</u>
Total	<u>\$ 23,000</u>	<u>\$ 1,948</u>	<u>\$ 24,948</u>

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
Governmental Activities:					
Fire Truck Loan	\$ 34,000	\$ -	\$ 11,000	\$ 23,000	\$ 11,000
Ambulance Loan	<u>5,983</u>	<u>-</u>	<u>5,983</u>	<u>-</u>	<u>-</u>
Governmental Activities:					
Long-term liabilities	<u>\$ 39,983</u>	<u>\$ -</u>	<u>\$ 16,983</u>	<u>\$ 23,000</u>	<u>\$ 11,000</u>
Business-type Activities:					
1994 Water Refunding and Extension Bond	\$ 46,000	\$ -	\$ 46,000	\$ -	\$ -
Business-type Activities:					
Long-term liabilities	<u>\$ 46,000</u>	<u>\$ -</u>	<u>\$ 46,000</u>	<u>\$ -</u>	<u>\$ -</u>

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 7. Long-term Debt, continued

The government-wide Statement of Net Assets includes \$11,000 of the long-term liabilities due within one year for governmental activities. The remaining amount of \$12,000 is displayed as "noncurrent liabilities, due in more than one year" on the same statement. Restricted cash deposits are held by the New Mexico Finance Authority in the amounts of \$2,316 for payment of the loan.

In prior years, the General Fund has typically been used to liquidate compensated absences and other types of debt. At June 30, 2005, the liability for compensated absences was not material and management has elected not to record it.

Note 8. Risk Management

The Village is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets errors and omissions, injuries to employees, and natural disasters.

To manage these risks the Village participates as a member of the New Mexico Self Insurer' Fund, a pooled joint powers Insurance Authority. The Authority is administered by the New Mexico Municipal League, a nonprofit, comprised of 103 public entities. The Authority is organized under joint powers agreements as provided by Section 11-1-1 et. Seq, NMSA, 1978. The purpose of the Authority is to arrange and administer programs for pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverage. Each member government participates in the election of Board of Directors, who appoints the Insurance Board of Trustees. Insurance premiums paid to the Authority for fiscal year 2005 amounted to \$18,987.

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

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

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

Property Insurance: Property insurance insures Village buildings for an aggregate of \$904,829, including contents, with separate electronic data processing equipment of \$11,092. Deductibles are \$250 per occurrence. Automobile comprehensive is included with a deductible of \$250.

Fidelity Bond: Blanket fidelity bond coverage in the amount of \$500,000 with deductible of \$2500 is provided.

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

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

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 9. PERA Pension Plan

Plan Description

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

Funding Policy

Plan members are required to contribute 7% of their gross salary. The Village of Des Moines is required to contribute 7% for all Plan members. The contribution requirements of Plan members and the Village of Des Moines are established under Chapter 10, Article 11, NMSA, 1978. The requirements may be amended by act of the legislation. The Village of Des Moines' employee contributions to PERA for the years ending June 30, 2005, 2004, and 2003 were \$2,002, \$1,739, and \$1,746, respectively.

Note 10. Retiree Health Care Act Contributions

The Retiree Health Care Act (the "Act") (Chapter 10, Article 7C, NMSA, 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. 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 Retiree Health Care Fund and by co-payments or out-of-pocket payments to the eligible retirees. Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees.

Eligible employers are institutions of higher education, schools, villages, 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 Education Retirement Act (ERA), Public Employees Retirement Association (PERA), Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. 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 required for employee and employer contributions shall become the period of 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 1.3% of each participating employee's annual salary. Each employee contributes to the fund an employee contribution in an amount equal to .65% of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participated fee of \$5 if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 10. Retiree Health Care Act Contributions, continued

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 Retiree Health Care Authority issued 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, 810 W. San Mateo, Suite D, Santa Fe, New Mexico 87505.

For the years ended June 30, 2005 and 2004, the Village remitted \$372 and \$323 in employer contributions and \$186 and \$162 in employee contributions, respectively.

Note 11. Contingencies

The Village of Des Moines participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Village of Des Moines may be required to reimburse the grantor government. As of June 30, 2005, most grant expenditures had been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Village of Des Moines.

Note 12. Deficit Fund Balances and Excess of Expenditures Over Appropriations

Generally accepted accounting principles require disclosures as part of the Combined Statements of certain information concerning individual funds including:

Deficit fund balance of individual funds.	None
Excess of expenditures over appropriations:	
EMS Grant Fund	\$ 400
New Mexico Clean and Beautiful Fund (this fund was not budgeted)	\$ 200
Solid Waste Fund	\$ 68

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2005

Note 13. Tax Revenue by Type

During the current fiscal year, the Village received the following types of tax revenue:

	General Fund	Fire Fund	Senior Citizens Fund	EMS Grant Fund	Other Governmental Funds	Total Governmental Funds
Gross Receipts Tax	\$ 36,936	\$ -	\$ -	\$ -	\$ -	\$ 36,936
Property Tax	6,833					6,833
Cigarette Tax	114					114
Motor Vehicle Tax	771					771
Gasoline Tax					7,704	7,704
Recreation Tax					57	57
	<u>\$ 44,654</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,761</u>	<u>\$ 52,415</u>

SUPPLEMENTARY INFORMATION

Village of Des Moines, New Mexico
Nonmajor Governmental Funds
June 30, 2005

Ambulance Fund - The Ambulance Fund is used to account for ambulance services and maintenance of equipment. Financing is provided from the State and authorized by the Emergency Medical Services Act, 24-10A, NMSA, 1978.

Street Fund - The Street Fund is used to account for the collection of a one-cent gasoline tax received under SP-HM-4648 and SP-HM-7641 for the purpose of improving city streets. The financing is authorized by Village Ordinance and 3-31-1 and 7-1-6-9, NMSA, 1978 Compilation.

Recreation Fund - The Recreation Fund is used to account for the operations and maintenance of Village owned recreation facilities. Financing is provided by a cigarette tax levy to the extent that other revenues are not sufficient to provide such services. Authorized by 7-12-15 and 16, NMSA, 1978.

NMDOT Fund - The NMDOT Fund is used to account for the funds received from the New Mexico Department of Transportation in Co-op funding.

New Mexico Clean and Beautiful Fund - The New Mexico Clean and Beautiful Fund is used to account for a grant provided by the State of New Mexico.

Village of Des Moines, New Mexico
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue Funds					
	Ambulance Fund	Street Fund	Recreation Fund	NMDOT Fund	New Mexico Clean and Beautiful Fund	Total Nonmajor Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 17,861	\$ 28,407	\$ 0	\$ -	\$ -	\$ 46,268
Restricted cash and cash equivalents	-	-	-	-	-	-
Receivables and internal balances	22,407	918	27	-	-	23,352
Due from other funds	-	-	-	-	-	-
Total assets	\$ 40,268	\$ 29,325	\$ 27	\$ -	\$ -	\$ 69,620
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
FUND BALANCES						
Unreserved:						
Designated for subsequent year	-	13,904	-	-	-	13,904
Undesignated, reported in:						
General fund	-	-	-	-	-	-
Special revenue funds	40,268	15,421	27	-	-	55,716
Total fund balances	40,268	29,325	27	-	-	69,620
Total liabilities and fund balances	\$ 40,268	\$ 29,325	\$ 27	\$ -	\$ -	\$ 69,620

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

Village of Des Moines, New Mexico
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Ambulance Fund	Street Fund	Recreation Fund	NMDOT Fund	New Mexico Clean and Beautiful Fund	
Revenues:						
Taxes	\$ -	\$ 7,704	\$ 57	\$ -	\$ -	\$ 7,761
Intergovernmental income	5,000	-	-	-	-	5,000
Charges for services	2,910	-	-	-	-	2,910
Licenses and fees	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Miscellaneous	780	-	-	-	-	780
Total revenues	8,690	7,704	57	-	-	16,451
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	4,739	-	-	-	-	4,739
Public works	-	437	-	-	-	437
Culture and recreation	-	-	250	-	-	250
Health and welfare	-	-	-	-	-	-
Capital outlay	-	5,869	-	-	-	5,869
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	4,739	6,306	250	-	-	11,295
Excess (deficiency) of revenues over expenditures	3,951	1,398	(193)	-	-	5,156
Other financing sources (uses)						
Transfers in	-	2,712	216	-	-	2,928
Transfers out	(3,005)	-	-	-	-	(3,005)
Total other financing sources (uses)	(3,005)	2,712	216	-	-	(77)
Net change in fund balance	946	4,110	23	-	-	5,079
Fund balance - beginning of year	39,322	25,215	4	-	-	64,541
Fund balance - end of year	<u>\$ 40,268</u>	<u>\$ 29,325</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,620</u>

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

Village of Des Moines, New Mexico
Ambulance Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income	5,000	5,000	5,000	-
Charges for services	10,000	10,000	2,910	(7,090)
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	780	780
Total revenues	15,000	15,000	8,690	(6,310)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	9,900	9,900	4,738	5,162
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	9,900	9,900	4,738	5,162
Excess (deficiency) of revenues over expenditures	5,100	5,100	3,952	(1,148)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out)	(2,624)	(2,624)	(2,624)	-
Total other financing sources (uses)	(2,624)	(2,624)	(2,624)	-
Net change in fund balance	2,476	2,476	1,328	(1,148)
Budgeted Cash balance, beginning of year	12,220	12,220	12,220	-
Budgeted Cash balance, end of year	\$ 14,696	\$ 14,696	\$ 13,548	\$ (1,148)
Excess (deficiency) of revenues over expenditures (GAAP Basis)			\$ 3,951	
Adjustments:				
Receivables			1	
Miscellaneous			-	
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ 3,952	

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

Village of Des Moines, New Mexico
Street Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 38,400	\$ 38,400	\$ 8,219	\$ (30,181)
Intergovernmental income	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>38,400</u>	<u>38,400</u>	<u>8,219</u>	<u>(30,181)</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>38,302</u>	<u>38,302</u>	<u>6,307</u>	<u>31,995</u>
Excess (deficiency) of revenues over expenditures	<u>98</u>	<u>98</u>	<u>1,912</u>	<u>1,814</u>
Other financing sources (uses):				
Transfers in	5,000	5,000	2,983	(2,017)
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>5,000</u>	<u>5,000</u>	<u>2,983</u>	<u>(2,017)</u>
Net change in fund balance	5,098	5,098	4,895	(203)
Budgeted Cash balance, beginning of year	<u>33,801</u>	<u>33,801</u>	<u>33,801</u>	<u>-</u>
Budgeted Cash balance, end of year	<u>\$ 38,899</u>	<u>\$ 38,899</u>	<u>\$ 38,696</u>	<u>\$ (203)</u>
Excess (deficiency) of revenues over expenditures (GAAP Basis)			\$ 1,398	
Adjustments:				
Receivables			514	
Miscellaneous			-	
Excess (deficiency) of revenues over expenditures (Budget Basis)			<u>\$ 1,912</u>	

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

Village of Des Moines, New Mexico
Recreation Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 150	\$ 150	\$ 30	\$ (120)
Intergovernmental income	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	150	150	30	(120)
Expenditures:				
Current:				
General government	-	-	-	-
Culture and recreation	250	250	250	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	250	250	250	-
Excess (deficiency) of revenues over expenditures	(100)	(100)	(220)	(120)
Other financing sources (uses):				
Transfers in	150	150	216	66
Transfers (out)	-	-	-	-
Total other financing sources (uses)	150	150	216	66
Net change in fund balance	50	50	(4)	(54)
Budgeted Cash balance, beginning of year	-	-	-	-
Budgeted Cash balance, end of year	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ (4)</u>	<u>\$ (54)</u>
Excess (deficiency) of revenues over expenditures (GAAP Basis)			\$ (193)	
Adjustments:				
Receivables			(27)	
Miscellaneous			-	
Excess (deficiency) of revenues over expenditures (Budget Basis)			<u>\$ (220)</u>	

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

Village of Des Moines, New Mexico
New Mexico Clean and Beautiful Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income	-	-	800	800
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	-	800	800
Expenditures:				
Current:				
General government	-	-	-	-
Public works	-	-	200	(200)
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	200	(200)
Excess (deficiency) of revenues over expenditures	-	-	600	600
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	600	600
Budgeted Cash balance, beginning of year	-	-	-	-
Budgeted Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ 600</u>
Excess (deficiency) of revenues over expenditures (GAAP Basis)			\$ -	
Adjustments:				
Receivables			800	
Miscellaneous			(200)	
Excess (deficiency) of revenues over expenditures (Budget Basis)			<u>\$ 600</u>	

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

Village of Des Moines, New Mexico
Water Utility Fund
Statement of Revenues, Expenditures and Changes in Net Assets
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 38,300	\$ 38,300	\$ 25,086	\$ (13,214)
Total revenues	\$ 38,300	\$ 38,300	\$ 25,086	(13,214)
Operating expenses:				
Personal services	11,900	11,900	6,288	5,612
Other supplies and expenses	2,000	2,000	352	1,648
Maintenance and materials	26,830	27,430	3,217	24,213
Miscellaneous	3,800	3,800	5,218	(1,418)
Utilities	6,000	6,000	4,496	1,504
Insurance	1,200	1,200	978	222
Total operating expenses	<u>51,730</u>	<u>52,330</u>	<u>20,550</u>	<u>31,780</u>
Operating income (loss)	<u>(13,430)</u>	<u>(14,030)</u>	<u>4,536</u>	<u>18,566</u>
Non-operating revenues (expenses):				
Taxes	-	-	24,157	24,157
Interest expenses	(3,335)	(4,093)	(3,871)	222
Interest income	1,500	1,200	2,848	1,648
Capital outlay	-	-	(4,549)	(4,549)
Miscellaneous income	1,680	-	64	64
Transfers	7,756	7,756	0	(7,756)
Total non-operating revenues (expenses)	<u>7,601</u>	<u>4,863</u>	<u>18,649</u>	<u>13,786</u>
Debt Service 1994 Bond	<u>(3,000)</u>	<u>(46,000)</u>	<u>(46,000)</u>	<u>-</u>
Change in net assets	(8,829)	(55,167)	(22,815)	32,352
Budgeted Cash balance, beginning of year	<u>142,166</u>	<u>142,166</u>	<u>142,166</u>	<u>-</u>
Budgeted Cash balance, end of year	<u>\$ 133,337</u>	<u>\$ 86,999</u>	<u>\$ 119,351</u>	<u>\$ 32,352</u>
Change in net assets (GAAP Basis)			\$ 876	
Adjustments:				
Depreciation			22,387	
Customer receivables			(2,393)	
Bond principal payment			(46,000)	
Taxes receivable			173	
Capital outlay			(4,549)	
Bad debt expense			6,775	
Miscellaneous			(84)	
Change in net assets (Non-GAAP Basis)			<u>\$ (22,815)</u>	

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

Village of Des Moines, New Mexico
Solid Waste Fund
Statement of Revenues, Expenditures and Changes in Net Assets
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Operating revenues:				
Charges for services	\$ 150	\$ 150	8,485	\$ 8,335
Total revenues	150	150	8,485	8,335
Operating expenses:				
Personal services	3,697	3,697	2,732	965
Contractual services	7,800	7,800	8,597	(797)
Other supplies and expenses	-	-	-	-
Maintenance and materials	-	-	-	-
Miscellaneous	-	-	236	(236)
Utilities	-	-	-	-
Insurance	-	-	-	-
Total operating expenses	11,497	11,497	11,565	(68)
Operating income (loss)	(11,347)	(11,347)	(3,081)	(8,266)
Non-operating revenues (expenses):				
Taxes	-	-	-	-
Interest expenses	-	-	-	-
Interest income	95	95	80	(15)
Government contributions	-	-	-	-
Gain on disposition of fixed assets	-	-	-	-
Miscellaneous income	-	-	-	-
Transfers	17,244	17,244	1,491	(15,753)
Total non-operating revenues (expenses)	17,339	17,339	1,571	(15,768)
Change in net assets	5,992	5,992	(1,509)	(7,501)
Budgeted Cash balance, beginning of year	4,413	4,413	4,413	-
Budgeted Cash balance, end of year	<u>\$ 10,405</u>	<u>\$ 10,405</u>	<u>\$ 2,904</u>	<u>\$ (7,501)</u>
Change in net assets (GAAP Basis)			\$ (2,635)	
Adjustments:				
Bad debt expense			724	
Taxes receivables			11	
Customer receivables			391	
Change in net assets (Non-GAAP Basis)			<u>\$ (1,509)</u>	

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

SUPPORTING SCHEDULES

Village of Des Moines, New Mexico
Schedule of Collateral Pledged by Depository
June 30, 2005

Depository	CUSIP	Description of Pledged Collateral	Fair Market Value	Name and Location of Safekeeper
Farmers and Stockmens Bank	3128X2EB7	FHLMC Med Term Due 12/9/05	\$ 149,089	Federal Home Loan Bank Dallas, Texas
Farmers and Stockmens Bank	91911SAF2	Valencia County, NM Gross Receipts Tax Revenue Bond Due 8/1/07	<u>81,553</u>	Federal Home Loan Bank Dallas, Texas
			<u>\$ 230,642</u>	

Village of Des Moines, New Mexico
Schedule of Cash and Temporary Investments by Depository
June 30, 2005

Description	Farmers and Stockmens Bank	New Mexico Finance Authority	Bank of Albuquerque	Total
<u>Checking Accounts</u>				
Fire Fund	\$ 117,423	\$ -	\$ -	\$ 117,423
Water Meter Fund	3,243			3,243
Refuse Fund II	3,647			3,647
Water Fund	138,953			138,953
General Fund	144,447			144,447
Senior Citizens Fund	14,394			14,394
Ambulance Service	16,608			16,608
EMS Grant Fund	50			50
Street Fund	29,958			29,958
Recreation Fund	0			0
<u>Savings Accounts</u>				
Fire Fund	9,525			9,525
Water Meter Fund	1,288			1,288
<u>Certificates of Deposit</u>				
Certificates of Deposit	15,733			15,733
Certificates of Deposit	57,756			57,756
<u>Investments</u>				
Investment		1,417		1,417
Investment			2,316	2,316
Total Public Funds-Bank Balances	553,025	1,417	2,316	556,758
Less: Reconciling Items	(11,682)			(11,682)
Reconciled Balance - June 30, 2005	<u>\$ 541,343</u>	<u>\$ 1,417</u>	<u>\$ 2,316</u>	<u>\$ 545,076</u>

Village of Des Moines, New Mexico
Schedule of Legislative Appropriation
30-Jun-05

Description	Original Appropriation	Appropriation Dates	Total Expenditures	Balance
State of NM Local Government Appropriation 03-L-996 Design and Construct an Ambulance and Emergency Medical Service Building in Des Moines in Union County	\$ 25,000	May 27,2004 to June 30, 2008	\$ -	\$ 25,000
State of NM Local Government Appropriation 02-L-RS-I-1-GA-651 Plan, Design and Renovate the Emergency Medical Services Building in Des Moines in Union County	15,000	June 24, 2002 to June 30, 2007	-	15,000
	<u>\$ 40,000</u>		<u>\$ -</u>	<u>\$ 40,000</u>

Village of Des Moines, New Mexico
 Joint Powers Agreements
 June 30, 2005

Description: Purpose: Participants: Party responsible for operations: Beginning date of agreement: Ending date: Total estimated amount of project: Amount Village contributed in current fiscal year: Audit responsibility: Fiscal Agent: Name of government where revenues and expenditures are reported:	Ambulance and Emergency Services Agreement Provision of medical transport and emergency medical transport facilities. Union County Village of Des Moines July 1, 2004 June 30, 2005 Fixed sum of \$5,000 during the term of the contract Village of Des Moines Village of Des Moines Village of Des Moines
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Description: Purpose: Participants: Party responsible for operations: Beginning date of agreement: Ending date: Total estimated amount of project: Amount Village contributed in current fiscal year: Audit responsibility: Fiscal Agent: Name of government where revenues and expenditures are reported:	Senior Citizens Agreement Provide services of the Village's Senior Citizen Center to county citizens that reside outside the boundaries of the Village Union County Village of Des Moines July 1, 2004 June 30, 2005 \$3,500 Village of Des Moines Village of Des Moines Village of Des Moines
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COMPLIANCE SECTION



R. Kelly McFarland

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mr. Hector H. Balderas
New Mexico State Auditor
And
Honorable Village Council
Des Moines, New Mexico

I engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and, the budgetary comparisons for the general fund and major special revenue funds, and the combining and individual funds presented as supplemental information of the Village of Des Moines, New Mexico, as of and for the year ended June 30, 2005 and have issued my report thereon dated May 22, 2009 in which I disclaim an opinion on the financial statements, resulting from limitations in the scope of my audit such that I was unable to apply auditing procedures because of inadequate capital asset records and because I was unable to examine sufficient competent evidential matter to determine collectability of receivables of the Ambulance Fund, nor was I able to perform certain audit procedures required by generally accepted auditing standards. The limitation in the scope of my audit preclude the conduct of my 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 my audit, I considered the Village of Des Moines, New Mexico's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not the purpose of expressing an opinion on the effectiveness of the Village of Des Moines' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Village of Des Moines, New Mexico's internal control over financial reporting.

Village of Des Moines, New Mexico
Schedule of Financial Statement Findings and Responses
For the Year Ended June 30, 2005

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Village of Des Moines' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Des Moines, New Mexico's financial statements that is more than inconsequential will not be prevented or detected by Village of Des Moines' internal control. I consider the deficiencies described in the accompanying Schedule of Financial Statement Findings and Responses to be significant deficiencies in internal control over financial reporting, listed as No. 05-01 through 05-05.

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


My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all the significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider items 05-01, 05-02 and 05-05 material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Des Moines, New Mexico's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 05-06, 05-07 and 05-08.

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

This report is intended solely for the information and use of the management, the Village Council, others within the organization, the Office of the State Auditor, the New Mexico State Legislature, and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties


May 22, 2009

Village of Des Moines, New Mexico
Schedule of Financial Statement Findings and Responses
For the Year Ended June 30, 2005

INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding 05-01

Accounting System and Processes

Condition

The Village uses small business software, *QuickBooks*, for its accounting system. While management has attempted to adopt this software for fund accounting purposes, the following deficiencies were noted (Finding 2004-3, Inadequate Fund Accounting Records from prior year audit, notes improper implementation of fund accounting.):

1. The accounting system does not provide accounting for separate and identifiable fund assets, liabilities or particularly fund balances.
2. *QuickBooks* does not provide proper internal controls over accounting data as it permits amounts to be changed or backdated without leaving an audit trail.
3. The chart of accounts is not logically structured to facilitate the funds structure. Not all accounts have account numbers.

Criteria

Audit Rule 2.2.2 NMAC 2005 promulgated by the New Mexico State Auditor requires each state agency to... "maintain adequate accounting records..." Additionally, the State Auditor Rule requires that audits be conducted pursuant to Generally Accepted Government Auditing Standards (GAGAS) issued by the U.S. General Accounting Office. This standard provides that management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles.

The Village's recordkeeping system should be the basis for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP) as well as regulatory reports required by state agencies.

Cause

The commercial accounting software *QuickBooks* is not designed for fund accounting or for internal controls required by governments. The software is specifically designed for the use and ease of small business owners.

Effect

The accounting system used by the Village does not facilitate the preparation of financial statements in accordance with generally accepted accounting principles, without significant reclassification. Moreover, the accounting system does not provide internal controls required by governments, which could result in misstatement of the financial statements.

Recommendation

I recommend the Village obtain software designed for the fund accounting requirements of small governments. The software should provide the internal accounting controls required by governments. The New Mexico Municipal League may be a source to provide you with a specific recommendation. A chart of accounts should be logically designed to facilitate the integrity of the funds and for proper budgetary control. The Village may also need to consider engaging a consulting CPA to assist in preparing the books of account for audit.

Village of Des Moines, New Mexico
Schedule of Financial Statement Findings and Responses
For the Year Ended June 30, 2005

INTERNAL CONTROL OVER FINANCIAL REPORTING (continued)

Finding 05-01 (continued)

Accounting System and Processes, continued

Management's Response

The village is looking for an affordable accounting system that will be acceptable. The Village will consider hiring an outside CPA to assist with the books.

Finding 05-02

Segregation of Duties

Condition

During a significant portion of the year, the Village Clerk was the only administrative employee. The Clerk records transactions, collects revenues, prepares bank reconciliations, bills and posts utility receivables, deposits funds, and prepares payables for payment. (Audit finding 2004-2, Internal Control over Financial Compliance from prior year audit, notes segregation of duties as a control issue.)

Criteria

Effective systems of internal control require that no one person be completely responsible for a transaction.

Cause

During fiscal year 2005, the part-time position of assistant clerk was filled for only a part of the year.

Effect

The Village is at risk for both the possible misstatement of the financial statements and misappropriation of assets.

Recommendation

I recommend the Council provide adequate appropriations for personnel to staff the administrative functions of the Village and that every effort be made to fill these positions. I further recommend that management structure operating procedures such that no one person has complete responsibility for any transaction.

Management's Response

The Village is in the process of hiring a deputy clerk to help segregate these duties.

Village of Des Moines, New Mexico
Schedule of Financial Statement Findings and Responses
For the Year Ended June 30, 2005

INTERNAL CONTROL OVER FINANCIAL REPORTING (continued)

Finding 05-03

Capital Assets

Condition

I noted the following deficiencies in the accounting for capital assets:

1. A fixed asset inventory was not conducted for fiscal year ended June 30, 2005;
2. The existing fixed asset inventory for the 2004 fiscal year included 27 crossed through items which did not indicate the date or approval for disposition. This listing had not been reconciled to the depreciation schedule.
3. The Village does not maintain a depreciation schedule for its assets.
4. The capitalization policy which provides for capitalization of acquisitions costing more than \$1,000 has not been applied consistently. Certain capital asset acquisitions totaling \$7,354 were not charged to capital outlay in accordance with the capital outlay policy.
5. One donated capital asset valued at \$19,000 was not recorded in the books of account.

Criteria

In order to accurately control and account for fixed assets, an annual inventory ensures the physical presence of the Village's property and is required by section 12-10-(A) NMSA 1978. An accurate listing of the property, record of dispositions, approval of dispositions, accurate additions to the listing and a method of computing depreciation are processes necessary to properly account for capital assets.

Cause

The Village does not maintain depreciation schedules to compute the depreciation of its assets. The prior year auditor prepared a depreciation schedule for the Village. Dispositions and additions of fixed assets to the fixed asset listing have not been reconciled to capital outlay expenditures for the year. Finally, due to limited personnel resources, capital assets were not able to be adequately addressed during the year.

Effect

The Village is at risk for loss of capital assets and for misstatement of capital assets as reflected in the financial statements.

Recommendation

I recommend that an annual inventory be conducted of all Village assets and reconciled to the fixed asset listing. I also recommend that additions of capital assets be reconciled to the capital outlay accounts as reflected in the books of account and that the capitalization policy be consistently applied. Finally, I recommend the Village obtain software to compute the depreciation of capital assets.

Management's Response

The Village is working to complete a full fixed asset listing inventory. Personnel will work to complete this list so that it may be reconciled as required.

Village of Des Moines, New Mexico
Schedule of Financial Statement Findings and Responses
For the Year Ended June 30, 2005

INTERNAL CONTROL OVER FINANCIAL REPORTING (continued)

Finding 05-04

Policies

Condition

The Village has not promulgated policies or written operating procedures to provide guidance to management and, particularly, to strengthen internal controls and processes.

Criteria

Policies and written procedures provide uniformity and structure to processes to strengthen internal controls which protect the assets of the Village, avoid misstatement of the financial statements and provide some level of assurance the Village is in compliance with regulatory directives and state law. Examples of policies to consider are: procurement, cash disbursements, and deposit of Village funds, bank reconciliations, conflict of interest, travel and disposition of obsolete property. Written policies and procedures also provide guidance to new employees and acquaint elected officials with the Village processes.

Cause

Due to the size of the Village, written policies and procedures have not been a priority.

Effect

The internal control structure of the Village is at risk, in part due to a lack of written policies and procedures.

Recommendation

I recommend that written policies be developed by the Village to address the major weaknesses in internal control and the major processes during the current year. The New Mexico Municipal League may be a source to obtain examples of policies that have proven effective for other governments of similar size.

Management's Response

The Village is compiling the information to create these policies. The Village realizes the necessity of these policies.

Village of Des Moines, New Mexico
Schedule of Financial Statement Findings and Responses
For the Year Ended June 30, 2005

INTERNAL CONTROL OVER FINANCIAL REPORTING (continued)

Finding 05-05

Ambulance Receivables

Condition

The Village does not maintain a detail of ambulance receivables and an analysis has not been performed to determine the allowance for doubtful accounts. The receivables balance at June 30, 2004, has not been adjusted to reflect the collection of receivables or billing of receivables during fiscal year 2005.

Criteria

Accounting and internal control processes require that the carrying amount of receivables as reflected in the general ledger control account be supported by the underlying detail subsidiary ledger of ambulance patients. In order to properly reflect the collectible balance of receivables on the financial statements, management must develop a methodology of providing an allowance for uncollectible accounts. The accounting process and internal control procedures remain a responsibility of the Village even if the billing is outsourced.

Cause

The billing process for ambulance services is very complex as most fees are paid by third party insurance companies of the patient transported. Proper submission of a medical insurance claim requires specialized skills and is usually performed by a certified medical billing specialist. Recognizing that the Village lacked the resources to properly bill for ambulance fees, management contracted the billing process to a medical billing company; however, this contract was subsequently cancelled and an agreement was made with a private individual to perform the billing. As the billing services were outsourced, the Village did not continue to maintain the subsidiary ledger. Collections of ambulance fees were merely credited to income.

Effect

The financial statements are misstated and internal controls have not been exercised over the billing process.

Recommendation

I recommend that Management immediately obtain from the individual performing billing services a detail listing of ambulance receivables, obtain control totals and make appropriate adjustments to the general ledger. Management should also consider the collectibility of the receivables and develop a methodology for recording an appropriate allowance for uncollectible accounts.

Management's Response

The Village is working to get the Ambulance Fund billing and record keeping up to compliance.

Village of Des Moines, New Mexico
Schedule of Financial Statement Findings and Responses
For the Year Ended June 30, 2005

COMPLIANCE AND OTHER MATTERS

Finding 05-06

Budgetary Control

Condition

I noted that the final adjusted budget submitted for approval to the Department of Finance and Administration is not in agreement with the budgetary control reflected in the books of account. Expenditures exceeded the authorized budget in the EMS Fund by \$400, The New Mexico Clean and Beautiful Fund by \$200 and the Solid Waste Fund by \$68.

Criteria

Section 6-6-6 NMSA 1978 requires adherence to the approved budget. Monitoring of the budget to ensure budgetary compliance requires that the base for measurement be accurate. An accurate accounting of the remaining balance of budgetary line items must be available to management as well as elected officials at all times to determine the legal authorization for expenditures. The accounting system must facilitate a comparison of the budget to actual expenditures and budgetary control processes must provide for reconciliation of budget resolutions to the final amended budget as reflected in the books of account.

Cause

Revisions to the budget as reflected on budget resolutions were apparently not accurately posted to the books of account or reconciled to the budget resolutions. Additionally, the budgetary controls were not structured to readily compare the final amended budget to actual expenditures in the same manner the budget is prepared.

Effect

The budget as reflected in the books of account was not in agreement with the final authorized budget. This may have contributed toward expenditures exceeding the authorized budget.

Recommendation

I recommend that the budget be carefully monitored to ensure that all expenditures are strictly within the legally authorized budget and that the principle mechanism for ensuring compliance, the budget posted to the books of account, be reconciled to the budget resolutions to ensure accuracy.

Management's Response

The Village will ensure that all adjustments to the budget will be made on the budget forms. More oversight from elected officials will be recommended.

Village of Des Moines, New Mexico
Schedule of Financial Statement Findings and Responses
For the Year Ended June 30, 2005

COMPLIANCE AND OTHER MATTERS (continued)

Finding 05-07

Deposits Held in One Bank

Condition

I noted that all deposits of the Village are held in a single banking institution and not equitably distributed among all banks and savings and loan institutions within the geographical boundaries of the Village.

Criteria

Section 6-10-36, NMSA, 1978 requires public money to be equitable distributed to area financial institutions.

Cause

The Village holds all deposits in one banking institution and does not distribute among the local banks and savings and loan associations.

Effect

The Village has concentration risk as all their public funds are held in one banking institution and is in violation of section 6-10-36.

Recommendation

I recommend that the Village distribute their public funds equitably among all banks and savings and loan institutions in the area.

Management's Response

Management concurs.

Village of Des Moines, New Mexico
Additional Disclosures
For the Year Ended June 30, 2005

Finding 05-08

Late Filed Audit Report

Condition

The Village was unable to timely file its fiscal year 2005 Audit Report.

Criteria

The New Mexico State Auditor requires municipalities to file their audit reports by December 1 of audit year. (State Audit Rule 2.2.2.9)

Cause

The Village has limited resources available to prepare and provide auditor documentation. Over a period of several years, the municipal office positions have continually been in transition, sometimes including only one full time employee and at times a part time assistance. The clerk had duties of maintaining water quality as well as recordkeeping responsibilities for the Village. Attendance of meetings sometimes left no one in the office. The combination of these issues made providing information to the auditors difficult.

Effect

The Village was unable to timely file it audit reports.

Recommendation

I recommended to the Village to commit adequate resources to ensure its record keeping function is able to maintain timely and adequate records.

Management's Response

The Village has hired two full time personnel effective May 21, 2009.

FINDINGS – PRIOR YEAR AUDIT

2004-1 Procurement Code Compliance

I did not note non compliance with the bid requirements of the Procurement Code in the current year.

2004-2 Internal Control over Financial Compliance

Minor instances of improper documentation of disbursements were also noted during the current year to include one instance of improper documentation of travel expenditure. The prior year's auditor noted the cause of these issues as a lack of proper segregation of duties, which is also addressed in this report at finding 05-02, in addition to other matters.

2004-3 Inadequate Fund Accounting Records

The prior year auditor noted deficiencies in the Village's use of fund accounting which is repeated in the current year along with additional explanation as Finding 05-01.

Village of Des Moines, New Mexico
Additional Disclosures
For the Year Ended June 30, 2005

AUDITOR PREPARED FINANCIAL STATEMENTS

Financial statements for the Village were prepared by the auditor as provided by the engagement letter; however, management acknowledges responsibility for a fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America in representations to the auditor.

EXIT CONFERENCE

An exit conference was held on January 25, 2009, in which these items were discussed. Those in attendance were Annie Kennedy, Mayor-pro tem, Raymond Sisneros, council member and R. Kelly McFarland, CPA.