

**VILLAGE OF DES MOINES,
NEW MEXICO**

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

For the Fiscal Year Ended
June 30, 2006



INTRODUCTORY SECTION

Village of Des Moines, New Mexico
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2006

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STATE OF NEW MEXICO
VILLAGE OF DES MOINES

LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2006

<u>Name</u>	<u>Village Council</u>	<u>Title</u>
Jesse Yeargain		Mayor
Marjorie Briesh		Village Councilor
Sandra Fernandez		Village Councilor
Raymond Sisneros		Village Councilor
	<u>Village Officials</u>	
Karen Bray		Village Clerk/Treasurer

LIST OF ELECTED AND APPOINTED OFFICIALS
August 21, 2009

<u>Name</u>	<u>Village Council</u>	<u>Title</u>
Lee Dixon		Mayor
Annie Kennedy		Mayor Pro Tem
Scott Warner		Village Councilor
Raymond Sisneros		Village Councilor
Sandra Fernandez		Village Councilor
	<u>Village 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, including the budgetary comparisons, of the Village of Des Moines, New Mexico (Village) as of and for the year ended June 30, 2006, 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, 2006, 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 August 21, 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, 2006, to the date of this report, also, required by generally accepted auditing standards.

Management elected not to respond to my inquiries regarding the risk of fraud to the Village regarding matters which took place prior to August 21, 2009, under substantially different management, as required by generally accepted auditing standards.

I was unable to determine the amount of the final adjusted budget because of a lack of control over budget resolutions amending the original approved budget.

Further, I was unable to examine sufficient competent evidential matter to determine the collectability of receivables of the Ambulance Fund, a major fund.

Because of the limitations in the scope of my audit, as discussed in paragraphs two through seven above, I was unable to apply auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing*

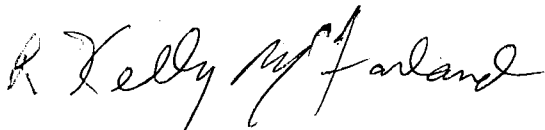
Standards, issued by the Comptroller General of the United States, which requires that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as 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 through the seventh paragraphs above, the scope of my audit was not sufficient to enable me 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, 2006, referred to in the first paragraph.

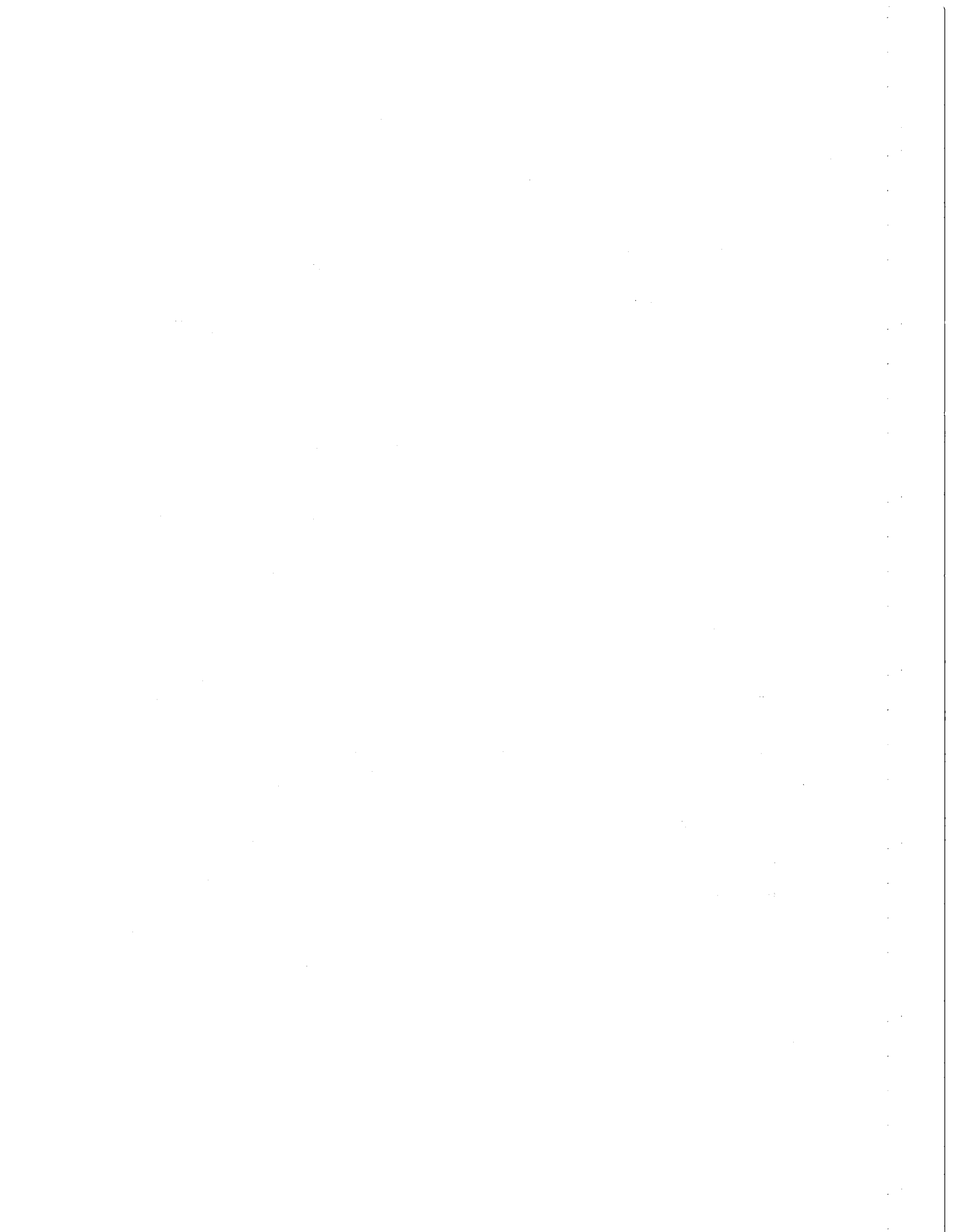
In accordance with *Government Auditing Standards*, I have, also, issued my report dated August 21, 2009, on my consideration of Village of Des Moines, New Mexico's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 Village of Des Moines, New Mexico has not presented the Management's Discussion and Analysis for the year ended June 30, 2006, which is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board.

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 through seven 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.



August 21, 2009



Village of Des Moines, New Mexico
Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 346,508	\$ 115,082	\$ 461,590
Receivables	30,537	10,145	40,682
Total current assets	377,045	125,227	502,271
Noncurrent assets:			
Capital assets, not being depreciated	431	10,427	10,858
Capital assets, net of accumulated depreciation	1,657,257	375,993	2,033,250
Restricted cash and cash equivalents	2,684	4,480	7,164
Total noncurrent assets	1,660,372	390,900	2,051,272
Total assets	\$ 2,037,417	\$ 516,127	\$ 2,553,544
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 848	\$ -	\$ 848
Cash overdraft	25,405	-	25,405
Customer meter deposits	-	4,480	4,480
Current portion of long-term debt, due within one year	12,000	-	12,000
Total current liabilities	38,253	4,480	42,733
Noncurrent liabilities			
Loans and notes payable, due in more than one year	-	-	-
Total noncurrent liabilities	-	-	-
Total liabilities	38,253	4,480	42,733
NET ASSETS			
Invested in capital assets, net of related debt	1,645,688	386,420	2,032,108
Restricted for:			
Bond indebtedness	2,684	-	2,684
Unrestricted	350,792	125,227	476,018
Total net assets	1,999,164	511,647	2,510,811
Total liabilities and net assets	\$ 2,037,417	\$ 516,127	\$ 2,553,544

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, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 32,477	\$ -	\$ 66,202	\$ -
Public safety	114,221	742	64,521	278,423
Public works	14,436	-	53,000	-
Culture and recreation	48,745	-	-	-
Interest on long-term debt	1,221	-	-	-
Total governmental activities	211,100	742	183,723	278,423
Business-type Activities:				
Water	81,671	29,478		
Solid waste	13,876	9,725		
Total business-type activities	95,548	39,203	-	-
Total	\$ 306,648	\$ 39,945	\$ 183,723	\$ 278,423

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
Net assets, ending

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

Net (Expense) Revenue and Changes in
Net Assets

Governmental Activities	Business- type Activities	Total
\$ 33,725	\$ -	\$ 33,725
229,465	-	229,465
38,564	-	38,564
(48,745)	-	(48,745)
(1,221)	-	(1,221)
<u>251,788</u>	<u>-</u>	<u>251,788</u>
-	(52,193)	(52,193)
-	(4,151)	(4,151)
-	(56,345)	(56,345)
<u>251,788</u>	<u>(56,345)</u>	<u>195,443</u>
7,451	-	7,451
47,025	36,985	84,010
953	-	953
9,837	-	9,837
281	-	281
150	-	150
-	-	-
7,129	4,511	11,640
3,570	-	3,570
76,396	41,496	117,892
(1,826)	1,826	-
<u>74,570</u>	<u>43,322</u>	<u>117,892</u>
326,358	(13,023)	313,335
1,672,806	524,670	2,197,476
<u>\$ 1,999,164</u>	<u>\$ 511,647</u>	<u>\$2,510,811</u>

Village of Des Moines, New Mexico
 Balance Sheet
 Governmental Funds
 June 30, 2006

	General Fund	Fire Fund	Senior Citizens Fund
ASSETS			
Cash and cash equivalents	\$ 199,489	\$ 114,264	\$ -
Restricted cash and cash equivalents	-	2,684	-
Receivables and internal balances	7,113	-	-
Due from other funds	-	-	-
Total assets	\$ 206,602	\$ 116,948	\$ -
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 636	\$ -	\$ 212
Cash overdraft	-	-	25,405
Accrued expenses	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	636	-	25,617
FUND BALANCES			
Reserved for debt service	-	2,684	-
Unreserved:			
Designated for subsequent year	-	-	-
Undesignated, reported in:			
General Fund	205,967	-	-
Special Revenue Funds	-	114,264	(25,617)
Total Fund balances	205,967	116,948	(25,617)
Total liabilities and Fund balances	\$ 206,602	\$ 116,948	\$ -

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

Ambulance Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
\$ 12,399	\$ 20,334	\$ 22	\$ 346,508
-	-	-	2,684
22,407	996	21	30,537
-	-	-	-
<u>\$ 34,806</u>	<u>\$ 21,330</u>	<u>\$ 43</u>	<u>\$ 379,729</u>
\$ -	\$ -	\$ -	\$ 848
-	-	-	25,405
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	26,253
-	-	-	2,684
-	-	-	-
-	-	-	205,967
34,806	21,330	43	144,825
34,806	21,330	43	353,476
<u>\$ 34,806</u>	<u>\$ 21,330</u>	<u>\$ 43</u>	<u>\$ 379,729</u>

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

\$ 1,657,688

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds

(12,000)

Net assets of governmental activities

\$ 1,999,164

Village of Des Moines, New Mexico
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2006

	General Fund	Fire Fund	Senior Citizens Fund
Revenues:			
Taxes (Note 13)	\$ 55,510	\$ -	\$ -
Intergovernmental income	35,000	50,876	31,201
Charges for services	72	-	-
Licenses and fees	150	-	-
Investment income	6,671	458	-
Miscellaneous	636	773	1,044
Total revenues	98,039	52,107	32,245
Expenditures:			
Current:			
General government	32,477	-	-
Public safety	69,648	25,397	-
Public works	-	-	-
Culture and recreation	-	-	48,495
Health and welfare	-	-	-
Capital outlay	1,556	26,586	27,269
Debt service:			
Principal	-	11,000	-
Interest	-	1,221	-
Total expenditures	103,681	64,204	75,764
Excess (deficiency) of revenues over expenditures	(5,642)	(12,097)	(43,519)
Other financing sources (uses):			
Transfers in	-	-	-
Transfers (out)	(5,603)	-	-
Total other financing sources (uses)	(5,603)	-	-
Net change in fund balance	(11,245)	(12,097)	(43,519)
Fund balance, beginning of year	217,212	129,045	17,902
Fund balance, end of year	<u>\$ 205,967</u>	<u>\$ 116,948</u>	<u>\$ (25,617)</u>

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

Ambulance Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 10,039	\$ 141	\$ 65,689
283,423	53,000	8,645	462,145
742	-	-	814
-	-	-	150
-	-	-	7,129
904	-	-	3,357
<u>285,069</u>	<u>63,039</u>	<u>8,786</u>	<u>539,284</u>
-	-	-	32,477
10,531	-	8,645	114,221
-	14,436	-	14,436
-	-	250	48,745
-	-	-	-
280,000	60,250	-	395,661
-	-	-	11,000
-	-	-	1,221
<u>290,531</u>	<u>74,686</u>	<u>8,895</u>	<u>617,761</u>
(5,462)	(11,647)	(109)	(78,477)
-	3,652	125	3,777
-	-	-	(5,603)
-	3,652	125	(1,826)
(5,462)	(7,995)	16	(80,303)
40,268	29,325	27	433,779
<u>\$ 34,806</u>	<u>\$ 21,330</u>	<u>\$ 43</u>	<u>\$ 353,476</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, 2006

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

Net change in fund balance - total governmental funds	\$	(80,303)
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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		395,661
Depreciation		-

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>11,000</u>
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Change in net assets of governmental activities	\$	<u><u>326,358</u></u>
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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
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes			\$ 87,792	
Intergovernmental income			35,000	
Charges for services			72	
Licenses and fees			150	
Investment income			6,579	
Miscellaneous			636	
Total revenues	\$ 110,560	\$ 138,560	130,229	\$ (8,331)
Expenditures:				
Current:				
General government			32,477	
Public safety			69,860	
Public works			-	
Culture and recreation			-	
Health and welfare			-	
Capital outlay			1,556	
Debt service:				
Principal			-	
Interest			-	
Total expenditures	102,861	130,861	103,893	26,968
Excess (deficiency) of revenues over expenditures	7,699	7,699	26,336	18,637
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out)	(31,200)	(31,250)	(35,641)	(4,391)
Total other financing sources (uses)	(31,200)	(31,250)	(35,641)	4,391
Net change in fund balance	(23,501)	(23,551)	(9,305)	14,246
Budgeted cash balance, beginning of year	92,062	92,062	92,062	-
Budgeted cash balance, end of year	\$ 68,561	\$ 68,511	\$ 82,757	\$ 14,246

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
Budget (Non-GAAP Basis) and Actual
Fire Fund
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes			\$ -	
Intergovernmental income			50,876	
Charges for services			-	
Licenses and fees			-	
Investment income			458	
Miscellaneous			<u>773</u>	
Total revenues	<u>\$ 52,600</u>	<u>\$ 57,225</u>	<u>52,107</u>	<u>\$ (5,118)</u>
Expenditures:				
Current:				
General government			-	
Public safety			25,397	
Public works			-	
Culture and recreation			-	
Health and welfare			-	
Capital outlay			26,586	
Debt service:				
Principal			11,000	
Interest			<u>1,221</u>	
Total expenditures	<u>113,026</u>	<u>113,026</u>	<u>64,204</u>	<u>48,822</u>
Excess (deficiency) of revenues over expenditures	<u>(60,426)</u>	<u>(55,801)</u>	<u>(12,097)</u>	<u>43,704</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(60,426)	(55,801)	(12,097)	43,704
Budgeted cash balance, beginning of year	<u>117,204</u>	<u>117,204</u>	<u>117,204</u>	<u>-</u>
Budgeted cash balance, end of year	<u>\$ 56,778</u>	<u>\$ 61,403</u>	<u>\$ 105,107</u>	<u>\$ 43,704</u>

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
Budget (Non-GAAP Basis) and Actual
Senior Citizens Fund
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes			\$ -	
Intergovernmental income			35,801	
Charges for services			-	
Licenses and fees			-	
Investment income			-	
Miscellaneous			<u>1,044</u>	
Total revenues	<u>\$ 19,704</u>	<u>\$ 89,052</u>	<u>36,845</u>	<u>\$ (52,207)</u>
Expenditures:				
Current:				
General government			-	
Public safety			-	
Public works			-	
Culture and recreation			48,283	
Health and welfare			-	
Capital outlay			27,269	
Debt service:				
Principal			-	
Interest			-	
Total expenditures	<u>19,704</u>	<u>89,052</u>	<u>75,552</u>	<u>13,500</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(38,707)</u>	<u>(38,707)</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	(38,707)	(38,707)
Budgeted cash balance, beginning of year	<u>13,302</u>	<u>13,302</u>	<u>13,302</u>	<u>-</u>
Budgeted cash balance, end of year	<u>\$ 13,302</u>	<u>\$ 13,302</u>	<u>\$ (25,405)</u>	<u>\$ (38,707)</u>

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
Budget (Non-GAAP Basis) and Actual
Ambulance Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes			\$ -	
Intergovernmental income			283,422	
Charges for services			742	
Licenses and fees			-	
Investment income			-	
Miscellaneous			904	
Total revenues	\$ 263,500	\$ 263,500	285,068	\$ 21,568
Expenditures:				
Current:				
General government			-	
Public safety			10,530	
Public works			-	
Culture and recreation			-	
Health and welfare			-	
Capital outlay			280,000	
Debt service:				
Principal			-	
Interest			-	
Total expenditures	258,900	290,600	290,530	70
Excess (deficiency) of revenues over expenditures	4,600	(27,100)	(5,462)	21,638
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	4,600	(27,100)	(5,462)	21,638
Budgeted cash balance, beginning of year	16,444	125,227	125,227	-
Budgeted cash balance, end of year	\$ 21,044	\$ 98,127	\$ 119,765	\$ 21,639

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
Budget (Non-GAAP Basis) and Actual
Street Fund
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes			\$ 9,960	
Intergovernmental income			53,000	
Charges for services			-	
Licenses and fees			-	
Investment income			-	
Miscellaneous			-	
Total revenues	\$ 61,400	\$ 61,400	62,960	\$ 1,560
Expenditures:				
Current:				
General government			-	
Public safety			-	
Public works			14,436	
Culture and recreation			-	
Health and welfare			-	
Capital outlay			60,250	
Debt service:				
Principal			-	
Interest			-	
Total expenditures	78,304	82,554	74,686	7,868
Excess (deficiency) of revenues over expenditures	(16,904)	(21,154)	(11,726)	9,428
Other financing sources (uses):				
Transfers in	3,000	3,000	3,652	652
Transfers (out)	-	-	-	-
Total other financing sources (uses)	3,000	3,000	3,652	652
Net change in fund balance	(13,904)	(18,154)	(8,074)	10,080
Budgeted cash balance, beginning of year	28,407	28,407	28,407	-
Budgeted cash balance, end of year	\$ 14,503	\$ 10,253	\$ 20,333	\$ 10,080

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, 2006

	Water Utility	Solid Waste	Total Proprietary
ASSETS			
Current assets:			
Cash	\$ 114,908	\$ 174	\$ 115,082
Accounts receivable, net	5,127	707	5,834
Taxes receivable	4,060	251	4,311
Total current assets	124,095	1,132	125,227
Noncurrent assets:			
Capital assets, not being depreciated	2,427	8,000	10,427
Capital assets, being depreciated	375,993	-	375,993
Restricted cash	4,480	-	4,480
Total noncurrent assets	382,900	8,000	390,900
Total assets	\$ 506,995	\$ 9,132	\$ 516,127
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	378,420	8,000	386,420
Unrestricted	124,095	1,132	125,227
Total net assets	502,515	9,132	511,647
Total liabilities and net assets	\$ 506,995	\$ 9,132	\$ 516,127

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, 2006

	<u>Water Utility</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
Operating revenues:			
Charges for services	\$ 29,478	\$ 9,725	\$ 39,203
Total operating revenues	<u>29,478</u>	<u>9,725</u>	<u>39,203</u>
Operating expenses:			
Depreciation	-	-	-
Personal services	31,539	3,146	34,685
Contractual services	-	10,134	10,134
Other supplies and expenses	6,694	-	6,694
Maintenance and materials	10,006	-	10,006
Miscellaneous	27,802	597	28,399
Utilities	4,649	-	4,649
Insurance	980	-	980
Total operating expenses	<u>81,671</u>	<u>13,877</u>	<u>95,548</u>
Operating income (loss)	<u>(52,193)</u>	<u>(4,152)</u>	<u>(56,345)</u>
Non-operating revenues (expenses):			
Taxes	36,734	251	36,985
Interest expense	-	-	-
Interest income	4,440	71	4,511
Miscellaneous income	-	-	-
Total nonoperating revenues and (expenses)	<u>41,174</u>	<u>322</u>	<u>41,496</u>
Income (loss) before transfers	(11,019)	(3,830)	(14,849)
Transfers	<u>-</u>	<u>1,826</u>	<u>1,826</u>
Change in fund net assets	(11,019)	(2,004)	(13,023)
Total net assets, beginning of year	<u>513,534</u>	<u>11,136</u>	<u>524,670</u>
Total net assets, end of year	<u>\$ 502,515</u>	<u>\$ 9,132</u>	<u>\$ 511,647</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, 2006

	<u>Water Utility</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
Cash flows from operating activities:			
Cash received from user charges	\$ 28,177	\$ 9,186	\$ 37,362
Cash payments to employees for services	(31,539)	(3,147)	(34,685)
Cash payments to suppliers for goods and services	(50,133)	(10,730)	(60,862)
Net cash provided (used) for operating activities	<u>(53,495)</u>	<u>(4,691)</u>	<u>(58,185)</u>
Cash flows from noncapital financing activities:			
Taxes	35,107	150	35,257
Transfers from other funds	-	1,826	1,826
Change in customer deposits	-	-	-
Net cash provided by noncapital financing activities	<u>35,107</u>	<u>1,976</u>	<u>37,083</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(7,250)		(7,250)
Net cash provided by capital and related financing activities	(7,250)	-	(7,250)
Cash flows from investing activities:			
Decrease in investments	-	-	-
Interest on investments	4,440	71	4,511
Net cash provided by investing activities	<u>4,440</u>	<u>71</u>	<u>4,511</u>
Net increase (decrease) in cash and cash equivalents	(21,198)	(2,644)	(23,842)
Cash and cash equivalents, beginning of year	136,106	2,818	138,924
Cash and cash equivalents, end of year	<u>\$ 114,908</u>	<u>\$ 174</u>	<u>\$ 115,082</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (52,193)	\$ (4,152)	\$ (56,345)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	-	-
Changes in assets and liabilities:			
Receivables	(1,302)	(539)	(1,841)
Accounts payable and accrued expenses	-	-	-
Net cash provided (used) by operating activities	<u>\$ (53,495)</u>	<u>\$ (4,691)</u>	<u>\$ (58,186)</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, 2006

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 Procedure 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, 2006

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, 2006, 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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 2006 includes 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, 2006

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 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 *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.

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.

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.

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies, continued

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

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 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.

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 Solid Waste and Water Utility 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 2006 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 noncurrent 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, 2006

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.

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 \$5,000 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. 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 \$1,221. 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, 2006**

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

Depreciation was not recorded for the fiscal year ended June 30, 2006

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 example, as a result of employee resignations and retirements. Unused vacation benefits as of June 30, 2006, were not available and accordingly, no provision for compensated absences has been recorded in the accompanying 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. Designations of fund balances for the subsequent year have not been determined.

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2006

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 a "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, 2006, 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 generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Stewardship, Compliance and Accountability

Budgetary Information

The Village Manager and Finance Officer submit to the Village Council 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 Council 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, 2006

Note 2. Stewardship, Compliance and Accountability, continued

Budgetary Information, continued

Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Proprietary Type 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 Council. 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. Budgetary comparisons are presented in the current year only at the fund level, as final adjusted budgets are not available for detailed line items.

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, Debt Service Funds, and Proprietary Type Funds.

The appropriated budget for the year ended June 30, 2006, was amended by the Village Council through the year. Budget resolutions were adopted but amounts were not reflected in all of the resolutions.

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

	General Fund	Fire Fund	Senior Citizens Fund	Ambulance Fund	Street Fund	Non- Major Funds
Excess (Deficiency) of revenues over expenditures (GAAP Basis)	\$ (5,642)	\$ (12,097)	\$ (43,519)	\$ (5,462)	\$ (11,647)	\$ (109)
Adjustments:						
Receivables	2,153	-	4,600	-	(79)	6
Reclassification *	30,037	-	-	-	-	-
Miscellaneous	(212)	-	212	-	-	-
Excess (Deficiency) of revenues over expenditures (Budget Basis)	<u>\$ 26,336</u>	<u>\$ (12,097)</u>	<u>\$ (38,707)</u>	<u>\$ (5,462)</u>	<u>\$ (11,726)</u>	<u>\$ (103)</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, 2006**

Note 3. Deposits and Investments

New Mexico 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, 2006.

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 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, 2006, the carrying amount of the Village's deposits was \$443,349 and the bank balance was \$511,831 as follows:

Cash and cash equivalents	\$ 461,590
Restricted cash	7,164
Senior Citizens Fund:	
Accounts payable	<u>(25,405)</u>
Carrying Amount	<u><u>\$ 443,349</u></u>

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, 2006

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, 2006, \$81,189 of the Village's bank balance of \$511,831 was exposed to custodial credit risk as follows:

Total deposits at June 30, 2006	\$	511,831
Less: FDIC coverage at June 30, 2006		190,435
Uninsured public funds		321,396
Pledged collateral held by the pledging bank's trust department or agent, but not in the agency's name		230,642
Uninsured and uncollateralized	\$	90,754

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, 2006, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Senior Citizens Fund	Ambulance Fund	Street Fund	Other Governmental Funds	Water Utility Fund	Solid Waste Fund	Total
Receivables:								
Interest Receivable	\$ 410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410
Receivable for services	-	-	22,407	-	-	12,256	1,860	36,523
Taxes:								
Gross receipt tax	6,083	-	-	501	-	4,060	250	10,894
Cigarette tax	41	-	-	-	-	-	-	41
Motor vehicle tax	74	-	-	-	-	-	-	74
Recreation Tax	-	-	-	-	21	-	-	21
Gas tax	-	-	-	495	-	-	-	495
Property tax	505	-	-	-	-	-	-	505
Gross receivables	7,113	-	22,407	996	21	16,316	2,110	48,963
Less: Allowance for								
Uncollectible	-	-	-	-	-	7,129	1,152	8,281
Net Receivables	\$ 7,113	\$ -	\$ 22,407	\$ 996	\$ 21	\$ 9,187	\$ 958	\$ 40,682

All receivables are considered collectible, net of allowance for uncollectible accounts, except Ambulance Fund 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, 2006**

Note 5. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Interfund Transfers:

	Transfer In	Transfer Out
General Fund	\$ -	\$ 5,603
Street Fund	3,652	
Recreation Fund	125	
Solid Waste Fund	1,826	
	\$ 5,603	\$ 5,603

Transfers from General Fund to other funds are used to provide services. 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, 2006.

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2006, including those changes pursuant to the implementation of GASB No. 34, follows. Land is not subject to depreciation.

	Balance June 30, 2005	Additions & Transfers In	Deletions & Transfers Out	Balance June 30, 2006	Accumulated Depreciation	Balance, net of Depreciation June 30, 2006
Capital Assets used in:						
Governmental Activities:						
Land	\$ 431	\$ -	\$ -	\$ 431	\$ -	\$ 431
Total Capital Assets Not Being Depreciated:	431	-	-	431	-	431
Buildings	420,505	-	-	420,505	78,625	341,880
Infrastructure	1,224,141	-	-	1,224,141	410,689	813,452
Equipment	359,858	-	-	359,858	253,594	106,264
Unclassified Additions	-	395,661	-	395,661	-	395,661
Total Capital Assets Being Depreciated	2,004,504	395,661	-	2,400,165	742,908	1,657,257
Total	\$ 2,004,935	\$ 395,661	\$ -	\$ 2,400,596	\$ 742,908	\$ 1,657,688
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	658,235	-	-	658,235	321,831	336,404
Equipment	48,801	7,250	-	56,051	28,045	28,006
Total Capital Assets Being Depreciated	727,036	7,250	-	734,286	358,293	375,993
Total	\$ 737,463	\$ 7,250	\$ -	\$ 744,713	\$ 358,293	\$ 386,420

Depreciation expense for the year ended June 30, 2006, was not calculated.

**Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2006**

Note 7. Long-term Debt

Loans payable as of June 30, 2006, 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.

\$ 12,000

The annual requirements to amortize the fire truck loan outstanding as of June 30, 2006, including interest payments, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	<u>\$ 12,000</u>	<u>\$ 671</u>	<u>\$ 12,671</u>

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
Governmental Activities:					
Fire Truck Loan	\$ 23,000	\$ -	\$ 11,000	\$ 12,000	\$ 12,000
Governmental Activities:					
Long-term liabilities	<u>\$ 23,000</u>	<u>\$ -</u>	<u>\$ 11,000</u>	<u>\$ 12,000</u>	<u>\$ 12,000</u>

The government-wide Statement of Net Assets includes \$12,000 of the long-term liabilities due within one year for governmental activities. Restricted cash deposits are held by the New Mexico Finance Authority in the amounts of \$2,684 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, 2006, the liability for compensated absences was not available 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's 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 2006 amounted to \$20,969.

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 8. Risk Management, continued

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

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

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

Property Insurance: Property insurance insures Village buildings for an aggregate of \$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 \$10,000 is provided.

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

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

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. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute 7% of their gross salary. The Village of Des Moines is required to contribute 7% of the gross covered salary. 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, 2006, 2005, and 2004, were \$3,760, \$2,002, and \$1,739, respectively, which equal the amount of the required contributions for each fiscal year.

Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2006

Note 10. New Mexico Retiree Health Care Act Contributions

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15, NMSA, 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The Statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after January 1, 1998, are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

For the years ended June 30, 2006, and 2005, the Village remitted \$698 and \$372 in employer contributions and \$349 and \$186 in employee contributions, respectively, which equal the required contributions for each year.

**Village of Des Moines, New Mexico
Notes to Financial Statements
For the Year Ended June 30, 2006**

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. 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:	
Senior Citizens Fund	<u>\$ 25,618</u>
Excess of expenditures over appropriations	None

The Senior Citizens Fund incurred a deficit fund balance as a result of untimely filed draw requests from a program grant. Subsequent to June 30, 2006, the Council approved a loan from the General Fund to cover the deficit. The loan is expected to be repaid, when the grant program revenues are received from the grantor.

Note 13. Tax Revenue by Type

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

	<u>General</u> <u>Fund</u>	<u>Fire</u> <u>Fund</u>	<u>Senior</u> <u>Citizens</u> <u>Fund</u>	<u>Ambulance</u> <u>Fund</u>	<u>Street</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Gross Receipts Tax	\$ 46,825	\$ -	\$ -	\$ -	\$ 201	\$ -	\$ 47,026
Property Tax	7,451	-	-	-	-	-	7,451
Cigarette Tax	281	-	-	-	-	-	281
Motor Vehicle Tax	953	-	-	-	-	-	953
Gasoline Tax	-	-	-	-	9,837	-	9,837
Recreation Tax	-	-	-	-	-	141	141
	<u>\$ 55,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,038</u>	<u>\$ 141</u>	<u>\$ 65,689</u>

SUPPLEMENTARY INFORMATION

Village of Des Moines, New Mexico
Nonmajor Governmental Funds
June 30, 2006

EMS Fund - 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, (Section 24-10A-1, NMSA, 1978).

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 Cigarette Tax Act, (Section 7-12-15 and 16, NMSA, 1978).

Village of Des Moines, New Mexico
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue Funds		Total Nonmajor Governmental Funds
	EMS Fund	Recreation Fund	
ASSETS			
Cash and cash equivalents	\$ -	\$ 22	\$ 22
Restricted cash and cash equivalents	-	-	-
Receivables and internal balances	-	21	21
Due from other funds	-	-	-
Total assets	\$ -	\$ 43	\$ 43
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued expenses	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	-	-	-
FUND BALANCES			
Unreserved:			
Designated for subsequent year	-	-	-
Undesignated, reported in:			
General fund	-	-	-
Special revenue funds	-	43	43
Total fund balances	-	43	43
Total liabilities and fund balances	\$ -	\$ 43	\$ 43

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, 2006

	Special Revenue Funds		Total Nonmajor Governmental Funds
	EMS Fund	Recreation Fund	
Revenues:			
Taxes	\$ -	\$ 141	\$ 141
Intergovernmental income	8,645	-	8,645
Charges for services	-	-	-
Licenses and fees	-	-	-
Investment income	-	-	-
Miscellaneous	-	-	-
Total revenues	8,645	141	8,786
Expenditures:			
Current:			
General government	-	-	-
Public safety	8,645	-	8,645
Public works	-	-	-
Culture and recreation	-	250	250
Health and welfare	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	8,645	250	8,895
Excess (deficiency) of revenues over expenditures	(0)	(109)	(109)
Other financing sources (uses):			
Transfers in	-	125	125
Transfers out	-	-	-
Total other financing sources (uses)	-	125	125
Net change in fund balance	(0)	16	15
Fund balance - beginning of year	-	27	27
Fund balance - end of year	<u>\$ (0)</u>	<u>\$ 43</u>	<u>\$ 43</u>

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
Budget (Non-GAAP Basis) and Actual
EMS Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes			\$ -	
Intergovernmental income			8,645	
Charges for services			-	
Investment income			-	
Miscellaneous			-	
Total revenues	\$ 8,645	\$ 8,645	8,645	\$ -
Expenditures:				
Current:				
General government			-	
Public safety			8,645	
Public works			-	
Culture and recreation			-	
Health and welfare			-	
Capital outlay			-	
Debt service:				
Principal			-	
Interest			-	
Total expenditures	8,645	8,645	8,645	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	3,700	3,700
Total other financing sources (uses)	-	-	3,700	3,700
Net change in fund balance	-	-	(3,700)	(3,700)
Budgeted cash balance, beginning of year	-	-	-	-
Budgeted cash balance, end of year	\$ -	\$ -	\$ (3,700)	\$ (3,700)
Excess (deficiency) of revenues over expenditures (GAAP Basis)			\$ (0)	
Adjustments:				
Receivables				
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ (0)	

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

Village of Des Moines, New Mexico
Recreation Fund
Budget (Non-GAAP Basis) and Actual
Recreation Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes			\$ 147	
Intergovernmental income			-	
Charges for services			-	
Licenses and fees			-	
Investment income			-	
Miscellaneous			-	
Total revenues	\$ 50	\$ 50	147	\$ 97
Expenditures:				
Current:				
General government				
Public safety			-	
Public works			-	
Culture and recreation			250	
Health and welfare			-	
Capital outlay			-	
Debt service:				
Principal			-	
Interest			-	
Total expenditures	250	250	250	-
Excess (deficiency) of revenues over expenditures	(200)	(200)	(103)	97
Other financing sources (uses):				
Transfers in	200	250	125	(125)
Transfers (out)	-	-	-	-
Total other financing sources (uses)	200	250	125	(125)
Net change in fund balance	-	50	22	(28)
Budgeted cash balance, beginning of year	-	-	-	-
Budgeted cash balance, end of year	\$ -	\$ 50	\$ 22	\$ 28
Excess (deficiency) of revenues over expenditures (GAAP Basis)			\$ (109)	
Adjustments:				
Receivables			6	
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ (103)	

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

Village of Des Moines, New Mexico
Statement of Revenues, Expenditures and Changes in Net Assets
Budget (Non-GAAP Basis) and Actual
Water Utility Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Operating revenues:				
Charges for services			\$ 27,822	
Total revenues	\$ 40,800	\$ 40,800	27,822	\$ (12,978)
Operating expenses:				
Depreciation			-	
Personal services			31,539	
Contractual services			-	
Other supplies and expenses			6,695	
Maintenance and materials			10,006	
Miscellaneous			27,448	
Utilities			4,649	
Capital outlay			7,250	
Insurance			980	
Total operating expenses	117,419	116,619	88,567	28,052
Operating income (loss)	(76,619)	(75,819)	(60,744)	15,075
Non-operating revenues (expenses):				
Taxes			30,038	
Interest expenses			-	
Interest income			4,440	
Government contributions			-	
Gain on disposition of fixed assets			-	
Miscellaneous income			-	
Transfers	18,000	(8,000)	(0)	
Total non-operating revenues (expenses)	18,000	(8,000)	34,478	42,478
Change in net assets	(58,619)	(83,819)	(26,267)	57,552
Budgeted cash balance, beginning of year	139,298	139,298	139,298	-
Budgeted cash balance, end of year	\$ 80,679	\$ 55,479	\$ 113,031	\$ (57,552)
Change in net assets (GAAP Basis)			\$ (11,019)	
Adjustments:				
Customer receivables			(1,655)	
Taxes receivables			(6,697)	
Bad debt expense			354	
Capital outlay			(7,250)	
Change in net assets (Non-GAAP Basis)			\$ (26,267)	

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

Village of Des Moines, New Mexico
Statement of Revenues, Expenditures and Changes in Net Assets
Budget (Non-GAAP Basis) and Actual
Solid Waste Fund
For the Year Ended June 30, 2006

	<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			\$ 8,757	
Total revenues	\$ 170	\$ 170	<u>8,757</u>	<u>8,587</u>
Operating expenses:				
Depreciation			-	
Personal services			3,147	
Contractual services			10,134	
Other supplies and expenses			-	
Maintenance and materials			-	
Miscellaneous			167	
Utilities			-	
Insurance			-	
Total operating expenses	<u>13,604</u>	<u>13,604</u>	<u>13,448</u>	<u>156</u>
Operating income (loss)	(13,434)	(13,434)	(4,691)	(8,743)
Non-operating revenues (expenses):				
Taxes	-	-	251	251
Interest expenses	-	-	-	-
Interest income	-	-	71	71
Government contributions	-	-	-	-
Gain on disposition of fixed assets	-	-	-	-
Miscellaneous income	-	-	-	-
Transfers	10,000	10,000	1,826	(8,174)
Total non-operating revenues (expenses)	<u>10,000</u>	<u>10,000</u>	<u>2,148</u>	<u>(7,852)</u>
Change in net assets	(3,434)	(3,434)	(2,543)	891
Budgeted cash balance, beginning of year	<u>2,818</u>	<u>2,818</u>	<u>2,818</u>	<u>-</u>
Budgeted cash balance, end of year	<u>\$ (616)</u>	<u>\$ (616)</u>	<u>\$ 275</u>	<u>\$ 891</u>
Change in net assets (GAAP Basis)			\$ (2,004)	
Adjustments:				
Bad debt expense			430	
Receivables			(718)	
Taxes receivables			(251)	
Change in net assets (Non-GAAP Basis)			<u>\$ (2,543)</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, 2006

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, 2006

Description	Farmers and Stockmens Bank	New Mexico Finance Authority	Total
<u>Checking Accounts</u>			
Fire Fund	\$ 119,421		\$ 119,421
Refuse Fund II	1,467		1,467
Water Utility Fund	118,770		118,770
General Fund	138,018		138,018
Senior Citizens Fund	(326)		(326)
Ambulance Service	21,007		21,007
EMS Grant Fund			-
Street Fund	20,334		20,334
Recreation Fund	22		22
<u>Savings Accounts</u>			
Fire Fund	9,614		9,614
Water Utility Fund	5,202		5,202
<u>Certificates of Deposit</u>			
Certificates of Deposit	16,156		16,156
Certificates of Deposit	59,463		59,463
<u>Investments</u>			
Investment		\$ 2,684	2,684
<hr/>			
Total Public Funds-Bank Balances	509,148	2,684	511,832
Less: Reconciling Items	(68,483)		(68,483)
Reconciled Balance - June 30, 2006	<u>\$ 440,665</u>	<u>\$ 2,684</u>	<u>\$ 443,349</u>

Village of Des Moines, New Mexico
Schedule of Legislative Appropriations
June 30, 2006

<u>Description</u>	<u>Original Appropriation</u>	<u>Appropriation Dates</u>	<u>Total Expenditures</u>	<u>Balance</u>
State of NM Local Government Appropriation 04-L-G-339 remaining funds from Capulin EMS project for Des Moines EMS Building	\$ 4,760		\$ 2,009	\$ 2,751
State of NM Local Government Appropriation 06-L-G-1951 to plan, design, construct, equip and furnish an EMS Building in Des Moines in Union County.	50,000	April 17, 2006 to June 30, 2010	29,014	20,986
State of NM Local Government Appropriation 02-L-G-651 to plan, design and renovate the EMS building in Des Moines in Union County	15,000	June 24,2002 to June 30, 2007	15,000	-
State of NM Local Government Appropriation 03-L-G-996 to design and construct an Ambulance and EMS Station in Des Moines in Union County	25,000	May 27, 2004 to June 30, 2008	25,000	-
State of NM Local Government Appropriation 05-L-G-1817 to plan, design, construct, equip and furnish an EMS building in Des Moines in Union County minus 1% of \$1,100 for Arts in Public Places	108,900	October 11, 2005 to June 30, 2010	108,900	-
State of NM Local Government Appropriation 05-L-G-392 to plan, design, construct, equip and furnish an EMS building in Des Moines in Union County	100,000	April 27,2006 to June 30, 2010	100,000	-
	<u>\$ 303,660</u>		<u>\$ 279,923</u>	<u>\$ 23,737</u>

All appropriations are reimbursable type grants. At June 30, 2006, the Village has not requested a draw down or recorded a receivable for any unexpended appropriation balances. Reimbursements are recorded as revenue when received.

COMPLIANCE SECTION

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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, including budgetary comparisons and the combining and individual funds, including budgetary comparisons, presented as supplemental information of the Village of Des Moines, New Mexico, as of and for the year ended June 30, 2006, and have issued my report, thereon, dated August 21, 2009, in which I disclaim an opinion on the financial statements, resulting from pervasive limitations in the scope of my audit such that I was unable to apply sufficient auditing procedures. 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 of America.

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 for 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.

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. 06-01 through 06-05, and 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 06-01 through 06-05, 05-01 through 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 06-06, 06-07 (prior period finding number 05-08) and 05-06.

The Village of Des Moines elected not to respond to the findings identified in the accompanying Schedule of Findings and Responses.

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.



August 21, 2009

Village of Des Moines, New Mexico
Schedule of Financial Statement Findings and Responses
For the Year Ended June 30, 2006

Current Year Findings

INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding 06-01

Fund Accounting

Condition

The General Fund, Senior Citizens Fund, Street Fund, Water Utility Fund, and Solid Waste Fund were not in balance at June 30, 2006.

The Village accounting system uses a single balance sheet, to include a single equity account for all its funds, which does not constitute a set of self-balancing set of accounts or "funds" which complies with governmental accounting standards.

Transactions between the General Fund and the Water Utility Fund of \$4,784 cannot be identified, requiring a "one-sided" adjustment to each fund, just to balance the funds for financial reporting.

A transaction intended to be a loan from the General Fund to the Street Fund in the amount of \$28,000 was improperly recorded across funds, causing both funds to be out of balance.

Payroll taxes were credited to a single liability account but were paid from the proper fund. As the payment was a one-sided entry, funds with employees were out of balance by \$8,192.

Criteria

Because governments must comply with significant legal restrictions, to include budgetary compliance for expenditures in order to demonstrate good stewardship over public funds, the Governmental Accounting Standards Board (GASB) has identified accountability as the primary financial reporting objective as provided in GASB Concepts Statement No. 1, Para. 76. Fund accounting is specifically designed to assist governments to ensure and demonstrate legal compliance. A "fund" is a fiscal and accounting entity with a self-balancing set of accounts recording financial resources, liabilities and equity, for the purpose of attaining specified objectives. (National Council on Governmental Accounting Statement 1, Para. 4) The key to accountability within each fund is at minimum a set of self-balancing accounts, which includes the fund equity. Section 6-6-3, NMSA, 1978 requires local public bodies to keep books and records. Section 12-6-5, NMSA, 1978, requires the reporting of violations of "good accounting practices."

Cause

The Village has attempted to structure its municipal fund accounting system using the small business software, *QuickBooks* which is designed for small businesses and is not appropriate for fund accounting. (See repeat Finding 05-01)

As a single balance sheet is used, Village personnel sometimes make erroneous entries that debit one fund and credit another fund without realizing that the entry is actually a "one-sided" entry to each fund, causing both funds to be out of balance. Accounting personnel are also unaware of the differences in accounting treatment of transfers, loans, revenues and expenditures when recording interfund transactions.

Village of Des Moines, New Mexico
Schedule of Financial Statement Findings and Responses
For the Year Ended June 30, 2006

Current Year Findings, continued

INTERNAL CONTROL OVER FINANCIAL REPORTING, continued

Finding 06-01, continued

Fund Accounting, continued

Cause, continued

Additionally, one of the features of *QuickBooks* is that it automatically records payroll tax expenses and payroll tax liabilities when the payroll is prepared. As the accounting system only has a single payroll tax liability account and as *QuickBooks* is only capable of posting the liability to a single liability account and to a single expense account, the automatic posting of payroll tax expenses and liabilities is not posted to the proper funds; however, when the payroll tax deposit is made, the deposit is paid from the proper fund. Because this is now a one-sided entry, all funds with employees are out of balance.

Effect

As funds are not in balance, revenues and expenditures are improperly recorded. This results in misstatement of financial statements and budgetary reports. Therefore, the Village is unable to ensure budgetary compliance since reported expenditures are not correct and could easily exceed the budgetary appropriation unknowingly.

Recommendation

I, again, recommend the Village terminate the use of *QuickBooks* and adopt accounting software designed for small governments. I, also, recommend accounting personnel receive training in the use of fund accounting and reporting. Finally, I, again, recommend the Village consider engaging a consulting CPA to assist the Village with its design of the accounting system and to assist the Village with its financial reporting requirements.

Finding 06-02

Senior Citizens Grant Receivables and Cash Management

Condition

Grant receivables were not recorded at June 30, 2006, to reflect the grant funds earned, but not received. I was unable to determine the amount of the grant proceeds receivable.

The Senior Citizens Fund bank account was overdrawn in the amount of \$25,405.

Criteria

Governmental Accounting Standards Board (GASB) Statement No. 33 requires that a receivable is normally recognized as soon as all eligibility requirements for the grant have been met and all resources are available.

Proper cash management procedures require that cash funds are carefully monitored to ensure checks in excess of the bank balance are not issued.

Village of Des Moines, New Mexico
Schedule of Financial Statement Findings and Responses
For the Year Ended June 30, 2006

Current Year Findings, continued

INTERNAL CONTROL OVER FINANCIAL REPORTING, continued

Finding 06-02, continued

Senior Citizens Grant Receivables and Cash Management, continued

Cause

The draw down for the funding was not timely prepared due to confusion between the Village Clerk and the Senior Citizens director as to who was responsible for its preparation and monitoring of the bank account. The Clerk was not aware of the requirement to accrue revenue earned by the program when all eligibility requirements were met and the resources were available.

Effect

The financial statements are misstated by the amount of the unrecorded receivable.

The Senior Citizens Fund bank account was overdrawn, requiring a loan from the General Fund.

Recommendation

I recommend the Village Council fix the responsibility for financial management of the Senior Citizens Center. I, also, recommend that accounting personnel receive training in grant accounting processes.

Finding 06-03

Capital Asset Accounting

Condition

Capital assets were reported as audit Finding 05-03 in the prior year and are repeated in the current year as follows:

1. A inventory of capital assets was not conducted for the fiscal year ended June 30, 2006;
2. The Village maintains a listing of capital assets; however, the listing does not total the assets or classify by asset type, (i.e., land, equipment, etc);
3. Additions for the year of \$349,954 to the capital asset listing are \$52,957 less than the capital outlay account totals;
4. I noted the listing included 42 assets that had been lined through; however, I was not presented with written notification to the NM State Auditor of the approving authority for disposition of property;
5. The Village has not adopted the \$5,000 policy for capitalization of capital assets;
6. The Village does not maintain its own depreciation schedule for capital assets; therefore, depreciation was not recorded for the year.

Criteria

An annual inventory of capital assets is required by Section 12-6-10, NMSA, 1978 of assets costing more than \$5,000.

Village of Des Moines, New Mexico
Schedule of Financial Statement Findings and Responses
For the Year Ended June 30, 2006

Current Year Findings, continued

INTERNAL CONTROL OVER FINANCIAL REPORTING, continued

Finding 06-03, continued

Capital Asset Accounting, continued

Criteria, continued

GASB Statement No. 34 provides reporting requirements for capital asset reporting and depreciation.

Sections 13-6-1 and 13-6-2, NMSA, 1978, govern the disposition of property.

Section 6-6-3, NMSA, 1978 requires books and records to be properly maintained. Properly maintained capital asset records include detail depreciation schedules of assets by fund and by type that are reconciled to the capital asset inventory. Additions of capital assets to the depreciation schedules should be reconciled to the assets acquired during the year as reflected in the capital outlay accounts.

Cause

Capital asset records do not appear to have been fully set up to implement the reporting required by GASB No. 34. Accounting personnel are not familiar with the GASB No.34 reporting requirements. Nor are accounting personnel trained in accounting practices that include controlling and reconciling accounting data to ensure accuracy.

Effect

The financial statements are misstated and the Village is at risk of misappropriation of its assets as it does not have control over the assets.

Recommendation

I recommend accounting personnel receive training in the requirements for accounting for capital assets. Additionally, I recommend management consider engaging a consulting CPA to assist the Village in fully implementing GASB No.34. Management may also want to consider implementing the modified method in accounting for Capital Assets in order to simplify the capital asset accounting process.

Finding 06-04

Proprietary Fund Receivables

Condition

The billing system for water and solid waste services produces a monthly billing report and an age analysis. The age analysis reflects receivables of \$4,511 more than the current billing report at June 30, 2006. The difference represents old receivables that are no longer billed; however, management is unaware of when or why receivables are deleted from the billing report.

Accounts over 60 days old have increased by 14.1% from the prior year, indicating a lack of attention to collecting delinquent accounts.

Village of Des Moines, New Mexico
Schedule of Financial Statement Findings and Responses
For the Year Ended June 30, 2006

Current Year Findings, continued

INTERNAL CONTROL OVER FINANCIAL REPORTING, continued

Finding 06-04, continued

Proprietary Fund Receivables, continued

Condition, continued

Accounts receivable, which are maintained on a separate stand alone system, are not recorded on the general ledger. Collections are recorded only on a cash basis.

As noted in Finding 05-02 from the prior year's audit report, which is repeated in the current year, the same person, records billing of water and solid waste services , collects and deposits amounts paid by customers, adjusts and records payments received from customers, responds to customer inquires and records transactions in the general ledger.

Criteria

In order to manage accounts receivable on a computerized system, accounting personnel must have adequate training to operate and maintain the software, understand the reports produced by the system and utilize input controls when keying data to ensure accuracy. Policies to enforce collection should be in place by the Village and strictly enforced by management. Internal control policies should be structured to safeguard the billing process as well as collections of customer payments and adjustments to customer accounts. The internal control policies should, also, provide for controls over the collection of delinquent accounts no longer included on the billing reports and the charge-off of past due accounts. Finally, receivables should be recorded in the general ledger to further control receivables and to reflect stewardship over public funds.

Cause

Accounting personnel have not had adequate training in the operation of the receivables software or the processes required controlling and maintaining a receivables function. At various times during the year, the Village only had one employee to maintain the Village office. Assistant clerical personnel were periodically employed, but, also, lacked training in receivables functions. Additionally, the Village has no policies to provide guidance in maintaining receivables.

Effect

The Village is at risk of loss by misappropriation and/or error of water and solid waste receipts from a lack on internal control, as well as a lack of more aggressive billing and collection processes.

Recommendations

I recommend that accounting personnel be provided training on the software system used for accounts receivable and that the Village promulgate internal control policies and processes for maintaining accounts receivable. These policies should provide for a segregation of duties, processes which provide for controlling all data keyed into the system, (i.e., gallons of water used, cash collections, changes in water rates, ect). Policies should, also, provide for the cutoff of services to encourage collections, adjustments to accounts, collection of past due accounts and control of inactive customer accounts.

Village of Des Moines, New Mexico
Schedule of Financial Statement Findings and Responses
For the Year Ended June 30, 2006

Current Year Findings, continued

INTERNAL CONTROL OVER FINANCIAL REPORTING, continued

Finding 06-05

Utility Meter Deposits

Condition

I noted that utility meter deposits of \$900 were credited to a revenue account and meter refunds of \$245 were debited to an expense account. Restricted cash accounts of meter deposits total \$5,202 which the offsetting liability is \$4,480.

Criteria

Meter deposits should be recorded as a liability, held for customers in accordance with the utility policy of the Village. Meter deposit refunds or forfeitures for non payment of utility bills should be debited to the liability account. Cash accounts in which the deposits are held should be reconciled to the customer deposit detail ledger.

Cause

Accounting personnel were not aware that meter deposits should be recorded as a liability.

Effect

Customer deposits are not subject to control as the deposits are not recorded in a liability account and reconciled to the customer deposit detail ledger. The Village is at risk of misappropriation and/or error of the deposits. In addition, the financial statements are misstated as deposits are recognized in current period income rather than as a liability and the liability account does not agree with the cash account of customer meter deposits.

Recommendation

I recommend that customer deposits be recorded in a liability account and that the liability account be reconciled to the customer deposit detail ledger on a monthly basis.

**Village of Des Moines, New Mexico
Schedule of Financial Statement Findings
For the Year Ended June 30, 2006**

Current Year Findings, continued

COMPLIANCE AND OTHER MATTERS

Finding 06-06

Budgetary Control

Condition

Budgetary control was reported as an audit Finding 05-05 in the prior year's audit report and is repeated and amplified in the current year as follows:

1. The final adjusted budget does not agree with the budgetary control set up in *QuickBooks* for that purpose;
2. I noted eight instances in which amounts of the budget adjustments were not included in the budget resolutions;
3. A reconciliation of budget resolutions to the final adjusted budget was not prepared;
4. The *QuickBooks* accounting system is not integrated with the quarterly reporting requirements of Department of Finance and Administration, resulting in the General Fund reporting expenditures of \$128,464, while the books of account reported \$144,445; Senior Citizens Fund reported \$75,582, while the books of account reported \$73,745; Water and Solid Waste Funds reported \$83,538, while the books of account reported \$91,120;
5. Budgeted expenditures reported on the fourth quarter DFA budget report do not agree with the original budget as follows: General Fund: original budget - \$109,456, fourth quarter DFA report - \$102,861; Street Fund: original budget - \$78,304, fourth quarter DFA report - \$82,554; Senior Citizens Fund: \$19,704, fourth quarter DFA report - \$89,052; Ambulance Fund: original budget - \$258,900, fourth quarter DFA report - \$290,600.

Criteria

Section 6-6-6 NMSA 1978 provides that the approved budget is binding upon all officials and bars the approval of expenditures in excess of the approved budget. Section 6-6-2, NMSA, 1978 requires local governments to submit quarterly budget reports to the Department of Finance and Administration. In order to comply with the Statutes, the government must have in place control measures to accurately measure expenditures against the approved budget. These control measures must include the use of reconciliations of the budget and budget amendments for transfer to the accounting system to facilitate the comparison of budgeted and actual expenditures.

Cause

Village personnel have not had training in the use of controls and reconciliations to ensure accuracy in budgetary control processes.

Effect

The Village is at risk of unknowingly exceeding the approved budget.

**Village of Des Moines, New Mexico
Schedule of Financial Statement Findings
For the Year Ended June 30, 2006**

Current Year Findings, continued

COMPLIANCE AND OTHER MATTERS, continued

Finding 06-06, continued

Budgetary Control, continued

Recommendation

I recommend that the Village provide accounting personnel with training in the use of controls and reconciliations to accurately monitor the approved budget. The Village may wish to consider engaging a consulting CPA to assist in structuring budgetary control processes.

**Finding 06-07 – Current Year
Finding 05-08 – Prior Year Finding Number**

Late Filed Audit Report

Condition

Timely completion of the audit report was reported as Finding 05-08 in the prior year's audit report and is repeated in the current year as follows:

The Village was unable to timely file its fiscal year 2006 Audit Report.

Criteria

The New Mexico State Auditor requires municipalities to file their audit reports by December 1st of the 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 assistant. 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 its audit reports.

Recommendation

I recommend the Village to commit adequate resources to ensure its recordkeeping function is able to maintain timely and adequate records.

Village of Des Moines, New Mexico
Schedule of Prior Year Financial Statement Findings
Unresolved and Included in the Current Report
For the Year Ended June 30, 2006

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:

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 amount 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.

Village of Des Moines, New Mexico
Schedule of Prior Year Financial Statement Findings
Unresolved and Included in the Current Report
For the Year Ended June 30, 2006

Finding 05-01 (continued)

Accounting System and Processes, continued

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.

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.

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.

Village of Des Moines, New Mexico
Schedule of Prior Year Financial Statement Findings
Unresolved and Included in the Current Report
For the Year Ended June 30, 2006

Finding 05-02 (continued)

Segregation of Duties, continued

Effect

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

Recommendation

I recommend the Village 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.

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 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 were not charged to capital outlay in accordance with the capital outlay policy;
5. Donated capital assets were 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 government's property. 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.

Village of Des Moines, New Mexico
Schedule of Prior Year Financial Statement Findings
Unresolved and Included in the Current Report
For the Year Ended June 30, 2006

Finding 05-03 (continued)

Capital Assets, continued

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.

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 government, written policies and procedures have not been a priority.

Effect

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

Recommendation

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

Village of Des Moines, New Mexico
Schedule of Prior Year Financial Statement Findings
Unresolved and Included in the Current Report
For the Year Ended June 30, 2006

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 since that date.

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, exposing the Village to a risk of loss through misappropriation or error.

Recommendation

I recommend that management immediately obtains 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 collectability of the receivables and develop a methodology for recording an appropriate allowance for uncollectible accounts.

Village of Des Moines, New Mexico
Schedule of Prior Year Financial Statement Findings
Unresolved and Included in the Current Report
For the Year Ended June 30, 2006

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

As New Mexico Statutes require that all expenditures of state entities be budgeted, 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 is that the budget is posted to the books of account and reconciled to the budget resolutions to ensure accuracy.

Village of Des Moines, New Mexico
Schedule of Prior Year Financial Statement Findings
Unresolved and Included in the Current Report
For the Year Ended June 30, 2006

Finding 05-08

Late filed Audit Report

This audit finding is repeated as finding 06-07 in the current year report.

Schedule of Audit Findings Resolved

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.

Resolution

The Village holds all its cash with the single financial institution located within the Village limits. While, the Village may be at concentration risk of holding all its deposits in the single financial institution, it would not appear to be a violation of Section 6-10-36, NMSA, 1978.

**Village of Des Moines, New Mexico
Additional Disclosures
For the Year Ended June 30, 2006**

MANAGEMENT'S RESPONSE TO FINDINGS

Management has elected not to respond.

AUDITOR PREPARED FINANCIAL STATEMENTS

Financial statements for the Village were prepared by the auditor.

EXIT CONFERENCE

An exit conference was held on September 9, 2009 via telephone in which these items were discussed. Those in attendance were Lee Dixon, Mayor and Stephanie King, Village Clerk/Treasurer and R. Kelly McFarland, CPA.

