

**State of New Mexico
Village of Des Moines**

**Basic Financial Statements and
Supplementary Information
for the Year Ended June 30, 2008
and Independent Auditors' Report**

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

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VILLAGE OF DES MOINES

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STATE OF NEW MEXICO
VILLAGE OF DES MOINES

DIRECTORY OF OFFICIALS
JUNE 30, 2008

Village Council

<u>NAME</u>	<u>TITLE</u>
Jesse Yeargain	Mayor
Lee Dixon	Mayor Pro Term
Sandra Fernandez	Village Councilor
Don Arthur	Village Councilor
Raymond Sisneros	Village Councilor

Village Officials

Karen Bray	Village Clerk/Treasurer
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LIST OF ELECTED AND APPOINTED OFFICIALS
October 22, 2010

Village Council

<u>NAME</u>	<u>TITLE</u>
Lee Dixon	Mayor
Annie Kennedy	Mayor Pro Term
Scott Warner	Village Councilor
Raymond Sisneros	Village Councilor
Sandra Fernandez	Village Councilor

Village Officials

Stephanie King	Village Clerk/Treasurer
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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
and the Mayor and Village Council of the
Village of Des Moines, New Mexico

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Village of Des Moines, New Mexico (the Village), as of and for the year ended June 30, 2008, which collectively comprise the Village of Des Moines' basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements of each of the Village of Des Moines' nonmajor governmental funds and the budgetary comparisons for the nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Village of Des Moines' management.

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

We were unable to obtain written representations from management of the Village concerning transactions related to the fiscal year 2008, which took place under substantially different management, as required by generally accepted auditing standards.

Pursuant to management's request, we did not apply auditing procedures to the effects of transactions occurring after June 30, 2008, to the date of this report, also required by generally accepted auditing standards.

Management communicated to us their suspicions of risk of fraud having occurred during 2008 but management was unable to provide with more information since matters occurred under substantially different management.

We were unable to determine the amount of the final adjusted budget because of lack of control over budget resolutions amending the original approved budget.

At June 30, 2008 the liability for compensated absences was not available and management has elected not to record it.

We were unable to examine sufficient competent evidential matter to determine the collectibility of receivables of the Ambulance Fund, a major fund, the enterprise receivables and to test the accounts payable for all funds.

Because of the limitations in the scope of our audit, as discussed in paragraphs two through seven above, we were unable to apply auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Accounting Standards*, issued by the Comptroller General of the United States, which requires that we 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, we 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 our audit was not sufficient to enable us to express an opinion, and we do not express an opinion on the basic financial statements or the supplemental information of the Village of Des Moines as of and for the year ended June 30, 2008, referred to in the first paragraph.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2010 on our consideration of the Village of Des Moines' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Village of Des Moines has not presented the management's discussion and analysis for the year ended June 30, 2008, which is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.

We were engaged for the purpose of forming opinions on the financial statements that, collectively, comprise Village of Des Moines' basic financial statements, and the combining and individual fund financial statements and budgetary comparisons. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The scope of our audit was limited, as discussed in paragraphs two through seven above, and because of the significance of these matters, we do not express an opinion on the basic financial statements and the combining and individual fund financial statements; accordingly, the supplemental information, listed in the table of contents, have not been subjected to the auditing procedures in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*; therefore, we do not express an opinion as to the supplemental information, listed in the table of contents, in relation to the basic financial statements taken as a whole.

White + Samaniego + Campbell, LLP

El Paso, Texas
October 22, 2010

GOVERNMENT - WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 348,534	\$ 80,674	\$ 429,208
Receivables	26,300	7,986	34,286
Investments	<u>82,728</u>	<u>-</u>	<u>82,728</u>
Total current assets	457,562	88,660	546,222
NON-CURRENT ASSETS:			
Capital assets, net of accumulated depreciation	1,512,997	341,793	1,854,790
Restricted cash and cash equivalents	<u>-</u>	<u>5,742</u>	<u>5,742</u>
Total non-current assets	<u>1,512,997</u>	<u>347,535</u>	<u>1,860,532</u>
Total assets	<u>\$ 1,970,559</u>	<u>\$ 436,195</u>	<u>\$ 2,406,754</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	\$ 70	\$ 1,159	\$ 1,229
Cash overdraft	79	-	79
Customer meter deposits	<u>-</u>	<u>4,480</u>	<u>4,480</u>
Total current liabilities	149	5,639	5,788
NET ASSETS			
Invested in capital assets	1,512,997	341,793	1,854,790
Unrestricted	<u>457,413</u>	<u>88,763</u>	<u>546,176</u>
Total net assets	<u>\$ 1,970,410</u>	<u>\$ 430,556</u>	<u>\$ 2,400,966</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets Primary Government		
		Charges for Services	Program Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 79,726	\$ -	\$ 229,685	\$ -	\$ 149,959	\$ -	\$ 149,959
Public safety	127,127	6,977	-	35,093	(85,057)	-	(85,057)
Public works	76,471	-	-	-	(76,471)	-	(76,471)
Culture and recreation	75,746	-	-	-	(75,746)	-	(75,746)
Total governmental activities	<u>359,070</u>	<u>6,977</u>	<u>229,685</u>	<u>35,093</u>	<u>(87,315)</u>	<u>-</u>	<u>(87,315)</u>
Business-type activities:							
Water	130,475	33,532	-	-	-	(96,943)	(96,943)
Solid waste	14,342	1,022	-	-	-	(13,320)	(13,320)
Total business-type activities	<u>144,817</u>	<u>34,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(110,263)</u>	<u>(110,263)</u>
Total primary government	<u>\$ 503,887</u>	<u>\$ 41,531</u>	<u>\$ 229,685</u>	<u>\$ 35,093</u>	<u>(87,315)</u>	<u>(110,263)</u>	<u>(197,578)</u>
General Revenues:							
Taxes:							
Property taxes					10,098	-	10,098
Gross receipts taxes					115,998	2,255	118,253
Motor vehicle and fuel taxes					878	-	878
Gasoline taxes					7,778	-	7,778
Cigarette taxes					322	-	322
Recreation taxes					-	-	-
Licenses:							
Business license					181	-	181
Interest income					7,606	2,876	10,482
Miscellaneous					5,165	-	5,165
Total general revenues					<u>148,026</u>	<u>5,131</u>	<u>153,157</u>
Transfers between governmental and business-type					<u>(45,643)</u>	<u>45,643</u>	<u>-</u>
Change in net assets					<u>15,068</u>	<u>(59,489)</u>	<u>(44,421)</u>
Net assets, beginning of year					<u>1,955,342</u>	<u>490,045</u>	<u>2,445,387</u>
Net assets, end of year					<u>\$ 1,970,410</u>	<u>\$ 430,556</u>	<u>\$ 2,400,966</u>

See independent auditors' report and accompanying notes to financial statements.

GOVERNMENTAL FUND STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Fire Fund	Senior Citizens Fund	Ambulance Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 157,453	\$ 162,732	\$ -	\$ 18,774	\$ 9,575	\$ -	\$ 348,534
Accounts receivable	-	-	-	22,407	-	-	22,407
Taxes receivable	3,012	-	-	-	879	2	3,893
Investments	82,728	-	-	-	-	-	82,728
Total assets	<u>\$ 243,193</u>	<u>\$ 162,732</u>	<u>\$ -</u>	<u>\$ 41,181</u>	<u>\$ 10,454</u>	<u>\$ 2</u>	<u>\$ 457,562</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES:							
Current liabilities							
Accounts payable	\$ 15	\$ -	\$ 55	\$ -	\$ -	\$ -	\$ 70
Cash overdraft	-	-	37	-	-	42	79
Total liabilities	<u>15</u>	<u>-</u>	<u>92</u>	<u>-</u>	<u>-</u>	<u>42</u>	<u>149</u>
FUND BALANCES:							
Unreserved:							
Undesignated, reported in:							
General fund	243,178	-	-	-	-	-	243,178
Special revenue funds	-	162,732	(92)	41,181	10,454	(40)	214,235
Total fund balances	<u>243,178</u>	<u>162,732</u>	<u>(92)</u>	<u>41,181</u>	<u>10,454</u>	<u>(40)</u>	<u>457,413</u>
Total liabilities and fund balances	<u>\$ 243,193</u>	<u>\$ 162,732</u>	<u>\$ -</u>	<u>\$ 41,181</u>	<u>\$ 10,454</u>	<u>\$ 2</u>	<u>\$ 457,562</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances - governmental funds		\$	457,413
Amount reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.			
The cost of capital assets	2,507,170		
Accumulated depreciation	<u>994,173</u>		<u>1,512,997</u>
Total net assets - governmental activities		\$	<u>1,970,410</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Fire Fund	Senior Citizens Fund	Ambulance Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 127,242	\$ -	\$ -	\$ -	\$ 7,832	\$ -	\$ 135,074
Intergovernmental income	181,190	-	48,304	25,000	-	10,284	264,778
Charges for services	20	97	-	6,860	-	-	6,977
Licenses and fees	181	-	-	-	-	-	181
Interest income	7,502	104	-	-	-	-	7,606
Miscellaneous	305	697	3,619	544	-	-	5,165
Total revenues	<u>316,440</u>	<u>898</u>	<u>51,923</u>	<u>32,404</u>	<u>7,832</u>	<u>10,284</u>	<u>419,781</u>
EXPENDITURES							
Current							
General government	43,489	-	-	-	-	-	43,489
Public safety	55,657	31,170	-	15,999	-	8,093	110,919
Public works	-	-	-	-	16,650	-	16,650
Culture and recreation	-	-	62,379	-	-	279	62,658
Capital outlay	-	-	-	-	79,857	-	79,857
Total expenditures	<u>99,146</u>	<u>31,170</u>	<u>62,379</u>	<u>15,999</u>	<u>96,507</u>	<u>8,372</u>	<u>313,573</u>
Excess (deficiency) of revenues over expenditures	<u>217,294</u>	<u>(30,272)</u>	<u>(10,456)</u>	<u>16,405</u>	<u>(88,675)</u>	<u>1,912</u>	<u>106,208</u>
OTHER FINANCING SOURCES (USES):							
Transfer in	15,000	61,995	-	-	88,502	-	165,497
Transfer out	<u>(196,140)</u>	<u>-</u>	<u>-</u>	<u>(13,000)</u>	<u>-</u>	<u>(2,000)</u>	<u>(211,140)</u>
Total other sources (uses)	<u>(181,140)</u>	<u>61,995</u>	<u>-</u>	<u>(13,000)</u>	<u>88,502</u>	<u>(2,000)</u>	<u>(45,643)</u>
Net change in fund balance	36,154	31,723	(10,456)	3,405	(173)	(88)	60,565
Fund balance at beginning of year	<u>207,024</u>	<u>131,009</u>	<u>10,364</u>	<u>37,776</u>	<u>10,627</u>	<u>48</u>	<u>396,848</u>
Fund balance at end of year	<u>\$ 243,178</u>	<u>\$ 162,732</u>	<u>\$ (92)</u>	<u>\$ 41,181</u>	<u>\$ 10,454</u>	<u>\$ (40)</u>	<u>\$ 457,413</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds \$ 60,565

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

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 assets reported as capital outlay expenditures	79,857	
Depreciation expense	(125,354)	<u>(45,497)</u>
Change in net assets of governmental activities		<u>\$ 15,068</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amount		Actual Non- GAAP Basis	Variance Positive (Negative) Final Budget to Actual
	Original	Final		
REVENUES:				
Taxes	\$ 97,850	\$ 97,850	\$ 124,230	\$ 26,380
Intergovernmental income	35,000	35,000	181,190	146,190
Charges for services	6,125	6,125	20	(6,105)
Licenses and fees	400	400	181	(219)
Investment income	-	-	7,502	7,502
Miscellaneous	-	-	305	305
Total revenues	<u>139,375</u>	<u>139,375</u>	<u>313,428</u>	<u>174,053</u>
EXPENDITURES:				
Current:				
General government	122,242	122,242	43,474	78,768
Public safety	3,897	3,897	55,657	(51,760)
Public works	<u>5,659</u>	<u>5,659</u>	-	<u>5,659</u>
Total expenditures	<u>131,798</u>	<u>131,798</u>	<u>99,131</u>	<u>32,667</u>
Excess of revenues over expenditures	7,577	7,577	214,297	141,386
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	15,000	15,000
Transfers out	<u>-</u>	<u>-</u>	<u>(196,140)</u>	<u>(196,140)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(181,140)</u>	<u>(181,140)</u>
Net change in fund balance Non-GAAP Basis			33,157	
Difference between Non-GAAP and GAAP:				
Adjust accrued revenue		3,012		
Adjust accrued expenditures		<u>(15)</u>	<u>2,997</u>	
Net change in fund balance GAAP basis			36,154	
Fund balance - beginning			<u>207,024</u>	
Fund balance - ending			<u>\$ 243,178</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF DES MOINES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS
 SPECIAL REVENUE FUND - FIRE FUND
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amount		Actual Non- GAAP Basis	Variance Positive (Negative) Final Budget to Actual
	Original	Final		
REVENUES:				
Intergovernmental income	\$ 61,995	\$ 61,995	\$ -	\$ (61,995)
Charges for services	-	-	97	97
Investment income	-	-	104	104
Miscellaneous	5,500	-	697	697
Total revenues	67,495	61,995	898	(61,097)
EXPENDITURES:				
Current:				
Public safety	100,342	100,342	31,170	69,172
Total expenditures	100,342	100,342	31,170	69,172
Deficiency of revenues over expenditures	(32,847)	(38,347)	(30,272)	(130,269)
OTHER FINANCING SOURCES				
Transfers in	-	-	61,995	61,995
Total other financing sources	-	-	61,995	61,995
Net change in fund balance Non-GAAP Basis			31,723	
Difference between Non-GAAP and GAAP:				
Adjust accrued revenue		-		
Adjust accrued expenditures		-		
Net change in fund balance GAAP basis			31,723	
Fund balance - beginning			131,009	
Fund balance - ending			\$ 162,732	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS
SPECIAL REVENUE FUND - SENIOR CITIZENS FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amount		Actual Non- GAAP Basis	Variance Positive (Negative) Final Budget to Actual
	Original	Final		
REVENUES:				
Intergovernmental income	\$ 60,480	\$ 60,480	\$ 48,304	\$ (12,176)
Miscellaneous	67,591	67,591	3,619	(63,972)
Total revenues	<u>128,071</u>	<u>128,071</u>	<u>51,923</u>	<u>(76,148)</u>
EXPENDITURES:				
Current:				
Culture and recreation	<u>124,521</u>	<u>124,521</u>	<u>62,324</u>	<u>62,197</u>
Total expenditures	<u>124,521</u>	<u>124,521</u>	<u>62,324</u>	<u>62,197</u>
Excess (deficiency) of revenues over expenditures	3,550	3,550	(10,401)	(138,345)
Net change in fund balance Non-GAAP Basis			(10,401)	
Difference between Non-GAAP and GAAP:				
Adjust accrued revenue		-		
Adjust accrued expenditures		<u>(55)</u>	<u>(55)</u>	
Net change in fund balance GAAP basis			(10,456)	
Fund balance - beginning			<u>10,364</u>	
Fund balance - ending			<u>\$ (92)</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF DES MOINES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS
 SPECIAL REVENUE FUND - AMBULANCE FUND
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amount		Actual Non- GAAP Basis	Variance Positive (Negative) Final Budget to Actual
	Original	Final		
REVENUES:				
Intergovernmental income	\$ 31,377	\$ 31,377	\$ 9,997	\$ (21,380)
Total revenues	31,377	31,377	9,997	(21,380)
EXPENDITURES:				
Current:				
Public safety	13,700	13,700	15,999	(2,299)
Total expenditures	13,700	13,700	15,999	(2,299)
Excess (deficiency) of revenues over expenditures	17,677	17,677	(6,002)	(19,081)
OTHER FINANCING USES				
Transfers out	-	-	(13,000)	(13,000)
Total other financing uses	-	-	(13,000)	(13,000)
Net change in fund balance Non-GAAP Basis			(19,002)	
Difference between Non-GAAP and GAAP:				
Adjust accrued revenue		22,407		
Adjust accrued expenditures		-	22,407	
Net change in fund balance GAAP basis			3,405	
Fund balance - beginning			37,776	
Fund balance - ending			\$ 41,181	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS
SPECIAL REVENUE FUND - STREET FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amount		Actual Non- GAAP Basis	Variance Positive (Negative) Final Budget to Actual
	Original	Final		
REVENUES:				
Taxes	\$ 9,000	\$ 9,000	\$ 6,953	\$ (2,047)
Intergovernmental income	70,000	70,000	-	(70,000)
Total revenues	79,000	79,000	6,953	(72,047)
EXPENDITURES:				
Current:				
Public works	96,315	96,315	16,650	79,665
Capital outlay	-	-	79,857	(79,857)
Total expenditures	96,315	96,315	96,507	(192)
Deficiency of revenues over expenditures	(17,315)	(17,315)	(89,554)	(71,855)
OTHER FINANCING SOURCES				
Transfers in	-	-	88,502	88,502
Total other financing sources	-	-	88,502	88,502
Net change in fund balance Non-GAAP Basis			(1,052)	
Difference between Non-GAAP and GAAP:				
Adjust accrued revenue		879		
Adjust accrued expenditures		-	879	
Net change in fund balance GAAP basis			(173)	
Fund balance - beginning			10,627	
Fund balance - ending			\$ 10,454	

See independent auditors' report and accompanying notes to financial statements.

PROPRIETARY FUNDS

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	<u>Water Utility</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 80,124	\$ 550	\$ 80,674
Accounts receivables	<u>6,824</u>	<u>1,162</u>	<u>7,986</u>
Total current assets	86,948	1,712	88,660
NON-CURRENT ASSETS:			
Capital assets, net of accumulated depreciation	333,793	8,000	341,793
Restricted cash and cash equivalents	<u>5,742</u>	<u>-</u>	<u>5,742</u>
Total non-current assets	<u>339,535</u>	<u>8,000</u>	<u>347,535</u>
Total assets	<u>\$ 426,483</u>	<u>\$ 9,712</u>	<u>\$ 436,195</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	\$ 35	\$ 1,124	\$ 1,159
Customer meter deposits	<u>4,480</u>	<u>-</u>	<u>4,480</u>
Total liabilities	<u>4,515</u>	<u>1,124</u>	<u>5,639</u>
NET ASSETS			
Invested in capital assets, net of related debt	333,793	8,000	341,793
Unrestricted	<u>88,175</u>	<u>588</u>	<u>88,763</u>
Total net assets	<u>421,968</u>	<u>8,588</u>	<u>430,556</u>
Total liabilities and net assets	<u>\$ 426,483</u>	<u>\$ 9,712</u>	<u>\$ 436,195</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Water Utility</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
OPERATING REVENUE			
Charges for services	\$ 33,532	\$ 1,022	\$ 34,554
Total operating revenue	33,532	1,022	34,554
OPERATING EXPENSES			
General government	64,032	11,129	75,161
Personnel services	44,279	3,213	47,492
Depreciation	22,164	-	22,164
Total operating expenses	<u>130,475</u>	<u>14,342</u>	<u>144,817</u>
Operating loss	(96,943)	(13,320)	(110,263)
NON-OPERATING REVENUES			
Taxes	2,228	27	2,255
Interest income	2,860	16	2,876
Total non-operating revenues	<u>5,088</u>	<u>43</u>	<u>5,131</u>
Loss before transfers	(91,855)	(13,277)	(105,132)
Transfers in	<u>34,252</u>	<u>11,391</u>	<u>45,643</u>
Change in net assets	(57,603)	(1,886)	(59,489)
Net assets, beginning of year	<u>479,571</u>	<u>10,474</u>	<u>490,045</u>
Net assets, end of year	<u>\$ 421,968</u>	<u>\$ 8,588</u>	<u>\$ 430,556</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Water Utility</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
Cash flows from operating activities:			
Cash received from agencies and customers	\$ 33,744	\$ 981	\$ 34,725
Cash paid to suppliers and employees	<u>(108,276)</u>	<u>(13,218)</u>	<u>(121,494)</u>
Net cash used in operating activities	<u>(74,532)</u>	<u>(12,237)</u>	<u>(86,769)</u>
Cash flows from non-capital financing activities:			
Taxes	2,228	27	2,255
Transfers from (to) other funds	<u>34,252</u>	<u>11,391</u>	<u>45,643</u>
Net cash provided by non-capital financing activities	<u>36,480</u>	<u>11,418</u>	<u>47,898</u>
Cash flows from investing activities:			
Interest on investments	<u>2,860</u>	<u>16</u>	<u>2,876</u>
Net cash provided by investing activities	2,860	16	2,876
Net decrease in cash and cash equivalents	(35,192)	(803)	(35,995)
Cash and cash equivalents - beginning	<u>121,058</u>	<u>1,353</u>	<u>122,411</u>
Cash and cash equivalents - ending	<u>\$ 85,866</u>	<u>\$ 550</u>	<u>\$ 86,416</u>
Cash and cash equivalents	\$ 80,124	\$ 550	\$ 80,674
Restricted cash	<u>5,742</u>	<u>-</u>	<u>5,742</u>
Total cash and cash equivalents	<u>\$ 85,866</u>	<u>\$ 550</u>	<u>\$ 86,416</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (96,943)	\$ (13,320)	\$ (110,263)
Adjustments to operating loss to net cash used in operating activities:			
Depreciation	22,164	-	22,164
Changes in net assets and liabilities:			
Accounts receivable	212	(41)	171
Accounts payable	<u>35</u>	<u>1,124</u>	<u>1,159</u>
Net cash used in operating activities	<u>\$ (74,532)</u>	<u>\$ (12,237)</u>	<u>\$ (86,769)</u>

See independent auditors' report and accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Des Moines (the "Village") have been prepared in accordance with general accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the Village's accounting policies are described below.

Reporting Entity

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

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, set rates or charges and issue bonded debt.

The Village has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected Village members are financially accountable. There are no other primary governments with which the Village Council Members are financially accountable. There are no other primary governments with which the Village has a significant relationship.

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Basis of Presentation

Government-Wide Financial Statements (GWFS) - The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Village. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level. The Village has no Fiduciary Funds. The effect of

interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: 1) Charges for services is the term used for a broad category of program revenues that arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Revenues in this category include fees charged for specific services, such as water use or garbage collection; licenses and permits, such as businesses licenses, liquor licenses, and building permits; operating special assessments, such as for street cleaning or special street lighting; and any other amounts charged to service recipients. Fines and forfeitures are also included in this category because they result from direct charges to those who are otherwise directly affected by a program or service, even though specific grants and contributions (operating and capital) include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes to purchase, construct, or renovate capital assets associated with a specific program. These should be reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the reporting government. These categories of program revenue are specifically attributable to a program and reduce the net expense of that program to the reporting government.

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Village and accounts for all revenues and expenditures of the Village not encompassed within other funds.

Special Revenue Funds

Fire Fund - To account for the operation and maintenance of the Village Fire Department. Financing is primarily from State grants. The fund was created by the authority of state grant provisions (NMSA 59A-53-1).

Senior Citizens Fund - To account for State revenues for senior citizens' activities. Financing is provided by State appropriation and the State of New Mexico Agency on Aging. The authority for the allocation and setup of the fund is 7-12-15, NMSA, 1978.

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

Street Fund - 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 Village streets. Financing is authorized by Village ordinance and 3-31-1 and 7-1-6-9 NMSA, 1978 Compilation.

Enterprise Funds

Proprietary Funds - To account for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The Village has presented the following major proprietary funds:

Water Fund - To account for the provision of water service to the residents of the Village. Activities include administration, operations and maintenance of the water system and billing and collection activities. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for water debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Solid Waste Fund - To account for the disposal of solid waste for the residents of the Village.

Additionally, the Village reports the following non-major fund types:

EMS Fund - 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 - 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.

Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government wide and proprietary financial statements are reported using the economic resources measurement focus. The government wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual

basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Derived tax revenue, such as franchise and sales tax revenue, is recognized when the underlying exchange transaction occurs.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Village's taxpayer or citizenry, as a whole; program revenues reduced the cost of the function to be financed from the Village's general revenues. Program revenues include charges for services or applicants who purchase, use or directly benefit from the goods or services provided by the given function.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Budgetary Control

1. Prior to June 1, the Village's Clerk-Treasurer submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted in May and June to obtain taxpayers comments.
2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration.
3. The Village Council is authorized to transfer budgeted amounts between 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.
4. Formal budgetary integration is employed as a management control device during the year for all funds.
5. The level of budget authority is at the fund level.

For the year ending June 30, 2008, the Village exceeded its budgeted expenditures in the following funds:

<u>Fund</u>	<u>Amount Overspent</u>
Ambulance Fund	\$ 2,299
Street Fund	192
Water Fund	23,461
Solid Waste Fund	13,218
EMS Fund	1,781
Recreation Fund	29

Cash and Cash Equivalents

The Village's cash and cash equivalents are cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Village is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the Village may be invested in:

(a) bonds or negotiable securities of the United States, the state or any county, municipality or Village which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or

(b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government; or

(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Property Taxes

The County collects the Village's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the Village on a monthly basis. The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues for the budget presentation.

Restricted Funds

Restricted assets for the Village include 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 agreements with utility customers.

Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The construction period interest is not capitalized in the proprietary funds.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on 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

Use of Restricted Funds

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.

Revenue

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

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, 2008, were not available and accordingly, no provision for compensated absences has been recorded in the accompanying financial statements.

Net Assets and Fund Balances

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available it will first be applied to restricted resources.

Net assets should be reported as restricted when constraints placed on net asset use are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.
- b. Imposed by law through constitutional provisions or enabling legislation. However for the current year the Village does not have net assets that are restricted by enabling legislation.

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use. The reserves for related assets such as inventories and prepayments are examples of the former. Reserves for encumbrances, contracts, and other specific purposes are examples of the latter. The governmental funds' designation of fund balance reflects tentative plans for future use of financial resources.

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.

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS 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, 2008.

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, 2008, the carrying amount of the Village's deposits was \$517,599 and the bank balance was \$539,559.

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.

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, 2008, none of the Village's bank balances were exposed to custodial credit risk as follows:

Farmers & Stockmen's Bank			
<u>Name of Account</u>	<u>Balance Per Bank 06/30/08</u>	<u>Reconciled Balance</u>	<u>Type</u>
General Fund	\$ 163,915	\$ 157,453	Checking
General Fund	17,699	17,699	CD
General Fund	65,029	65,029	CD
Fire Fund	153,310	151,835	Checking
Senior Citizens Fund	5,292	(37)	Checking
Ambulance Fund	19,378	18,774	Checking
Street Fund	9,575	9,575	Checking
Recreation Fund	208	(42)	Checking
Water Fund	87,837	80,124	Checking
Solid Waste Fund	602	550	Checking
Fire Fund Savings	10,897	10,897	Savings
Water Meter	5,817	5,742	Checking
Total Deposited	<u>539,559</u>	<u>\$ 517,599</u>	
Less: FDIC Coverage	<u>(110,897)</u>		
Uninsured amount	428,662		
50% collateral requirement	214,331		
Pledged securities	<u>232,599</u>		
Over (under) requirement	<u>\$ 18,268</u>		

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

3. RECEIVABLES

Receivables as of June 30, 2008, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Taxes:		
Property taxes	\$ 98	\$ -
Cigarette taxes	4	-
Gasoline taxes	599	-
Gross receipts taxes	3,110	2,976
Recreation taxes	2	-
Interstate telecom	6	-
Motor vehicle taxes	74	-
Other receivables:		
Grants receivable	22,407	-
Services	-	5,010
	<u>\$ 26,300</u>	<u>\$ 7,986</u>

Taxes receivable for the governmental funds consists primarily of taxes collected by the collection agency in the current year but not remitted to the Village until after year-end. All governmental fund receivables are considered collectible.

4. CAPITAL ASSETS

Changes in Capital Assets - Capital asset activity for the Village's primary government for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities:				
Capital assets not being depreciated:				
Land	431	-	-	431
Total capital assets not being depreciated	<u>431</u>	<u>-</u>	<u>-</u>	<u>431</u>
Capital Assets, being depreciated				
Buildings and improvements	420,504	-	-	420,504
Infrastructure	1,224,141	79,857	-	1,303,998
Equipment	782,237	-	-	782,237
Total capital assets, being depreciated	<u>2,426,882</u>	<u>79,857</u>	<u>-</u>	<u>2,506,739</u>
Total capital assets	<u>2,427,313</u>	<u>79,857</u>	<u>-</u>	<u>2,507,170</u>
Less accumulated depreciation for:				
Buildings and improvements	89,135	10,381	-	99,516
Infrastructure	471,996	61,307	-	533,303
Equipment	307,688	53,666	-	361,354
Total accumulated depreciation	<u>868,819</u>	<u>125,354</u>	<u>-</u>	<u>994,173</u>
Total other capital assets, net	<u>\$ 1,558,494</u>	<u>\$ (45,497)</u>	<u>\$ -</u>	<u>\$ 1,512,997</u>

Depreciation expense was charged to governmental activities as follows:

General	\$ 36,237
Public Safety	16,208
Culture and Recreation	13,088
Public Works	<u>59,821</u>
Total depreciation expense	<u>\$ 125,354</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land - Water	\$ 2,427	\$ -	\$ -	\$ 2,427
Land - Solid Waste	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>8,000</u>
Total capital assets not being depreciated	<u>10,427</u>	<u>-</u>	<u>-</u>	<u>10,427</u>
Other Capital Assets				
Building - Water	20,000	-	-	20,000
Equipment	46,324	-	-	46,324
Infrastructure	<u>667,962</u>	<u>-</u>	<u>-</u>	<u>667,962</u>
Total capital assets at historical cost	<u>734,286</u>	<u>-</u>	<u>-</u>	<u>734,286</u>
Total capital assets	<u>744,713</u>	<u>-</u>	<u>-</u>	<u>744,713</u>
Less accumulated depreciation				
Buildings - Water	8,917	500	-	9,417
Equipment	32,535	4,191	-	36,726
Infrastructure	<u>339,304</u>	<u>17,473</u>	<u>-</u>	<u>356,777</u>
Total capital assets being depreciated, net	<u>380,756</u>	<u>22,164</u>	<u>-</u>	<u>402,920</u>
Business-type activities capital assets, net	<u>\$ 363,957</u>	<u>\$ (22,164)</u>	<u>\$ -</u>	<u>\$ 341,793</u>

Depreciation expense for business-type activities for the year ended June 30, 2008 was \$22,164.

5. PROPERTY TAXES

Union County collects the Village's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the Village on a monthly basis. The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues for the budget presentation.

6. 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 2008 amounted to \$26,142.

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 \$1,396,033, including contents, with separate electronic data processing equipment of \$15,107. 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.

7. PERA PENSION PLAN

Plan Description - Certain Village of Des Moines' employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, 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 for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 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 in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Village of Des Moines' contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$4,583, \$4,389, and \$3,760, respectively, which equal the amount of the required contributions for each fiscal year.

8. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Plan Description - 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 healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

Funding Policy - The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for 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. During the fiscal year ended June 30, 2008, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary.

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals. The RHCA plan 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.

The Village of Des Moines's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$729, \$841 and \$698, respectively, which equal the required contributions for each year.

9. INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2008 consisted the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 15,000	\$ 196,140
Fire Fund	61,995	-
Ambulance Fund	-	13,000
Street Fund	88,502	-
EMS Fund	-	2,000
Water Fund	34,252	-
Solid Waste Fund	<u>11,391</u>	<u>-</u>
	<u>\$ 211,140</u>	<u>\$ 211,140</u>

10. DEFICIT FUND BALANCE

The Village had a deficit fund balance of \$92 in the Senior Citizens fund (major fund) and \$40 in the Recreation fund. The cause of the deficits is unknown. Money will be transferred to the funds to increase the fund balance and eliminate the deficit.

SUPPLEMENTAL INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

EMS Fund - 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 - 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.

STATE OF NEW MEXICO
 VILLAGE OF DES MOINES

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 JUNE 30, 2008

	<u>EMS Funds</u>	<u>Recreation Funds</u>	<u>Total</u>
ASSETS			
Taxes receivable	-	2	2
Total assets	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Cash overdraft	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ 42</u>
Total liabilities	-	42	42
Fund balance:			
Unreserved			
Special Revenues	<u>-</u>	<u>(40)</u>	<u>(40)</u>
Total fund balance	<u>-</u>	<u>(40)</u>	<u>(40)</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>EMS Funds</u>	<u>Recreation Funds</u>	<u>Total</u>
REVENUES			
Intergovernmental income	\$ 10,093	\$ 191	\$ 10,284
Total revenues	10,093	191	10,284
EXPENDITURES			
Current:			
Public safety	8,093	-	8,093
Culture and recreation	-	279	279
Total expenditures	8,093	279	8,372
Excess (deficiency) of revenues under expenditures	2,000	(88)	1,912
OTHER FINANCING USES			
Operating transfers out	(2,000)	-	(2,000)
Total other financing uses	(2,000)	-	(2,000)
Net change in fund balance	-	(88)	(88)
Fund balance, beginning of year	-	48	48
Fund balance, end of year	\$ -	\$ (40)	\$ (40)

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF DES MOINES

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 NON-MAJOR SPECIAL REVENUE FUND - EMS FUND
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amount		Actual Non- GAAP Basis	Variance Positive (Negative) Final Budget to Actual
	Original	Final		
REVENUES:				
Intergovernmental income	\$ 8,312	\$ 8,312	\$ 10,093	\$ 1,781
Total revenues	8,312	8,312	10,093	1,781
EXPENDITURES:				
Current:				
Public safety	6,312	6,312	8,093	(1,781)
Total expenditures	6,312	6,312	8,093	(1,781)
Excess of revenues over expenditures	2,000	2,000	2,000	-
OTHER FINANCING USES				
Transfers out	-	-	(2,000)	(2,000)
Total other financing uses	-	-	(2,000)	(2,000)
Net change in fund balance Non-GAAP Basis			-	
Difference between Non-GAAP and GAAP:				
Adjust accrued revenue		-		
Adjust accrued expenditures		-	-	
Net change in fund balance GAAP basis			-	
Fund balance - beginning			-	
Fund balance - ending			\$ -	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR SPECIAL REVENUE FUND - RECREATION FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amount</u>		<u>Actual Non- GAAP Basis</u>	<u>Variance Positive (Negative) Final Budget to Actual</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental income	\$ -	\$ -	\$ 189	\$ 189
Miscellaneous	150	150	-	(150)
Total revenues	150	150	189	39
EXPENDITURES:				
Current:				
Culture and recreation	250	250	279	(29)
Total expenditures	250	250	279	(29)
Deficiency of revenues under expenditures	(100)	(100)	(90)	68
Net change in fund balance Non-GAAP Basis			(90)	
Difference between Non-GAAP and GAAP:				
Adjust accrued revenue		2		
Adjust accrued expenditures		-	2	
Net change in fund balance GAAP basis			(88)	
Fund balance - beginning			48	
Fund balance - ending			\$ (40)	

See independent auditors' report and accompanying notes to financial statements.

PROPRIETARY FUND BUDGET

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL ON BUDGETARY BASIS
PROPRIETARY FUND - WATER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amount		Actual Non- GAAP Basis	Variance Positive (Negative) Final Budget to Actual
	Original	Final		
REVENUES:				
Charges for services	41,600	41,600	28,936	(12,664)
Investment income	-	-	2,860	2,860
Total revenues	41,600	41,600	31,796	(9,804)
EXPENDITURES:				
Current:				
General government	106,979	106,979	63,997	42,982
Personnel services	-	-	44,279	(44,279)
Depreciation	-	-	22,164	(22,164)
Total expenditures	106,979	106,979	130,440	(23,461)
Excess (deficiency) of revenues over expenditures	(65,379)	(65,379)	(98,644)	13,657
OTHER FINANCING SOURCES				
Transfers in	-	-	34,252	34,252
Total other financing sources	-	-	34,252	34,252
Net change in net assets Non-GAAP Basis			(64,392)	
Difference between Non-GAAP and GAAP:				
Adjust accrued revenue		6,824		
Adjust accrued expenditures		(35)	6,789	
Net change in net assets GAAP basis			(57,603)	
Net assets - beginning			479,571	
Net assets - ending			\$ 421,968	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 VILLAGE OF DES MOINES

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS -
 BUDGET AND ACTUAL ON BUDGETARY BASIS
 PROPRIETARY FUND - SOLID WASTE FUND
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amount		Actual Non- GAAP Basis	Variance Positive (Negative) Final Budget to Actual
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 16	\$ 16
Total revenues	-	-	16	16
EXPENDITURES:				
Current:				
General government	-	-	10,005	(10,005)
Personnel services	-	-	3,213	(3,213)
Total expenditures	-	-	13,218	(13,218)
Excess (deficiency) of revenues over expenditures	-	-	(13,202)	13,234
OTHER FINANCING SOURCES				
Transfers in	-	-	11,391	11,391
Total other financing sources	-	-	11,391	11,391
Net change in net assets Non-GAAP Basis			(1,811)	
Difference between Non-GAAP and GAAP:				
Adjust accrued revenue		1,049		
Adjust accrued expenditures		(1,124)	(75)	
Net change in net assets GAAP basis			(1,886)	
Net assets - beginning			10,474	
Net assets - ending			\$ 8,588	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

SCHEDULE OF DEPOSITORIES
JUNE 30, 2008

	Type	Amount Per Bank	Plus DIT	Outstanding Checks	Balance Per Books
Farmers and Stockmen's Bank					
General Fund	CK	\$ 163,915	\$ -	\$ 6,462	\$ 157,453
Fire Fund	CK	153,310	-	1,475	151,835
Senior Citizens Fund	CK	5,292	-	5,329	(37)
Ambulance Fund	CK	19,378	-	604	18,774
Street Fund	CK	9,575	-	-	9,575
Recreation Fund	CK	208	-	250	(42)
Solid Waste Fund	CK	602	-	52	550
Water Fund	CK	87,837	-	7,713	80,124
Fire Fund Savings	SV	10,897	-	-	10,897
Water Meter	CK	5,817	-	75	5,742
Water Meter	SV	-	-	-	-
Certificate of Deposit	CD	17,699	-	-	17,699
Certificate of Deposit	CD	65,029	-	-	65,029
Total		<u>\$ 539,559</u>	<u>\$ -</u>	<u>\$ 21,960</u>	<u>\$ 517,599</u>

Type:

CK= Checking

SV= Savings

CD= Certificate of Deposit

	Farmers & Stockmen's Bank
Amount held in bank June 30, 2008	\$ 539,559
Less FDIC Insurance	110,897
Uninsured Public Funds	428,662
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	214,331
Pledged Securities	232,599
Over (Under) Collateralized	<u>\$ 18,268</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
AS OF JUNE 30, 2008

<u>Description of Pledged Collateral</u>	<u>Amount</u>	<u>Name and Location of Safekeeper</u>
FHLB GRT, CUSIP#3133XDTA9, Maturing 12/10/10	<u>\$ 232,599</u>	Federal Home Loan Bank of Dallas

See independent auditors' report and accompanying notes to financial statements.

COMPLIANCE SECTION

**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**

Hector H. Balderas, State Auditor
and the Mayor and Village Council of the
Village of Des Moines

We engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Village of Des Moines as of and for the year ended June 30, 2008, and have issued our report thereon dated October 22, 2010 in which we disclaim an opinion on the financial statements, resulting from pervasive limitations in the scope of my audit such that we were unable to apply sufficient auditing procedures. The limitation in the scope of our audit preclude the conduct of our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (07-01, 07-02, 06-02, 06-03, 06-04, 05-02, 05-03 and 05-05)

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. (06-05, 06-06, 05-04 and 05-06)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Des Moines' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 and responses as items 07-02 and 05-08.

We also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as item 07-03.

The Village of Des Moines' management elected not to respond to the findings identified in the accompanying schedule of findings and responses. We did not audit Village of Des Moines' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Village of Des Moines' Council, others within the entity, Department of Finance Administration, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



El Paso, Texas
October 22, 2010

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008

PRIOR YEAR FINDINGS

05-02	Segregation of Duties	Repeated
05-03	Capital Assets	Repeated
05-04	Policies	Repeated
05-05	Ambulance Receivables	Repeated
05-06	Budgetary Control	Repeated
05-08	Late Filed Audit Report	Repeated
06-01	Fund Accounting	Resolved
06-02	Senior Citizens Grant Receivables and Cash Management	Repeated
06-03	Capital Assets Accounting	Repeated
06-04	Proprietary Fund Receivables	Repeated
06-05	Utility Meter Deposits	Repeated
06-06	Budgetary Control	Repeated
07-01	Accounts Payable	Repeated
07-02	Appropriations	Repeated
07-03	Payroll Documents	Repeated

VILLAGE OF DES MOINES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008

Accounts Payable (07-01)

CONDITION	In our accounts payable testwork we selected 28 checks to trace to supporting documentation, such as invoices. The Village could not provide 9 of 28 supporting documents.
CRITERIA	Governmental Accounting Standards Board (GASB) Statement No. 33 requires that a payable is normally recognized as soon as all eligibility requirements for the expense have been met.
CAUSE	The Clerk should be aware of the requirement to accrue expenditures by the program when all eligibility requirements were met.
EFFECT	The financial statements could be misstated by the amount of the unlocated documents. The financial statements received a disclaimer of opinion from the independent auditor.
RECOMMENDATION	We recommend that the Village maintain source documents for all transactions.
RESPONSE	At the time of the audit, the Village was under different management. Current management is in the process of implementing procedures to correct this finding.

Appropriations (07-02)

CONDITION	During our audit, we requested the total expenditures for each appropriation of the Village and management was unable to obtain documentation to support the total expenditures. In addition, the Village does not keep track of expenditures by appropriation.
CRITERIA	The New Mexico State Auditor requires municipalities to keep track of budgeted revenues and expenditures of appropriations. (State Audit Rule 2.2.2.10)
CAUSE	Prior management did not record and organize the appropriations as required.
EFFECT	We are unable to identify if expenditures and over/under budget and we are also unable to determine the amount spent during 2008 in each appropriation.
RECOMMENDATION	We recommend that accounting personnel receive training in appropriations.
RESPONSE	At the time of the audit, the Village was under different management. Current management is in the process of implementing procedures to correct this finding.

Payroll Documents (07-03)

CONDITION	During our payroll testwork we selected 16 employee files to ensure the Village's Personnel Policies and Procedures had been followed and proper employee documentation had been filed. The Village could not locate 6 of 19 forms I-9, 4 of 16 forms W-2 were not updated, and no evaluation documents were located in the files.
CRITERIA	According to the Village's Personnel Policies and Procedures, all employees should complete the forms I-9 and W-2 which should be update regularly. In addition, the Village should perform evaluations to all employees periodically.
CAUSE	Forms I-9 and W-2 were not documented or properly filed and periodic evaluations of employees were not performed in 2008.
EFFECT	The Village could not locate the forms I-9 and W-2 for certain employees as well as proof of evaluations performed.
RECOMMENDATION	We recommend that the Village requests forms I-9 and W-2 from newly hired employees and update employee records for current employees. We also recommend that evaluations of employees are performed periodically.
RESPONSE	At the time of the audit, the Village was under different management. Current management is in the process of implementing procedures to correct this finding.

Grant Receivable (06-02)

CONDITION	Grant receivables were not recorded at June 30, 2008, to reflect the grant funds earned but not received. We were unable to determine the amount of the grant proceeds receivable.
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.
CAUSE	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.
RECOMMENDATION	We recommend that accounting personnel receive training in grant accounting processes.
RESPONSE	At the time of the audit, the Village was under different management. Current management is in the process of implementing procedures to correct this finding.

Capital Asset Accounts (06-03)

CONDITION	Capital assets were reported as audit Finding 05-03 in the prior year and are repeated in the current year as follows: <ol style="list-style-type: none">1. A inventory of capital assets was not conducted for the fiscal year ended June 30, 2008;2. The Village maintains a listing of capital assets; however, the listing is not complete;3. A difference of \$20,765 between the capital assets additions and capital outlay accounts existed;4. The Village has not adopted the \$5,000 policy for capitalization of capital assets;5. The Village does not maintain its own depreciation schedule for capital assets.
CRITERIA	An annual inventory of capital assets is required by Section 12-6-10, NMSA, 1978 of assets costing more than \$5,000. GASS 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 and the Village are at risk of misappropriation of its assets as it does not have control over the assets.
RECOMMENDATION	We recommend accounting personnel receive training in the requirements for accounting for capital assets. Additionally, we 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.
RESPONSE	At the time of the audit, the Village was under different management. Current management is in the process of implementing procedures to correct this finding.

Proprietary Fund Receivables (06-04)

CONDITION	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 inquiries 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.
RECOMMENDATION	We 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.
RESPONSE	At the time of the audit, the Village was under different management. Current management is in the process of implementing procedures to correct this finding.

Utility Meter Deposits (06-05)

CONDITION	It was noted that utility meter deposits of were credited to a revenue accounts and meter refunds were debited to an expense account. Restricted cash accounts of meter deposits were not recorded in 2008.
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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 nonpayment 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	We 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.
RESPONSE	At the time of the audit, the Village was under different management. Current management is in the process of implementing procedures to correct this finding.

Budgetary Control (06-06)

CONDITION	<p>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:</p> <ol style="list-style-type: none"> 1. The final adjusted budget does not agree with the budgetary control set up in QuickBooks for that purpose and a reconciliation of budget resolutions to the final adjusted budget was not prepared. 3. The QuickBooks accounting system is not integrated with the quarterly reporting requirements of Department of Finance and Administration, resulting in different expenditures amounts reported in the DFA report and the books. 4. Budgeted expenditures reported on the fourth quarter DFA budget report do not agree with the original budget. 5. The EMS Fund overspent its budget by \$1,781. The Ambulance Fund overspent its budget by \$2,299. Recreation Fund overspent its budget by \$29. Street Fund overspent its budget by \$192. Water Fund overspent its budget by \$23,461. The Solid Waste Fund did not have a separate budget causing it to overspend its budget by \$13,218.
CRITERIA	<p>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.</p>

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.
RECOMMENDATION	We 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.
RESPONSE	At the time of the audit, the Village was under different management. Current management is in the process of implementing procedures to correct this finding.

Segregation of Duties (05-02)

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 2008, the part-time position of assistant clerk was filled for only a part of the year.
EFFECT	The Village is at risk for both the possible misstatement of the financial statements and misappropriation of assets.
RECOMMENDATION	We 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. We further recommend that management structure operating procedures such that no one person has complete responsibility for any transaction.
RESPONSE	At the time of the audit, the Village was under different management. Current management is in the process of implementing procedures to correct this finding.

Capital Assets (05-03)

CONDITION	<p>It was noted the following deficiencies in the accounting for capital assets:</p> <ol style="list-style-type: none"> 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.
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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.
EFFECT	The Village is at risk for loss of capital assets and for misstatement of capital assets as reflected in the financial statements.
RECOMMENDATION	We recommend that an annual inventory be conducted of all Village assets and reconciled to the fixed asset listing. We 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, We recommend the Village obtain software to compute the depreciation of capital assets.
RESPONSE	At the time of the audit, the Village was under different management. Current management is in the process of implementing procedures to correct this finding.

Policies (05-04)

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	We 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 policies that have proven effective for other governments of similar size.

RESPONSE At the time of the audit, the Village was under different management. Current management is in the process of implementing procedures to correct this finding.

Ambulance Receivable (05-05)

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, 2008, 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.

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 We 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.

RESPONSE At the time of the audit, the Village was under different management. Current management is in the process of implementing procedures to correct this finding.

Budgetary Control (05-06)

CONDITION We 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.

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	We 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.
RESPONSE	At the time of the audit, the Village was under different management. Current management is in the process of implementing procedures to correct this finding.

Late File Audit Report (05-08)

CONDITION	Timely completion of the audit report was reported as Finding 05-08 and 06-07 in the prior year's audit report. In the current year it is listed as 05-08 only and is repeated in the current year as follows: The Village was unable to timely file its fiscal year 2008 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	We recommend the Village to commit adequate resources to ensure its recordkeeping function is able to maintain timely and adequate records.
RESPONSE	At the time of the audit, the Village was under different management. Current management is in the process of implementing procedures to correct this finding.

**STATE OF NEW MEXICO
VILLAGE OF DES MOINES**

**FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2008**

The financial statements of the Village of Des Moines as of, and for the year ended, June 30, 2008 were prepared by White + Samaniego + Campbell, LLP, with the aid of responsible Village personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2008

An exit conference was conducted October 19, 2010 in a closed meeting of the Village of Des Moines pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Village of Des Moines

Sandra Fernandez
Stephanie King

Village Councilor
Clerk - Treasurer

White + Samaniego + Campbell, LLP

Brad Watts
Cynthia Morales

Partner
In-Charge Auditor