

Independent Auditor's Report

Director

2011

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

**Basic Financial Statements and
Supplementary Information
for the Year Ended June 30, 2011
and Independent Auditors' Report**

Director

2011

Director

2011

2011

**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, 2011

Village Council

<u>NAME</u>	<u>TITLE</u>
Lee Dixon	Mayor
Annie Kennedy	Mayor Pro-Term
Sandra Fernandez	Village Councilor
Scott Warner	Village Councilor
Raymond Sisneros	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 have audited 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, as of and for the year ended June 30, 2011, which collectively comprise the Village of Des Moines' basic financial statements as listed in the table of contents. We also have audited 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, 2011, as listed in the table of contents. These financial statements are the responsibility of the Village of Des Moines' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of Des Moines, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental funds of the Village of Des Moines as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011 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 management's discussion and analysis on pages 4 to 10 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements. 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

White + Samaniego + Campbell, LLP

El Paso, Texas
November 29, 2011

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

This section of Village of Des Moines' annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended June 30, 2011. Please read it in conjunction with the Village's financial statements, which follow this section.

Financial Highlights

- The assets of the Village of Des Moines exceeded its liabilities at the close of the most recent fiscal year end by June 30, 2011 (net assets). Of this amount, \$316,126 (unrestricted net assets) may be used to meet the government's ongoing, obligations to citizens and creditors.
- The government's total net assets decreased by \$261,220 during the fiscal year. The majority of this is due to a decrease in grant revenue when compared to the year ended June 30, 2010.
- As of June 30, 2011, the Village's governmental funds reported combined ending fund balances of \$297,886.
- At the close of the current fiscal year, unassigned fund balance of the general fund was \$141,490.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the Village's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Des Moines' finances, in a manner similar to a private-sector business.

The *statements of net assets* presents information on all of the Village of Des Moines' assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village of Des Moines is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village of Des Moines that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Des Moines include general government, public safety, public works and culture and recreation. The business-type activities of the Village include water and solid waste services.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Des Moines, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Des Moines can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Village's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains seven individual governmental funds organized according to their type (special revenue). Information is presented separately in governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, Senior Citizens Fund, Ambulance Fund and Street Fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village of Des Moines adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the General Fund, Fire Fund, Senior Citizens Fund, Ambulance Fund and Street Fund to demonstrate compliance with this budget. In addition, the individual financial statements of the non-major governmental fund types include budgetary comparison data.

Proprietary Funds

Proprietary funds are generally used to account for services for which the Village charges customers -either outside customers or internal units or departments of the Village. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The Village maintains two proprietary funds, the Water Fund and the Solid Waste Fund. The proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 29 of this report.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$2,173,208 at the close of the current fiscal year.

The largest portion of the Village of Des Moines' net assets represent the Village's investment of \$1,857,082 in capital assets (e.g., land, buildings and improvements, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Village's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$316,126 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all categories of net assets, for the government as a whole as well as for the business-type activities.

Analysis of Changes in Net Assets

During the current fiscal year, the Village's net assets in governmental and business-type activities decreased by \$261,220. These decreases are explained in the governmental activities discussion.

Governmental Activities

Governmental activities decreased the Village's net assets by \$239,766. Grant revenue decreased \$246,711 over grant revenue in the prior year. Property taxes, gross receipts taxes and other taxes contributed \$77,512 for covering the \$493,443 program expense associated with governmental activities during FY2011.

Governmental revenues, consisting mostly of taxes, are not directly associated with any government function. The total revenues decreased \$261,906.

Total revenues from governmental activities are summarized below. For fiscal year 2011-2010, Local and State taxes made up 31% of the total general government revenues compared to 15% of the revenues in the prior year.

Business-Type Activities

Business-type activities decreased the Village's net assets by \$21,454 after transfers of \$7,865 out to the general fund, compared to the prior year's decrease of \$409 after transfers of \$28,949 from the general fund. The key element of this decrease compared to the prior year change was a decrease in grant revenue received during fiscal year 2011.

SUMMARY OF NET ASSETS

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2011	2010	2011	2010	2011	2010	11-10
ASSETS							
Current and other assets	\$ 298,476	\$ 454,154	\$ 24,768	\$ 27,735	\$ 323,244	\$ 481,889	(0.33)%
Non current assets	-	-	7,077	6,852	7,077	6,852	0.03 %
Capital assets, net of A/D	1,543,421	1,659,266	313,661	333,710	1,857,082	1,992,976	(0.07)%
Total assets	\$1,841,897	\$2,113,420	\$ 345,506	\$ 368,297	\$2,187,403	\$2,481,717	(0.12)%
LIABILITIES							
Current liabilities	\$ 8,680	\$ 40,437	\$ 5,515	\$ 6,852	\$ 14,195	\$ 47,289	(0.70)%
Total liabilities	8,680	40,437	5,515	6,852	14,195	47,289	(0.70)%
NET ASSETS							
Invested in capital assets, net of related debt	1,543,421	1,659,266	313,661	333,710	1,857,082	1,992,976	(0.07)%
Unrestricted	289,796	413,717	26,330	27,735	316,126	441,452	(0.28)%
Total net assets	1,833,217	2,072,983	339,991	361,445	2,173,208	2,434,428	(0.11)%
Total liabilities and net assets	\$1,841,897	\$2,113,420	\$ 345,506	\$ 368,297	\$2,187,403	\$2,481,717	(0.12)%

SUMMARY OF CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2011	2010	2011	2010	2011	2010	11-10
REVENUES							
Program revenue:							
Charges for services	\$ 1,159	\$ 3,744	\$ 50,834	\$ 50,112	\$ 51,993	\$ 53,856	(0.03)%
Operating grant and contributions	159,619	406,330	-	-	159,619	406,330	(0.61)%
General revenues:							
Taxes	77,512	74,989	57,410	15,295	134,922	90,284	0.49 %
Other income	7,522	22,655	3,879	18,139	11,401	40,794	(0.72)%
Total revenues	245,812	507,718	112,123	83,546	357,935	591,264	(0.39)%
EXPENSES							
General government	84,141	85,378	-	-	84,141	85,378	(0.01)
Public safety	234,957	186,327	-	-	234,957	186,327	0.26 %
Public works	100,761	25,695	-	-	100,761	25,695	2.92 %
Cultural and recreation	73,584	136,756	-	-	73,584	136,756	(0.46)%
Proprietary expenses	-	-	125,712	112,904	125,712	112,904	0.11 %
Total expenses	493,443	434,156	125,712	112,904	619,155	547,060	0.13 %
Changes in net assets before transfers	(247,631)	73,562	(13,589)	(29,358)	(261,220)	44,204	(6.91)%
Transfers	7,865	(28,949)	(7,865)	28,949	-	-	- %
Changes in net assets	(239,766)	44,613	(21,454)	(409)	(261,220)	44,204	(6.91)%
Net assets - beginning	2,072,983	2,028,370	361,445	361,854	2,434,428	2,390,224	0.02 %
Net assets - ending	\$ 1,833,217	\$ 2,072,983	\$ 339,991	\$ 361,445	\$ 2,173,208	\$ 2,434,428	(0.11)%

Financial Analysis of the Village of Des Moines as a Whole

As noted earlier, the Village of Des Moines uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the Village of Des Moines' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *expendable* resources. Such information is useful in assessing the Village of Des Moines' financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Village include the General Fund and Special Revenue Funds.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$297,886, a decrease of \$119,195 in comparison with the prior year. The decrease is primarily due to the decrease in grants received.

Revenues for governmental functions overall totaled approximately \$245,812 in the fiscal year-ended June 30, 2011, which represents a decrease of \$261,906 from the fiscal year-ended June 30, 2010. Expenditures for governmental functions totaled \$372,872. This was an increase of approximately \$59,287 from the fiscal year-ended June 30, 2010. In the fiscal year-ended June 30, 2011, expenditures for governmental functions exceeded revenues by approximately \$127,060.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$141,490.

The fund balance of the Village's General Fund decreased \$130,741 during the current fiscal year.

Proprietary Funds

The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets for the Proprietary Funds were \$26,330. The total decrease in net assets for the proprietary funds was \$21,454.

Budgetary Highlights

Village budgets reflect the same pattern as seen in the revenue and expenditures of the Village. The State of New Mexico budget process is defined under State law and regulation. To enhance the process of developing a budget at the Village level, the Village of Des Moines utilizes goals and objectives defined by the Village Council Members, community input meetings, long-term plans and input from various staff groups to develop the Village budget. The Village priorities are well defined through out this process.

GASB Statement No. 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

General Fund Budgetary Highlights

The General Fund accounts for all of the general services provided by the Village of Des Moines. The Village has not modified the budget throughout the fiscal year. If modifications were needed, this is done with resolutions to the budget.

Capital Asset and Debt Administration

Capital Assets

The Village of Des Moines' capital assets for its governmental and business-type activities as of June 30, 2011 amount to \$1,857,082 (net of accumulated depreciation). Capital assets include land, buildings and improvements, equipment, and infrastructure. The total increase in the Village's capital assets (excluding accumulated depreciation) for the current fiscal year was \$40,567 for governmental activities and consisted of equipment.

The following is a schedule showing the Net Value of the Capital Assets and the application of the principal balances of the notes as of the fiscal year end:

**Capital Assets, Net of Depreciation
June 30, 2011**

	Governmental Activities		Business - Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 431	\$ 431	\$ 10,427	\$ 10,427	\$ 10,858	\$ 10,858
Building & Infrastructure	893,906	940,831	302,281	321,185	1,196,187	1,262,016
Equipment	<u>649,084</u>	<u>718,004</u>	<u>953</u>	<u>2,098</u>	<u>650,037</u>	<u>720,102</u>
Capital Assets, Net of A/D	<u>\$ 1,543,421</u>	<u>\$ 1,659,266</u>	<u>\$ 313,661</u>	<u>\$ 333,710</u>	<u>\$ 1,857,082</u>	<u>\$ 1,992,976</u>

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 5 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

The Statement of Net Assets shows the Investment in Capital Assets in the amount of \$1,857,082. This investment includes the land, buildings and improvements, infrastructure, and equipment.

Contacting the Village of Des Moines' Financial Management

This financial report is designed to provide a general overview of the Village of Des Moines' finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village of Des Moines PO Box 127, Village of Des Moines, NM 88418.

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GOVERNMENT - WIDE FINANCIAL STATEMENTS

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STATE OF NEW MEXICO
VILLAGE OF DES MOINES

STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 226,553	\$ 5,999	\$ 232,552
Taxes receivable	5,086	3,845	8,931
Accounts receivable	-	14,924	14,924
Investments	66,837	-	66,837
	<u>298,476</u>	<u>24,768</u>	<u>323,244</u>
NON-CURRENT ASSETS:			
Capital assets, net of accumulated depreciation	1,543,421	313,661	1,857,082
Restricted cash and cash equivalents	-	7,077	7,077
	<u>1,543,421</u>	<u>320,738</u>	<u>1,864,159</u>
Total assets	<u>\$ 1,841,897</u>	<u>\$ 345,506</u>	<u>\$ 2,187,403</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	\$ 590	\$ -	\$ 590
Compensated absences	8,090	-	8,090
Customer meter deposits	-	5,515	5,515
	<u>8,680</u>	<u>5,515</u>	<u>14,195</u>
NET ASSETS:			
Invested in capital assets	1,543,421	313,661	1,857,082
Unrestricted	289,796	26,330	316,126
Total net assets	<u>\$ 1,833,217</u>	<u>\$ 339,991</u>	<u>\$ 2,173,208</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, 2011**

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Program Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 84,141	\$ -	\$ 110,112	\$ -	\$ 25,971	\$ -	\$ 25,971
Public safety	234,957	1,159	27,001	-	(206,797)	-	(206,797)
Public works	100,761	-	22,506	-	(78,255)	-	(78,255)
Culture and recreation	73,584	-	-	-	(73,584)	-	(73,584)
Total governmental activities	493,443	1,159	159,619	-	(332,665)	-	(332,665)
Business-type activities:							
Water	116,274	47,832	-	-	-	(68,442)	(68,442)
Solid waste	9,438	3,002	-	-	-	(6,436)	(6,436)
Total business-type activities	125,712	50,834	-	-	-	(74,878)	(74,878)
Total primary government	\$ 619,155	\$ 51,993	\$ 159,619	\$ -	(332,665)	(74,878)	(407,543)
General Revenues:							
Taxes:							
Property taxes					7,892	-	7,892
Gross receipts taxes					60,146	57,410	117,556
Motor vehicle and fuel taxes					1,841	-	1,841
Gasoline taxes					7,544	-	7,544
Cigarette taxes					76	-	76
Recreation taxes					13	-	13
License and fees					175	-	175
Interest income					-	10	10
Miscellaneous					7,347	3,869	11,216
Total general revenues					85,034	61,289	146,323
Transfers between governmental and business-type					7,865	(7,865)	-
Change in net assets					(239,766)	(21,454)	(261,220)
Net assets, beginning of year					2,072,983	361,445	2,434,428
Net assets, end of year					\$ 1,833,217	\$ 339,991	\$ 2,173,208

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, 2011

	General Fund	Fire Fund	Senior Citizens Fund	Ambulance Fund	Street Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 65,430	\$ 102,607	\$ 15,780	\$ 18,275	\$ 24,433	\$ 28	\$ 226,553
Taxes receivable	4,223	-	-	-	863	-	5,086
Due from other funds	5,000	-	-	-	-	-	5,000
Investments	66,837	-	-	-	-	-	66,837
Total assets	<u>\$ 141,490</u>	<u>\$ 102,607</u>	<u>\$ 15,780</u>	<u>\$ 18,275</u>	<u>\$ 25,296</u>	<u>\$ 28</u>	<u>\$ 303,476</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES:							
Current liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ 590	\$ -	\$ -	\$ 590
Due to other funds	-	-	-	5,000	-	-	5,000
Total liabilities	-	-	-	5,590	-	-	5,590
FUND BALANCES:							
Restricted, reported in:							
Special revenue funds	-	102,607	15,780	12,685	25,296	28	156,396
Unassigned, reported in:							
General fund	141,490	-	-	-	-	-	141,490
Total fund balances	<u>141,490</u>	<u>102,607</u>	<u>15,780</u>	<u>12,685</u>	<u>25,296</u>	<u>28</u>	<u>297,886</u>
Total liabilities and fund balances	<u>\$ 141,490</u>	<u>\$ 102,607</u>	<u>\$ 15,780</u>	<u>\$ 18,275</u>	<u>\$ 25,296</u>	<u>\$ 28</u>	<u>\$ 303,476</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, 2011

Total fund balances - governmental funds \$ 297,886

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	2,927,629	
Accumulated depreciation	<u>(1,384,208)</u>	1,543,421

Other long-term liabilities and certain other liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of:

Compensated absences	<u>(8,090)</u>	<u>(8,090)</u>
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Total net assets - governmental activities \$ 1,833,217

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, 2011**

	General Fund	Fire Fund	Senior Citizens Fund	Ambulance Fund	Street Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES							
Faxes	\$ 64,557	\$ -	\$ -	\$ -	\$ 12,942	\$ 13	\$ 77,512
Intergovernmental income	60,002	856	50,110	17,499	22,507	8,645	159,619
Charges for services	-	-	-	1,159	-	-	1,159
Licenses and fees	175	-	-	-	-	-	175
Miscellaneous	2,293	-	3,703	-	1,343	-	7,347
Total revenues	<u>127,027</u>	<u>856</u>	<u>53,813</u>	<u>18,658</u>	<u>36,792</u>	<u>8,666</u>	<u>245,812</u>
EXPENDITURES							
Current							
General government	44,419	-	-	-	-	-	44,419
Public safety	121,715	42,213	-	19,372	-	17,298	200,598
Public works	-	-	-	-	36,092	-	36,092
Culture and recreation	-	-	50,975	-	-	221	51,196
Capital outlay	-	11,250	-	-	29,317	-	40,567
Total expenditures	<u>166,134</u>	<u>53,463</u>	<u>50,975</u>	<u>19,372</u>	<u>65,409</u>	<u>17,519</u>	<u>372,872</u>
Excess (deficiency) of revenues over expenditures	<u>(39,107)</u>	<u>(52,607)</u>	<u>2,838</u>	<u>(714)</u>	<u>(28,617)</u>	<u>(8,853)</u>	<u>(127,060)</u>
OTHER FINANCING SOURCES (USES):							
Transfer in	89,516	71,666	-	-	26,862	8,645	196,689
Transfer out	(181,150)	-	-	(5,000)	(2,655)	(19)	(188,824)
Total other sources (uses)	<u>(91,634)</u>	<u>71,666</u>	<u>-</u>	<u>(5,000)</u>	<u>24,207</u>	<u>8,626</u>	<u>7,865</u>
Net change in fund balance	<u>(130,741)</u>	<u>19,059</u>	<u>2,838</u>	<u>(5,714)</u>	<u>(4,410)</u>	<u>(227)</u>	<u>(119,195)</u>
Fund balance at beginning of year	<u>272,231</u>	<u>83,548</u>	<u>12,942</u>	<u>18,399</u>	<u>29,706</u>	<u>255</u>	<u>417,081</u>
Fund balance at end of year	<u>\$ 141,490</u>	<u>\$ 102,607</u>	<u>\$ 15,780</u>	<u>\$ 12,685</u>	<u>\$ 25,296</u>	<u>\$ 28</u>	<u>\$ 297,886</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, 2011

Net change in fund balances - total governmental funds \$ (119,195)

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	40,567	
Depreciation expense	<u>(156,412)</u>	(115,845)

In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid).

(4,726)

Change in net assets of governmental activities \$ (239,766)

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 (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 89,300	\$ 91,872	\$ 60,334	\$ (31,538)
Intergovernmental income	43,800	43,800	60,002	16,202
Licenses and fees	135	135	175	40
Miscellaneous revenue	-	-	2,293	2,293
Total revenues	133,235	135,807	122,804	(13,003)
EXPENDITURES:				
Current				
General government	110,000	110,000	44,419	65,581
Public safety	32,000	32,000	121,715	(89,715)
Total expenditures	142,000	142,000	166,134	(24,134)
Deficiency of revenues over expenditures	(8,765)	(6,193)	(43,330)	(37,137)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	89,516	89,516
Transfers out	(36,600)	(36,600)	(181,150)	(144,550)
Total other financing uses	(36,600)	(36,600)	(91,634)	(55,034)
Net changes in fund balance	(45,365)	(42,793)	(134,964)	(92,171)
Fund balance - beginning of the year	272,231	272,231	272,231	272,231
Fund balance - end of the year	\$ 226,866	\$ 229,438	\$ 137,267	\$ 180,060
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (134,964)	
Net revenue accruals			4,223	
Net change in fund balance GAAP basis			\$ (130,741)	

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 (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SPECIAL REVENUE FUND - FIRE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental income	\$ 55,500	\$ 55,500	\$ 856	\$ (54,644)
Total revenues	55,500	55,500	856	(54,644)
EXPENDITURES:				
Current				
Public safety	55,500	55,500	42,213	13,287
Capital outlay	-	-	11,250	(11,250)
Total expenditures	55,500	55,500	53,463	2,037
OTHER FINANCING SOURCES				
Transfers in	-	-	71,666	71,666
Total other financing sources	-	-	71,666	71,666
Net changes in fund balance	-	-	19,059	19,059
Fund balance - beginning of the year	83,548	83,548	83,548	83,548
Fund balance - end of the year	\$ 83,548	\$ 83,548	\$ 102,607	\$ 102,607
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 19,059	
Net change in fund balance GAAP basis			\$ 19,059	

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 (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SPECIAL REVENUE FUND - SENIOR CITIZENS FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental income	\$ 44,964	\$ 44,964	\$ 50,110	\$ 5,146
Miscellaneous revenue	<u>7,283</u>	<u>7,283</u>	<u>3,703</u>	<u>(3,580)</u>
Total revenues	<u>52,247</u>	<u>52,247</u>	<u>53,813</u>	<u>1,566</u>
EXPENDITURES:				
Current				
Culture and recreation	<u>52,247</u>	<u>52,247</u>	<u>50,975</u>	<u>1,272</u>
Total expenditures	<u>52,247</u>	<u>52,247</u>	<u>50,975</u>	<u>1,272</u>
Excess of revenues over expenditures	-	-	2,838	2,838
Net changes in fund balance	-	-	2,838	2,838
Fund balance - beginning of the year	<u>12,942</u>	<u>12,942</u>	<u>12,942</u>	<u>12,942</u>
Fund balance - end of the year	<u>\$ 12,942</u>	<u>\$ 12,942</u>	<u>\$ 15,780</u>	<u>\$ 15,780</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 2,838</u>	
Net change in fund balance GAAP basis			<u>\$ 2,838</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 (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SPECIAL REVENUE FUND - AMBULANCE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental income	\$ -	\$ -	\$ 17,499	\$ 17,499
Charges for services	5,055	5,055	1,159	(3,896)
Total revenues	5,055	5,055	18,658	13,603
EXPENDITURES:				
Current				
Public safety	-	-	18,782	(18,782)
Total expenditures	-	-	18,782	(18,782)
Excess (deficiency) of revenues over expenditures	5,055	5,055	(124)	(5,179)
OTHER FINANCING USES				
Transfers out	-	-	(5,000)	(5,000)
Total other financing uses	-	-	(5,000)	(5,000)
Net changes in fund balance	5,055	5,055	(5,124)	(10,179)
Fund balance - beginning of the year	18,399	18,399	18,399	18,399
Fund balance - end of the year	\$ 23,454	\$ 23,454	\$ 13,275	\$ 8,220
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (5,124)	
Net expenditure accruals			(590)	
Net change in fund balance GAAP basis			\$ (5,714)	

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 (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SPECIAL REVENUE FUND - STREET FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 8,000	\$ 8,000	\$ 12,079	\$ 4,079
Intergovernmental income	-	-	22,507	22,507
Miscellaneous revenue	-	-	1,343	1,343
Total revenues	8,000	8,000	35,929	27,929
EXPENDITURES:				
Current				
Public works	-	-	36,092	(36,092)
Capital outlay	-	-	29,317	(29,317)
Total expenditures	-	-	65,409	(65,409)
Excess (deficiency) of revenues over expenditures	8,000	8,000	(29,480)	(37,480)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,700	3,700	26,862	23,162
Transfers out	-	-	(2,655)	(2,655)
Total other financing sources	3,700	3,700	24,207	20,507
Net changes in fund balance	11,700	11,700	(5,273)	(16,973)
Fund balance - beginning of the year	29,706	29,706	29,706	29,706
Fund balance - end of the year	\$ 41,406	\$ 41,406	\$ 24,433	\$ 12,733
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (5,273)	
Net revenue accruals			863	
Net change in fund balance GAAP basis			\$ (4,410)	

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

2018
2019

PROPRIETARY FUNDS

2018
2019

2018

2018
2019

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

	<u>Water Utility</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 4,793	\$ 1,206	\$ 5,999
Accounts receivable	11,922	3,002	14,924
Taxes receivable	<u>3,664</u>	<u>181</u>	<u>3,845</u>
Total current assets	20,379	4,389	24,768
NON-CURRENT ASSETS:			
Capital assets, net of accumulated depreciation	305,661	8,000	313,661
Restricted cash and cash equivalents	<u>7,077</u>	<u>-</u>	<u>7,077</u>
Total non-current assets	<u>312,738</u>	<u>8,000</u>	<u>320,738</u>
Total assets	<u>\$ 333,117</u>	<u>\$ 12,389</u>	<u>\$ 345,506</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Customer meter deposits	<u>\$ 5,515</u>	<u>\$ -</u>	<u>\$ 5,515</u>
Total liabilities	5,515	-	5,515
NET ASSETS			
Invested in capital assets, net of related debt	305,661	8,000	313,661
Unrestricted	<u>21,941</u>	<u>4,389</u>	<u>26,330</u>
Total net assets	<u>327,602</u>	<u>12,389</u>	<u>339,991</u>
Total liabilities and net assets	<u>\$ 333,117</u>	<u>\$ 12,389</u>	<u>\$ 345,506</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, 2011

	<u>Water Utility</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
OPERATING REVENUE:			
Charges for services	\$ 47,832	\$ 3,002	\$ 50,834
Total operating revenue	47,832	3,002	50,834
OPERATING EXPENSES:			
General government	64,349	9,012	73,361
Personnel services	31,876	426	32,302
Depreciation	20,049	-	20,049
Total operating expenses	116,274	9,438	125,712
Operating loss	(68,442)	(6,436)	(74,878)
NON-OPERATING REVENUES:			
Taxes	54,711	2,699	57,410
Interest income	9	1	10
Other revenues	-	3,869	3,869
Total non-operating revenues	54,720	6,569	61,289
Loss before transfers	(13,722)	133	(13,589)
Transfers in	45,106	4,366	49,472
Transfers out	(54,089)	(3,248)	(57,337)
Total transfers	(8,983)	1,118	(7,865)
Change in net assets	(22,705)	1,251	(21,454)
Net assets, beginning of year	350,307	11,138	361,445
Net assets, end of year	\$ 327,602	\$ 12,389	\$ 339,991

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, 2011**

	<u>Water Utility</u>	<u>Solid Waste</u>	<u>Total Proprietary</u>
Cash flows from operating activities:			
Cash received from customers	\$ 48,542	\$ 2,484	\$ 51,026
Cash paid to suppliers and employees	(96,225)	(9,438)	(105,663)
Net cash used in operating activities	(47,683)	(6,954)	(54,637)
Cash flows from non-capital financing activities:			
Taxes	54,711	2,699	57,410
Other income	-	3,869	3,869
Transfers from other funds	(8,983)	1,118	(7,865)
Net cash provided by non-capital financing activities	45,728	7,686	53,414
Cash flows from investing activities:			
Interest on investments	9	1	10
Net cash provided by investing activities	9	1	10
Net increase (decrease) in cash and cash equivalents	(1,946)	733	(1,213)
Cash and cash equivalents - beginning	13,816	473	14,289
Cash and cash equivalents - ending	<u>\$ 11,870</u>	<u>\$ 1,206</u>	<u>\$ 13,076</u>
Cash and cash equivalents	\$ 4,793	\$ 1,206	\$ 5,999
Restricted cash	7,077	-	7,077
Total cash and cash equivalents	<u>\$ 11,870</u>	<u>\$ 1,206</u>	<u>\$ 13,076</u>

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (68,442)	\$ (6,436)	\$ (74,878)
Adjustments to operating loss to net cash used in operating activities:			
Depreciation	20,049	-	20,049
Changes in net assets and liabilities:			
Accounts receivable	2,047	(518)	1,529
Customer deposits	(1,337)	-	(1,337)
Net cash used in operating activities	<u>\$ (47,683)</u>	<u>\$ (6,954)</u>	<u>\$ (54,637)</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, 2011

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.

A. 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.

B. 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.

C. 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.

D. Assets, Liabilities and Net Assets

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

Net Assets - The government-wide and business-type activities fund financial statements utilize a net assets presentation. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, and then unrestricted resources as needed.

Investment in capital assets, net of related debt - This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

Unrestricted net assets - This category reflects net assets of the Village, not restricted for any project or other purpose.

Fund Balance - In the fund financial statements, governmental fund balances are classified as follows:

Nonspendable - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

Restricted - Fund balance should be reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.
- c. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

Unassigned - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Village's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

Inter-Fund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements are reported as transfers. All other inter-fund transfers are reported as operating transfers.

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.

Implementation of New Accounting Standards - In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010, and earlier application is encouraged. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Village incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, which is effective upon issuance for certain provisions of the statement and for periods beginning after June 15, 2011 for other provisions. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit plans. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 58 Accounting and Financial Reporting for Chapter 9 Bankruptcies, which is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The Village incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In June 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 59 Financial Instruments Omnibus, which is effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement provides for the following amendments: National Council on Governmental Accounting Statement 4, Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences, is updated to be consistent with the amendments to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, regarding certain financial guarantees. Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, are amended to remove the fair value

exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Statement 31, is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Statement No. 40, Deposit and Investment Risk Disclosures, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool. Statement 53 is amended to: – Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance – Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit – Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53 – Provide that one of the “leveraged yield” criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield. The Village incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements, which is effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 61 The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, which is effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. That Statement supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. Statement 62 is effective for financial statements for periods beginning after December 15, 2011, with early application encouraged. The objective of this statement is to provide non-conflicting pronouncements between

FASB and GASB. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the GASB issued Statement No. 63, Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which is effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53, which is effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets for the Village are prepared prior to June 1 and must be approved by the Council Members and the New Mexico Department of Finance and Administration. Once the budget has been formally approved, the Village Council Members and the Department of Finance and Administration must also approve any amendments. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Proprietary Funds.

The Village is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principals applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principals, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year-ended June 30, 2011 is presented.

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.

3. **CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank 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 of America or by collateral deposited as security or by bond given by the financial institution. The rate of interest 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.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or 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.

Cash Deposited with Financial Institutions

The Village maintains cash in one financial institution within Des Moines, New Mexico. The Village's deposits are carried at cost.

As of June 30, 2011, the amount of cash reported on the financial statements differs from the amount on deposit with the financial institution because of transactions in transit and outstanding checks. A summary of the reconciliation is as follows:

	<u>Amount Per Bank</u>	<u>Plus DIT</u>	<u>Outstanding Checks</u>	<u>Balance Per Books</u>
Farmers & Stockmen's Bank	<u>\$ 332,638</u>	<u>\$ 1,668</u>	<u>\$ 27,840</u>	<u>\$ 306,466</u>

Statement of Net Assets:

Cash	\$ 232,552
Restricted cash	7,077
Investments	<u>66,837</u>
Total	<u>\$ 306,466</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Village.

All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Village carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	Farmers & Stockmen's Bank
Amount held in bank June 30, 2011	\$ 332,638
Less FDIC Insurance	<u>250,000</u>
Uninsured Public Funds	82,638
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	41,319
Pledged Securities	<u>138,738</u>
Over (Under) Collateralized	<u>\$ 97,419</u>

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Demand, time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate.

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2011, none of the Village's bank balance of \$332,638 was exposed to custodial credit risk.

4. ACCOUNTS AND TAXES RECEIVABLES

Receivables as of June 30, 2011, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Taxes:		
Property taxes	\$ 438	\$ -
Cigarette taxes	38	-
Gasoline taxes	501	-
Gross receipts taxes	4,026	3,845
Motor vehicle taxes	83	-
Other receivables:		
Services	-	14,924
	<u>\$ 5,086</u>	<u>\$ 18,769</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.

5. CAPITAL ASSETS

Changes in Capital Assets - Capital asset activity for the Village's primary government for the year ended June 30, 2011, 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	1,303,998	29,317	-	1,333,315
Equipment	<u>1,162,129</u>	<u>11,250</u>	<u>-</u>	<u>1,173,379</u>
Total capital assets, being depreciated	<u>2,886,631</u>	<u>40,567</u>	<u>-</u>	<u>2,927,198</u>
Total capital assets	<u>2,887,062</u>	<u>40,567</u>	<u>-</u>	<u>2,927,629</u>
Less accumulated depreciation for:				
Buildings and improvements	119,768	10,087	-	129,855
Infrastructure	663,903	66,155	-	730,058
Equipment	<u>444,125</u>	<u>80,170</u>	<u>-</u>	<u>524,295</u>
Total accumulated depreciation	<u>1,227,796</u>	<u>156,412</u>	<u>-</u>	<u>1,384,208</u>
Total other capital assets, net	<u>\$ 1,659,266</u>	<u>\$ (115,845)</u>	<u>\$ -</u>	<u>\$ 1,543,421</u>

Depreciation expense was charged to governmental activities as follows:

General	\$ 34,996
Public Safety	34,359
Culture and Recreation	22,388
Public Works	<u>64,669</u>
Total depreciation expense	<u>\$ 156,412</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	8,000	-	-	8,000
Total capital assets not depreciated	10,427	-	-	10,427
Other Capital Assets				
Building - Water	20,000	-	-	20,000
Equipment	46,324	-	-	46,324
Infrastructure	705,186	-	-	705,186
Total capital assets at historical cost	771,510	-	-	771,510
Total capital assets	781,937	-	-	781,937
Less accumulated depreciation				
Buildings - Water	10,417	500	-	10,917
Equipment	44,226	1,145	-	45,371
Infrastructure	393,584	18,404	-	411,988
Total capital assets depreciated, net	448,227	20,049	-	468,276
Business-type capital assets, net	\$ 333,710	\$ (20,049)	\$ -	\$ 313,661

Depreciation expense for business-type activities for the year ended June 30, 2011 was \$20,049.

6. COMPENSATED ABSENCES

A summary of activity of compensated absences is as follows:

	<u>Balance 6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/11</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$ 3,364	\$ 6,748	\$ 2,022	\$ 8,090	\$ 8,090

7. 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.

8. 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, 2011, 2010 and 2009 were \$4,858, \$6,210, and \$4,164, respectively, which equal the amount of the required contributions for each fiscal year.

9. 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 post employment 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 post employment 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, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	1.834%	.917%
FY13	2.000%	1.000%

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' contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$1,757, \$337, and \$773, respectively, which equal the required contributions for each year.

10. 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 2011 amounted to \$42,810.

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.

11. INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2011 consisted the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 89,516	\$ 181,150
Fire Fund	71,666	-
Ambulance Fund	-	5,000
Street Fund	26,862	2,655
EMS Fund	8,645	-
Recreation Fund	-	19
Water Fund	45,106	54,089
Solid Waste Fund	4,366	3,248
	<u>\$ 246,161</u>	<u>\$ 246,161</u>

As of June 30, 2011, the Ambulance Fund shows an amount due to the General Fund of \$5,000.

12. EXCESS EXPENDITURES OVER APPROPRIATIONS

New Mexico State Statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. The Village exceeded its authorized budget by \$128,269 as follows:

<u>Fund</u>	<u>Budget Expenses</u>	<u>Actual Expenses</u>	<u>Difference</u>
General Fund	\$ 142,000	\$ 166,134	\$ 24,134
Ambulance Fund	-	18,782	18,782
Street Fund	-	65,409	65,409
EMS Fund	8,800	17,298	8,498
Recreation Fund	-	221	221
Water Fund	<u>85,000</u>	<u>96,225</u>	<u>11,225</u>
Totals	<u>\$ 235,800</u>	<u>\$ 364,069</u>	<u>\$ 128,269</u>

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SUPPLEMENTAL INFORMATION

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STATE OF TEXAS

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COMPTROLLER GENERAL

NON-MAJOR GOVERNMENTAL FUNDS

STATE OF TEXAS

COMPTROLLER GENERAL

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COMPTROLLER GENERAL

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COMPTROLLER GENERAL

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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, 2011

	<u>EMS Fund</u>	<u>Recreation Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 9	\$ 19	\$ 28
Total assets	<u>\$ 9</u>	<u>\$ 19</u>	<u>\$ 28</u>
LIABILITIES AND FUND BALANCE			
Fund balance:			
Restricted, reported in:			
Special revenue funds	<u>9</u>	<u>19</u>	<u>28</u>
Total fund balance	<u>9</u>	<u>19</u>	<u>28</u>
Total liabilities and fund balance	<u>\$ 9</u>	<u>\$ 19</u>	<u>\$ 28</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, 2011

	EMS Funds	Recreation Fund	Total
REVENUES			
Taxes	\$ -	\$ 13	\$ 13
Intergovernmental income	8,645	-	8,645
Miscellaneous income	8	-	8
Total revenues	8,653	13	8,666
EXPENDITURES			
Current:			
Public safety	17,298	-	17,298
Culture and recreation	-	221	221
Total expenditures	17,298	221	17,519
Deficiency of revenues under expenditures	(8,645)	(208)	(8,853)
OTHER FINANCING SOURCES			
Operating transfers in	8,645	-	8,645
Operating transfers out	-	(19)	(19)
Total other financing sources	8,645	(19)	8,626
Net change in fund balance	-	(227)	(227)
Fund balance, beginning of year	9	246	255
Fund balance, end of year	<u>\$ 9</u>	<u>\$ 19</u>	<u>\$ 28</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 BALANCES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUND - EMS FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental income	\$ 8,800	\$ 8,800	\$ 8,645	\$ (155)
Miscellaneous revenue	-	-	8	8
Total revenues	8,800	8,800	8,653	(147)
EXPENDITURES:				
Current				
Public safety	8,800	8,800	17,298	(8,498)
Total expenditures	8,800	8,800	17,298	(8,498)
Deficiency of revenues over expenditures	-	-	(8,645)	(8,645)
OTHER FINANCING SOURCES				
Transfers in	-	-	8,645	8,645
Total other financing sources	-	-	8,645	8,645
Fund balance - beginning of the year	9	9	9	9
Fund balance - end of the year	\$ 9	\$ 9	\$ 9	\$ 9
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net change in fund balance GAAP basis			\$ -	

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 (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 NON-MAJOR SPECIAL REVENUE FUND - RECREATION FUND
 FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ 13	\$ 13
Total revenues	-	-	13	13
EXPENDITURES:				
Current				
Culture and recreation	-	-	221	(221)
Total expenditures	-	-	221	(221)
Deficiency of revenues over expenditures	-	-	(208)	(208)
OTHER FINANCING SOURCES				
Transfers out	-	-	(19)	(19)
Total other financing sources	-	-	(19)	(19)
Net changes in fund balance	-	-	(227)	(227)
Fund balance - beginning of the year	246	246	246	246
Fund balance - end of the year	<u>\$ 246</u>	<u>\$ 246</u>	<u>\$ 19</u>	<u>\$ 19</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (227)</u>	
Net change in fund balance GAAP basis			<u>\$ (227)</u>	

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

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PROPRIETARY FUNDS

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STATE OF NEW MEXICO
VILLAGE OF DES MOINES

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
PROPRIETARY FUND - WATER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 45,000	\$ 45,000	\$ 35,910	\$ (9,090)
Taxes	-	-	51,047	51,047
Interest income	20	20	9	(11)
Total revenues	45,020	45,020	86,966	41,946
EXPENDITURES:				
Personnel services	-	-	31,876	(31,876)
General government	85,000	85,000	64,349	20,651
Total expenditures	85,000	85,000	96,225	(11,225)
Excess (deficiency) of revenues over expenditures	(39,980)	(39,980)	(9,259)	30,721
OTHER FINANCING SOURCES (USES)				
Transfers in	31,000	31,000	45,106	14,106
Transfers out	(12,500)	(12,500)	(54,089)	(41,589)
Total other financing sources (uses)	18,500	18,500	(8,983)	(27,483)
Net changes in fund balance	(21,480)	(21,480)	(18,242)	3,238
Fund balance - beginning of the year	350,307	350,307	350,307	350,307
Fund balance - end of the year	<u>\$ 328,827</u>	<u>\$ 328,827</u>	<u>\$ 332,065</u>	<u>\$ 353,545</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (18,242)	
Net revenue accruals			15,586	
Depreciation expense			(20,049)	
Net change in fund balance GAAP basis			<u>\$ (22,705)</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 NET ASSETS -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
PROPRIETARY FUND - SOLID WASTE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ -	\$ -	\$ 3,002	\$ 3,002
Taxes	-	-	2,518	2,518
Interest income	-	-	1	1
Miscellaneous income	-	-	867	867
Total revenues	-	-	6,388	6,388
EXPENDITURES:				
Personnel services	-	-	426	(426)
General government	13,500	13,500	9,012	4,488
Total expenditures	13,500	13,500	9,438	4,062
Excess (deficiency) of revenues over expenditures	(13,500)	(13,500)	(3,050)	10,450
OTHER FINANCING SOURCES				
Transfers in	14,400	14,400	4,366	(10,034)
Transfers out	-	-	(3,248)	(3,248)
Total other financing sources	14,400	14,400	1,118	(13,282)
Net changes in fund balance	900	900	(1,932)	(2,832)
Fund balance - beginning of the year	11,138	11,138	11,138	11,138
Fund balance - end of the year	\$ 12,038	\$ 12,038	\$ 9,206	\$ 8,306
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (1,932)	
Net revenue accruals			3,183	
Net change in fund balance GAAP basis			\$ 1,251	

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

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

SCHEDULE OF DEPOSITORIES
JUNE 30, 2011

	Type	Amount Per Bank	Plus DIT	Outstanding Checks	Balance Per Books
Farmers and Stockmen's Bank					
General Fund	CK	\$ 73,659	\$ 1,668	\$ 9,898	\$ 65,429
Fire Fund	CK	94,054	-	410	93,644
Senior Citizens Fund	CK	18,933	-	3,153	15,780
Ambulance Fund	CK	23,430	-	5,155	18,275
Street Fund	CK	24,949	-	516	24,433
Recreation Fund	CK	19	-	-	19
EMS Fund	CK	396	-	387	9
Solid Waste Fund	CK	1,906	-	700	1,206
Water Fund	CK	12,414	-	7,621	4,793
Fire Fund Savings	SV	8,964	-	-	8,964
Water Meter	CK	7,077	-	-	7,077
Certificate of Deposit	CD	66,837	-	-	66,837
Total		<u>\$ 332,638</u>	<u>\$ 1,668</u>	<u>\$ 27,840</u>	<u>\$ 306,466</u>

Type:

CK= Checking

SV= Savings

CD= Certificate of Deposit

	Farmers & Stockmen's Bank
Amount held in bank June 30, 2011	\$ 332,638
Less FDIC Insurance	<u>250,000</u>
Uninsured Public Funds	82,638
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	41,319
Pledged Securities	<u>138,738</u>
Over (Under) Collateralized	<u>\$ 97,419</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, 2011

<u>Description of Pledged Collateral</u>	<u>Amount</u>	<u>Name and Location of Safekeeper</u>
FHLB GRT. CUSIP#264430KB4, Maturing 9/1/2018	<u>\$ 138,738</u>	Federal Home Loan Bank of Dallas

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

COMPLIANCE SECTION



WHITE+
SAMANIEGO+
CAMPBELL, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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El Paso, Tx 79901
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fax. 915.532.8405
www.cpawsc.com

**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 have audited 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 comparison presented as supplemental information of the Village of Des Moines as of and for the year ended June 30, 2011, and have issued our report thereon dated November 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Des Moines's 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Des Moines's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting, 05-02 and 05-04. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Des Moines's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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.

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 finding 05-06.

The Village of Des Moines's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Village of Des Moines's 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.

White + Samaniego + Campbell, LLP

El Paso, Texas
November 29, 2011

STATE OF NEW MEXICO
VILLAGE OF DES MOINES

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011

PRIOR YEAR FINDINGS:

05-02	Segregation of Duties	Repeated
05-04	Policies	Repeated
05-06	Budgetary Control	Repeated
05-08	Late Filed Audit Report	Resolved

VILLAGE OF DES MOINES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011

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	There are no segregation of duties among the Village's personnel.
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	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.
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 policies be developed by the Village to address the major weaknesses in internal control and the major processes during the current year.
RESPONSE	Management is in the process of implementing procedures to correct this finding.

Budgetary Control (05-06)

CONDITION The actual expenditures incurred in several funds were greater than the budgeted expenditures. The Village did not submit a corrected budget.

<u>Fund</u>	<u>Budgeted Expenses</u>	<u>Actual Expenses</u>	<u>Difference</u>
General Fund	\$ 142,000	166,134	(24,134)
Ambulance Fund	-	18,782	(18,782)
Street Fund	-	65,409	(65,409)
EMS Fund	8,800	17,298	(8,498)
Recreation Fund	-	221	(221)
Water Fund	85,000	96,225	(11,225)

CRITERIA The local government is required to make corrections, revisions and amendments to the proposed budgets to meet the requirements of the law. (NMSA 1978 Section 6- 6-2-0).

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.

RESPONSE 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, 2011**

The financial statements of the Village of Des Moines as of, and for the year ended, June 30, 2011 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, 2011**

An exit conference was conducted September 14, 2011 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

Scott Warner
Stephanie King

Village Councilor
Village Clerk/Treasurer

White + Samaniego + Campbell, LLP

Cynthia Morales
Dahlia Garcia

In-Charge, Audit Department
Staff, Audit Department