

STATE OF NEW MEXICO

VILLAGE OF MOSQUERO

AUDIT REPORT

For the Year Ended June 30, 2007

(with Auditor's Report Thereon)

RICE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
AUDIT REPORT

For The Year Ended June 30, 2007
(with Auditor's Report Thereon)

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VILLAGE OF MOSQUERO
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STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
Official Roster
Year Ended June 30, 2007

Village Council

<u>Name</u>	<u>Title</u>
Mr. Pablo Trujillo	Mayor
Mr. Joseph Arquello	Mayor Pro-Tem
Ms. Christine Hayoz	Council Member
Mr. Ramon J. Trujillo	Council Member
Mr. Mateo Sandoval	Council Member

Village Administration

Ms. Shawn Jeffrey	Clerk-Treasurer
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Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

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11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas
New Mexico State Auditor

and

Honorable Mayor and Village Council
Village of Mosquero
Mosquero, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mosquero, as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's non-major governmental funds and enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007 as listed in the table of contents. These financial statements are the responsibility of the Village of Mosquero's 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village of Mosquero's internal control over financial reporting. According, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 Mosquero, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable,

thereof, and the respective budgetary comparisons for the General, Fire Protection and Law Enforcement 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 the enterprise funds of the Village of Mosquero, as of June 30, 2007, and the respective changes in financial position, thereof and the budgetary comparisons for the enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2009 on our consideration of the Village of Mosquero's internal control over financial reporting and 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.

A handwritten signature in dark ink, appearing to read "Rosa C. ...", is located at the end of the text.

April 9, 2009

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 VILLAGE OF MOSQUERO
 Statement of Net Assets
 June 30, 2007

Statement 1
 Page 1 of 2

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 89,892	\$ 2,975	\$ 92,867
Accounts receivable (net of uncollectible accounts)	<u>1,388</u>	<u>5,881</u>	<u>7,269</u>
Total current assets	<u>91,280</u>	<u>8,856</u>	<u>100,136</u>
Restricted Assets			
Debt service reserve (cash)	<u>-</u>	<u>1,155</u>	<u>1,155</u>
Total restricted assets	<u>-</u>	<u>1,155</u>	<u>1,155</u>
Capital Assets			
Land	174,014	-	174,014
Equipment	19,235	-	19,235
Buildings	239,321	60,000	299,321
Vehicles	92,964	-	92,964
Heavy equipment	375,374	-	375,374
Water system	-	832,783	832,783
Infrastructure	<u>77,496</u>	<u>115,000</u>	<u>192,496</u>
Total capital assets	<u>978,404</u>	<u>1,007,783</u>	<u>1,986,187</u>
Less accumulated depreciation	<u>(330,884)</u>	<u>(153,462)</u>	<u>(484,346)</u>
Total capital assets (net of accumulated depreciation)	<u>647,520</u>	<u>854,321</u>	<u>1,501,841</u>
Total assets	<u>\$ 738,800</u>	<u>\$ 864,332</u>	<u>\$ 1,603,132</u>

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

STATE OF NEW MEXICO
 VILLAGE OF MOSQUERO
 Statement of Net Assets
 June 30, 2007

Statement 1
 Page 2 of 2

	Governmental Activities	Business Type Activities	Total
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 1,678	\$ 321	\$ 2,199
Revenue bonds payable - current portion	-	1,500	1,500
NMFA loan payable	19,804	-	19,804
Total current liabilities	<u>21,682</u>	<u>1,821</u>	<u>23,503</u>
Non-Current Liabilities			
Revenue bonds payable (Less current portion)	-	3,750	3,750
Landfill closure and post closure liability	-	94,900	94,900
NMFA loan payable	180,194	-	180,194
Total non-current liabilities	<u>180,194</u>	<u>98,650</u>	<u>278,844</u>
Total liabilities	<u>201,876</u>	<u>100,471</u>	<u>302,347</u>
Net Assets			
Invested in net assets net of related debt	447,622	849,071	1,296,593
Restricted for debt service	-	1,155	1,155
Unrestricted	89,402	(86,365)	3,037
Total net assets	<u>536,924</u>	<u>763,861</u>	<u>1,300,785</u>
Total liabilities and net assets	<u>\$ 738,800</u>	<u>\$ 864,332</u>	<u>\$ 1,603,132</u>

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

STATE OF NEW MEXICO
 VILLAGE OF MOSQUERO
 Statement of Activities
 Year Ended June 30, 2007

Statement 2

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 97,526	\$ 535	\$ 13,418	\$ 36,403	\$ (48,170)	\$ -	\$ (48,170)
Public safety	38,116	-	46,077	-	17,956	-	17,956
Culture and recreation	4,600	-	5,600	-	-	-	-
Depreciation - unallocated	46,896	-	-	-	(46,896)	-	(46,896)
Interest on long-term debt	1,495	-	-	-	(1,495)	-	(1,495)
Total governmental activities	193,633	535	63,090	36,403	(87,985)	-	(87,985)
Business-type activities:							
Water/sewer expenses	17,991	41,537	-	39,870	-	38,415	38,415
Interest on long-term debt	313	-	-	-	-	(313)	(313)
Depreciation - unallocated	35,195	-	-	-	-	(35,195)	(35,195)
Total business-type activities	68,500	41,537	-	39,870	-	12,907	12,907
Total all activities	<u>\$ 251,513</u>	<u>\$ 42,072</u>	<u>\$ 63,090</u>	<u>\$ 76,273</u>	<u>(87,985)</u>	<u>12,907</u>	<u>(70,078)</u>
General revenues:							
Disposal fees					4		4
Gross receipts taxes					34,640	6,265	40,907
Gasoline taxes					7,120	-	7,120
Motor vehicle taxes					686	-	686
State aid not restricted to special purposes							
General					35,000	-	35,000
Unrestricted investment earnings					1,469	4	1,473
Total general revenues					<u>80,459</u>	<u>6,269</u>	<u>86,728</u>
Change in net assets					12,506	19,176	16,650
Net assets - beginning					529,410	744,685	1,274,135
Net assets - ending					<u>\$ 536,924</u>	<u>\$ 763,861</u>	<u>\$ 1,300,785</u>

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

STATE OF NEW MEXICO
 VILLAGE OF MOSQUERO
 Balance Sheet
 Governmental Funds
 June 30, 2007

Statement 3

	General	Fire Protection Fund	Law Enforcement Protection Fund	Total Governmental Funds
ASSETS				
Cash on deposit	\$ 41,646	\$ 48,246	\$ -	\$ 89,892
Accounts receivable	1,388	-	-	1,388
Total assets	<u>\$ 43,034</u>	<u>\$ 48,246</u>	<u>\$ -</u>	<u>\$ 91,280</u>
LIABILITIES				
Accounts payable	\$ 1,878	-	-	\$ 1,878
Total liabilities	1,878	-	-	1,878
FUND BALANCE				
Unreserved:				
Undesignated reported in:				
General fund	41,156	-	-	41,156
Special revenue funds	-	48,246	-	48,246
Total fund balance	41,156	48,246	-	89,402
Total liabilities and fund balance	<u>\$ 43,034</u>	<u>\$ 48,246</u>	<u>\$ -</u>	<u>\$ 91,280</u>

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
Governmental Funds

Statement 4

Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2007

Amounts reported for governmental activities
in the statement of net assets are different
because:

Fund balances - total governmental funds	\$	89,402
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		647,520
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		<u>(199,998)</u>
Net assets of governmental activities	\$	<u>536,924</u>

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

STATE OF NEW MEXICO
 VILLAGE OF MOSQUERA
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended June 30, 2017

Statement 5

	General	Fire Protection Fund	Law Enforcement Protection Fund	Total Governmental Funds
REVENUES				
Taxes:				
Property taxes	\$ 942	\$ -	\$ -	\$ 942
Gross receipts taxes	34,642	-	-	34,642
Gasoline taxes	7,720	-	-	7,720
Motor vehicle taxes	686	-	-	686
Charges for services	42	-	-	42
Licenses and permits	493	-	-	493
Local sources	12,418	1,853	-	15,271
State sources	76,003	28,219	20,000	119,222
Federal sources	-	-	-	-
Earnings from investments	138	1,331	-	1,469
	<u>133,084</u>	<u>30,403</u>	<u>20,000</u>	<u>180,487</u>
Total revenues				
EXPENDITURES				
Current:				
General government	97,526	-	-	97,526
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Public safety	3,729	19,176	5,211	28,116
Culture and recreation	4,600	-	-	4,600
Capital outlay	6,870	-	32,000	38,870
Debt service:				
Principal	2,536	17,390	-	19,946
Interest	47	3,828	-	5,875
	<u>115,328</u>	<u>40,394</u>	<u>37,211</u>	<u>194,933</u>
Total expenditures				
Net change in fund balances	17,756	(11,991)	(17,211)	(14,446)
Fund balance beginning of year	<u>23,400</u>	<u>68,237</u>	<u>17,211</u>	<u>103,848</u>
Fund balance end of year	<u>\$ 41,156</u>	<u>\$ 48,246</u>	<u>\$ -</u>	<u>\$ 89,402</u>

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO

Statement 6

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ (14,446)

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

Capital outlays to purchase or build capital
assets are reported in governmental funds as
expenditures. However, for governmental
activities those costs are shown in the statement
of net assets and allocated over their estimated
useful lives as annual depreciation expenses in the
statement of activities. This is the amount by which
depreciation exceeds capital outlays in the period.

Depreciation expense	(46,896)	
Capital outlays	<u>38,870</u>	
Excess of capital outlay over depreciation expense		<u>(8,026)</u>

The issuance of long-term debt (e.g. loans payable) provides
current financial resources to governmental funds while
the repayment of the principal of long-term debt consumes
the current financial resources of governmental funds.

Repayment of long-term debt		<u>19,946</u>
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Change in net assets of governmental activities		<u>\$ (2,526)</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF MOSQUERO
 General Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 800	\$ 800	\$ 942	\$ 142
Charges for services	-	-	42	42
Licenses and permits	800	800	493	(307)
Local sources	5,500	5,500	12,418	6,918
State sources	311,500	311,500	43,256	(268,244)
Federal sources	-	-	-	-
State shared taxes	30,004	30,004	76,003	45,999
Earnings from investments	50	50	138	88
Total revenues	<u>\$ 348,654</u>	<u>\$ 348,654</u>	<u>\$ 133,292</u>	<u>\$ (215,362)</u>
EXPENDITURES				
General government	\$ 46,637	\$ 46,637	\$ 101,446	\$ (54,809)
Public safety	4,000	4,000	3,729	271
Culture and recreation	5,300	5,000	4,600	400
Capital outlay	210,360	210,360	6,870	203,990
Total expenditures	<u>\$ 266,497</u>	<u>\$ 266,497</u>	<u>\$ 116,645</u>	<u>\$ 149,852</u>

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

STATE OF NEW MEXICO
 VILLAGE OF MOSQUERO
 Special Revenue - Fire Protection Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ 2,853	\$ 2,853
State sources	64,469	64,469	23,219	(41,250)
Earnings from investments	-	-	1,331	1,331
Total revenues	<u>\$ 64,469</u>	<u>\$ 64,469</u>	<u>\$ 27,403</u>	<u>\$ (37,066)</u>
EXPENDITURES				
Public safety	\$ 64,469	\$ 64,469	\$ 42,394	\$ 22,075
Total expenditures	<u>\$ 64,469</u>	<u>\$ 64,469</u>	<u>\$ 42,394</u>	<u>\$ 22,075</u>

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

STATE OF NEW MEXICO
 VILLAGE OF MOSQUERO
 Special Revenue - Law Enforcement Protection Fund
 Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Total revenues	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>
EXPENDITURES				
Public safety	\$ 26,000	\$ 37,211	\$ 37,211	\$ -
Total expenditures	<u>\$ 26,000</u>	<u>\$ 37,211</u>	<u>\$ 37,211</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 6,000</u>	<u>\$ 17,211</u>		

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

STATE OF NEW MEXICO
 VILLAGE OF MOSQUERO
 Proprietary Funds
 Statement of Net Assets
 June 30, 2007

Statement 10

	Business Type Activities
	Enterprise Fund
ASSETS	
Current assets	
Cash	\$ 2,975
Receivables, net	5,881
Total current assets	8,856
Non-current assets	
Restricted cash	1,155
Capital assets:	-
Buildings, net	27,045
Infrastructure, net	827,276
Total non-current assets	855,476
Total assets	864,332
LIABILITIES	
Current liabilities	
Accounts payable	321
Bonds payable	1,500
Total current liabilities	1,821
Non-current liabilities	
Landfill closure payable	94,900
Bonds payable	3,750
Total non-current liabilities	98,650
Total liabilities	100,471
NET ASSETS	
Invested in capital assets, net of related debt	849,071
Unrestricted	(86,365)
Restricted for debt service	1,155
Total net assets	\$ 763,861

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

STATE OF NEW MEXICO
 VILLAGE OF MOSQUERO
 Proprietary Funds

Statement 11

Statement of Revenues, Expenses and Changes in Fund Net Assets
 For the Year Ended June 30, 2007

	Business Type Activities <u>Enterprise Fund</u>
Operating revenues:	
Sales and services	\$ 41,537
Environmental gross receipts taxes	<u>6,265</u>
Total operating revenues	<u>47,802</u>
Operating expenses:	
Personal services	25,107
Maintenance & operations	17,885
Depreciation	<u>25,195</u>
Total operating expenses	<u>68,187</u>
Operating income (loss)	<u>(20,385)</u>
Non-operating revenues and (expenses):	
Intergovernmental	39,870
Interest income	4
Interest expense	<u>(313)</u>
Total non-operating revenues and (expenses)	<u>39,561</u>
Change in net assets	19,176
Total net assets - beginning of year	<u>744,685</u>
Total net assets - end of year	<u>\$ 763,861</u>

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2007

	Business Type Activities
	Enterprise Fund
Cash flows from operating activities	
Receipts from customers	\$ 41,537
Local gross receipts taxes	5,215
Payments to suppliers	(20,038)
Payment to employees	<u>(25,107)</u>
Net cash provided (used) by operating activities	<u>1,607</u>
Cash flows from non-capital financing activities	
State grant	<u>39,870</u>
Cash flows from financing activities	
Principal paid on bonds	(1,000)
Interest paid on bonds	<u>(313)</u>
Net cash (used) by financing activities	<u>(1,313)</u>
Cash flows used by investing activities	
Purchase of fixed assets	<u>(39,870)</u>
Cash flows from investing activities	
Interest	<u>4</u>
Net increase (decrease) in cash	298
Cash, beginning of year	<u>3,832</u>
Cash, end of year	<u>\$ 4,130</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (Loss)	\$ (20,385)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	25,195
Change in assets and liabilities:	
Accounts receivable	(1,051)
Accounts payable	<u>(2,152)</u>
Net cash provided (used) by operating activities	<u>\$ 1,607</u>

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
Notes to Financial Statements
Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Mosquero is incorporated under Section 3 New Mexico State Statutes Annotated 1978 Compilation operating under a Mayor-Council form of government and provides the following services as authorized: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation and general administrative services.

The financial statements of the Village of Mosquero have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Village had no component units.

Notes to Financial Statements (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which is normally 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 function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

Notes to Financial Statements (continued)

revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

The *Fire Protection Fund* (Special Revenue Fund) is to account for the operations and maintenance of the Fire Department. It is financed by a specific allotment from the State Fire Marshall's Office. The authority is NMSA 59A-53-1.

The *Law Enforcement Protection Fund* (LEPF) (Special Revenue Fund) is to account for the proceeds of a State grant provided for the purchase and repair of equipment as well as specialized training of police personnel. The authority is NMSA 29-13-1.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

Notes to Financial Statements (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund is charged to customers for sales and services. The enterprise fund also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Village Clerk-Treasurer submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Village Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Village Council and New Mexico State Department of Finance, Division of Local Governments. The original budget that was adopted in July, 1998 was amended during the fiscal year in a legally permissible manner.

Notes to Financial Statements (continued)

3. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Project Funds.
4. Encumbrances are not reported in the budgets or financial statements.
5. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year end.
6. Budgets for the General and Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principals. Throughout the year the accounting records are maintained on the Non-GAAP basis of cash receipts and disbursements. Accordingly, certain revenues and the related assets are recognized when paid rather than when the obligation is incurred. The financial statements are presented on the modified accrual basis of accounting. Budgetary comparisons presented for General and Special Revenue Funds in this report are on the Non-GAAP budgetary basis and actual (cash basis). The budget of the Enterprise Fund is adopted on a Non-GAAP cash basis.

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Village. The pledged securities remain in the name of the financial institution.

F. Inventories

The cost of inventories are recorded as expenditures when purchased rather than when consumed.

Notes to Financial Statements (continued)

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated Capital Assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Building improvements	10-40
Public domain infrastructure	40
System infrastructure	20-30
Vehicles	10
Office equipment	5-10
Heavy equipment	10

Notes to Financial Statements (continued)

The Village does not capitalize computer software or software developed for internal use (if applicable) unless it exceeds the \$5,000 threshold.

H. Compensated Absences

It is the policy of the Village of Mosquero to permit certain employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon separation from the Village's service. All vacation pay is accrued when incurred in the government-wide 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 or retirements.

No provision for an accrued leave liability has been reported as all leave was used by the end of the fiscal year.

Sick pay does not vest and is recorded as an expenditure when it is paid.

I. Long-Term Obligations

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

J. Fund Equity

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

Notes to Financial Statements (continued)

K. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village carries commercial insurance for these risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the current fiscal year.

L. Estimates

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

M. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in a separate bank account and their use is limited by the applicable bond covenant. The "debt service reserve" account is used to report resources set aside for the purpose of debt service repayments.

2. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semi-annual installments by November 10 and April 10 of the subsequent year. Taxes are collected on behalf of the Village by the County Treasurer, and are remitted to the Village in the month following collection. Because the Treasurer for the county in which the Village is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the Village.

Notes to Financial Statements (continued)

The Village is permitted to levy taxes for general operating purposes based on taxable value for both residential and nonresidential property, taxable value being defined as one-third of the fully assessed value. In addition, the Village is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the Village.

The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues. The Village has no means of determining the amount of delinquent taxes, and no delinquent taxes are recorded on the Villages financial records.

3. ACCUMULATED UNPAID VACATION AND SICK LEAVE

At June 30, 2007 the Village had no liability for accrued vacation or sick leave pay.

4. REVENUE BONDS PAYABLE

The Enterprise Fund Revenue Bonds, series 1963, issued in the amount of \$110,000 are payable in annual installments each January 1st through the year 2010. Interest is 5% per annum.

<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>\$ 6,250</u>	<u>\$ -</u>	<u>\$ (1,000)</u>	<u>\$ 5,250</u>

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,500	\$ 263	\$ 1,763
2009	1,500	187	1,687
2010	<u>2,250</u>	<u>113</u>	<u>2,363</u>
	<u>\$ 5,250</u>	<u>\$ 563</u>	<u>\$ 5,813</u>

Notes to Financial Statements (continued)

5. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, 2007, the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

	Balance <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>	Due Within <u>One Year</u>
NMFA Loan	\$ 200,000	\$ -	\$ 17,390	\$ 182,610	\$ 18,486
Capital Lease	1,242	-	1,242	-	-
NMFA Loan	<u>18,702</u>	-	<u>1,314</u>	<u>17,388</u>	<u>1,318</u>
Total	<u>\$ 219,944</u>	<u>\$ -</u>	<u>\$ 19,946</u>	<u>\$ 199,998</u>	<u>\$ 19,804</u>

The Village entered into a loan agreement with the New Mexico Finance Authority evidencing a special limited obligation of the Village to pay a principal amount of \$200,000 and interest for the purpose of defraying the cost of acquiring a fire tanker for the Villages fire department. The yearly payments are to be redirected from the Villages share of the State Fire Fund revenues to the NMFA. The interest rate is 3.040% to 3.810% plus 0.25% administrative fee. The maturity date is May 1, 2016.

Due in Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 18,486	\$ 4,480	\$ 22,966
2009	18,877	4,090	22,967
2010	19,291	3,677	22,968
2011	19,729	3,239	22,968
2012	20,195	2,775	22,970
2013	20,690	2,282	22,972
2014	21,214	1,758	22,972
2015	21,770	1,204	22,974
2016	<u>22,358</u>	<u>618</u>	<u>22,976</u>
	<u>\$ 182,610</u>	<u>\$ 24,123</u>	<u>\$ 206,733</u>

The Village entered into a loan agreement with the New Mexico Finance Authority evidencing a special limited obligation of the Village to pay a principal amount of \$20,000 and interest for the purpose of defraying the cost of remodeling the existing structure of the Villages administration building. The interest rate is 0% plus 0.25% administrative fee. The maturity date is May 1, 2020.

Notes to Financial Statements (continued)

Due in Year Ending June 30	Principal	Interest	Total
2008	\$ 1,318	\$ 43	\$ 1,361
2009	1,321	40	1,361
2010	1,324	37	1,361
2011	1,327	34	1,361
2012	1,331	30	1,361
2013	1,334	27	1,361
2014	1,337	24	1,361
2015	1,341	20	1,361
2016	1,344	17	1,361
2017	1,348	14	1,362
2018	1,351	10	1,361
2019	1,354	7	1,361
2020	1,358	3	1,361
	<u>\$ 17,388</u>	<u>\$ 306</u>	<u>\$ 17,694</u>

7. DEPOSITORY COLLATERAL

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

The following is the Cash on Deposit at each financial institution.

Wells Fargo	Law Enforcement Fund	Checking	\$ -
Wells Fargo	Fire Fund	Checking	23,237
Wells Fargo	Reserve Fund	Savings	1,155
Wells Fargo	Utilities Fund	Checking	3,453
Wells Fargo	General Fund	Checking	35,892
Wells Fargo	CDBG Fund	Checking	8
Wells Fargo	General Fund	Certificate of Deposit	5,586
New Mexico Finance Authority	Fire Fund	Savings	<u>25,159</u>
			<u>\$ 94,490</u>
Total amount on deposit			\$ 94,490
Deposit in transit			425
Outstanding checks			(894)
Rounding			<u>1</u>
Total per financial statements			<u>\$ 94,022</u>

Notes to Financial Statements (continued)

The following schedule details the public money held by the New Mexico Finance Authority and Wells Fargo and the pledged collateral provided for the Village follows:

	<u>NMFA</u>	<u>Wells Fargo</u>
Cash on deposit at June 30	\$ 25,159	\$ 69,331
Less FDIC	<u>25,159</u>	<u>69,331</u>
Uninsured funds	-	-
Funds needing collateralization at 50% (required by State Law)	-	-
Pledged collateral at June 30	<u>-</u>	<u>-</u>
Excess of Pledged Collateral	<u>\$ -</u>	<u>\$ -</u>

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, 2007, None of the Village's bank balance of \$94,490 was exposed to custodial credit risk as follows:

A. Uninsured and Uncollateralized	\$ -
B. Uninsured and Collateralized	<u>-</u>
Total	<u>\$ -</u>

8. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

<u>Revenues</u>	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Law Enforcement Protection</u>	<u>Proprietary Fund</u>
Actual	\$133,084	\$ 27,403	\$ 20,000	\$ 87,676
Budget	<u>133,292</u>	<u>27,403</u>	<u>20,000</u>	<u>86,626</u>
Increase (decrease) in receivables	<u>\$ (208)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,050</u>
<u>Expenditures</u>				
Actual	\$115,328	\$ 42,394	\$ 37,211	\$ 68,500
Budget	116,645	42,394	37,211	86,328
Depreciation	-	-	-	25,195
Purchase of Capital Assets	-	-	-	(39,870)
Bond Principal Paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>
Increase (decrease) in payables	<u>\$ (1,317)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,153)</u>

Notes to Financial Statements (continued)

9. CAPITAL ASSETS

The amount of property, plant and equipment in the Business-Type Activities consists of the following:

	Balances June 30, 2006	Additions	Deletions	Balances June 30, 2007
Buildings	\$ 60,000	\$ -	\$ -	\$ 60,000
Infrastructure	115,000	-	-	115,000
Water system	<u>792,913</u>	<u>39,870</u>	<u>-</u>	<u>832,783</u>
Sub-total	<u>967,913</u>	<u>39,870</u>	<u>-</u>	<u>1,007,783</u>
Less: accumulated depreciation				
Buildings	31,455	1,500	-	32,955
Infrastructure	60,949	2,875	-	63,824
Water system	<u>35,864</u>	<u>20,820</u>	<u>-</u>	<u>56,684</u>
Sub-total	<u>128,268</u>	<u>25,195</u>	<u>-</u>	<u>153,463</u>
Net capital assets	<u>\$ 839,645</u>	<u>\$ 14,675</u>	<u>\$ -</u>	<u>\$ 854,320</u>

The amount of property, plant and equipment in the Governmental-Type Activities consists of the following:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Land	\$ 167,714	\$ 6,300	\$ -	\$ 174,014
Total capital assets not being depreciated	<u>167,714</u>	<u>6,300</u>	<u>-</u>	<u>174,014</u>
Building and improvements	239,321	-	-	239,321
Infrastructure	66,926	10,570	-	77,496
Heavy equipment	375,374	-	-	375,374
Vehicles	70,964	22,000	-	92,964
Equipment	<u>19,235</u>	<u>-</u>	<u>-</u>	<u>19,235</u>
Total capital assets being depreciated	<u>771,820</u>	<u>32,570</u>	<u>-</u>	<u>804,390</u>
Less accumulated depreciation for:				
Building and improvements	(106,966)	(6,966)	-	(113,932)
Infrastructure	(3,346)	(3,875)	-	(7,221)
Heavy equipment	(120,791)	(23,312)	-	(144,103)
Vehicles	(51,170)	(9,296)	-	(60,466)
Equipment	<u>(1,715)</u>	<u>(3,447)</u>	<u>-</u>	<u>(5,162)</u>
Total accumulated depreciation	<u>(283,988)</u>	<u>(46,896)</u>	<u>-</u>	<u>(330,884)</u>
Total capital assets being depreciated	<u>487,832</u>	<u>(14,326)</u>	<u>-</u>	<u>473,506</u>
Net capital assets	<u>\$ 655,546</u>	<u>\$ (8,026)</u>	<u>\$ -</u>	<u>\$ 647,520</u>

Notes to Financial Statements (continued)

10. ACCOUNTS RECEIVABLES

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables from customers	\$ -	\$ 6,337
Less allowance for uncollectible accounts	-	(1,700)
Subtotal	-	4,637
Gross receipts taxes receivable	<u>1,388</u>	<u>1,244</u>
 Total	 <u>\$ 1,388</u>	 <u>\$ 5,881</u>

11. RETIREMENT PLAN

Plan Description. Substantially all of Village of Mosquero's full-time 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 Board (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy. Plan members are required to contribute 7% of their gross salary. The Village of Mosquero is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the Village of Mosquero are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The Village of Mosquero contributions to PERA for the year ending June 30, 2007, 2006, and 2005 were \$3,197, \$4,344 and \$4,096 respectively equal to the amount of the required contributions for the year.

12. RETIREE HEALTH CARE ACT CONTRIBUTIONS

The Village has elected not to participate in the Retiree Health Care Act of New Mexico's retiree health care program.

Notes to Financial Statements (continued)

13. ACCOUNTING FOR LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

Closure costs are defined as costs related to closing the landfill. The costs include grading, compacting, fertilizing, seeding, fencing, and other costs associated with closing the site of the landfill. A September, 2002 report issued to the Agency indicated that these types of closure costs are estimated at \$13,900.

The landfill is now closed and all costs have been recorded in the Enterprise Fund to date.

Post closure costs are defined as costs to maintain and monitor the landfill for 30 years after closure. These would include ground water monitoring, post-closure inspections, and cap and slop maintenance. A November, 2004 report issued to the Agency indicated that these types of post-closure costs are estimated at \$94,900.

The Village of Mosquero will be applying to the State for a grant to cover these costs.

PROPRIETARY FUND
BUDGET

STATE OF NEW MEXICO
 VILLAGE OF MOSQUERO
 Proprietary Funds
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 53,715	\$ 53,715	\$ 41,537	\$ (12,178)
Local sources	-	-	-	-
State grant	200,000	200,000	39,870	(160,130)
Federal grant	-	-	-	-
State shared taxes	3,000	3,000	5,215	2,215
Interest income	15	15	4	(11)
	<u>256,730</u>	<u>256,730</u>	<u>86,626</u>	<u>(170,104)</u>
Total revenues	<u>\$ 256,730</u>	<u>\$ 256,730</u>	<u>\$ 86,626</u>	<u>\$ (170,104)</u>
EXPENDITURES				
Personal services	\$ 38,076	\$ 38,076	\$ 25,107	\$ 12,969
Operating expenses	10,550	10,550	20,038	(9,488)
Capital outlay	201,750	201,750	39,870	161,880
Debt principal	1,000	1,000	1,000	-
Debt interest	363	363	313	50
	<u>251,739</u>	<u>251,739</u>	<u>86,328</u>	<u>165,411</u>
Total expenditures	<u>\$ 251,739</u>	<u>\$ 251,739</u>	<u>\$ 86,328</u>	<u>\$ 165,411</u>

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

Rice and Associates, C.P.A.

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

Mr. Hector H. Balderas
New Mexico State Auditor
and
Honorable Mayor and Village Council
Village of Mosquero
Mosquero, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the budgetary comparisons of the General, Fire Protection and Law Enforcement Funds of the Village of Mosquero, as of and for the year ended June 30, 2007, and have issued our report thereon dated April 9, 2009. We also have audited the financial statements of each of the Village of Mosquero's proprietary funds and budgetary comparisons presented as supplementary information as of and for the year ended June 30, 2007. 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 the Village'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying Status of Comments to be significant deficiencies in internal control over financial reporting. Those significant deficiencies are described as 03-23 Segregation of Duties, 03-27 Late Audit Report and 07-01 Bank Reconciliations.

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

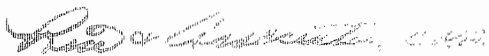
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Status of Comments as 03-27 Late Audit Report.

The Village of Mosquero's responses to the findings identified in our audit are described in the accompanying Status of Comments and Responses. We did not audit the Village of Mosquero's responses and, accordingly, we express no opinion on them.

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



April 9, 2009

STATUS OF COMMENTS

Prior Year Audit Findings

1. DFA Final Report (00-02) - Resolved.
2. Actual Expenditures Exceeding Budgeted Expenditures (00-05) - Resolved.
3. Segregation of Duties (03-23) - Repeated.
4. Depreciation Schedules (03-26) - Resolved.
5. Late Audit Report (03-27) - Repeated.
6. Incorrect Trial Balances (05-01) - Resolved.

Current Year Audit Findings

1. Bank Reconciliations - (07-01)

Segregation of Duties

(03-23)

CONDITION	The Village Clerk performs all payroll functions, billing and receipting functions and all procurement functions.
CRITERIA	Good internal controls require segregation of payroll, procurement and receipting functions.
CAUSE	The Village is a small agency and does not have the resources to separate the functions. Also the Village has not established any compensating controls.
EFFECT	The lack of segregation ensures the inability to safeguard the Villages assets.
RECOMMENDATION	The Village Council should implement compensating controls in each area to ensure its assets are adequately safeguarded.
RESPONSE	The Clerk performs all payroll functions, billing and receipting functions except, the checks are signed by the Mayor and Mayor Pro-Tem. All payroll time sheets are pre-approved by the Mayor or Mayor Pro-Tem. All bills are pre-approved in Council meetings and invoices are attached to checks for final signatures on the checks. The Mayor or Village employees take the deposits to the bank. All precautions are being done to insure the security of the Village of Mosquero's assets. This finding is un-preventable as the Clerk is the only financial position in the office. Payroll sheets are pre-approved and deposits are taken by others to the bank, the governing body is made aware of every expenditure and revenue of the Village office, this is presented at the council meetings. The Council is presented with the bank financial statements complete with reconciliation sheets attached, a complete copy of the financial software statement that lists all financial activity, and all payables. This is done every month.

Late Audit Report
(03-27)

CONDITION	The audit report for the Village was not timely submitted to the State Auditor by the required due date. The contract requested a August 18, 2008 deadline. However, the State Auditors Office received the report on April 20, 2009.
CRITERIA	All audit reports should be submitted to the State Auditors Office by the required due date according to the State Auditors Rule 2.2.2 9 A(1){c}.
CAUSE	The contract provided by the State Auditors Office requested an August 18, 2008 deadline. However, the Village was unable to provide all books and records before the deadline.
EFFECT	State Auditor Rule 2.2.2 9 A(1){c} was not adhered to.
RECOMMENDATION	The Village should have their 2007 audit report released in plenty of time to ensure their 2008 audit report is submitted in a timely manner.
RESPONSE	Currently the Village management is working very hard to get the past audits completed and turned in on time as the audit process is costly and could prove to cause a financial hardship on the Village, this year the Village has maintained a good cash balance and two audits will be completed concurrently. In the future the Village hopes to avoid this finding. The Village budget restraints are the only reasons this finding is repeated. When the small cities assistance is received the Village staff contacts the contracted auditor to complete the next audit. These audits will be current as funds allow.

Bank Reconciliations
(07-01)

CONDITION	The bank reconciliations are not being reconciled to the trial balances.
CRITERIA	All bank statements are to be reconciled to the trial balances each month.
CAUSE	Management is not researching and correcting the minor differences that have occurred.
EFFECT	The trial balances could be understated/overstated.
RECOMMENDATION	Management should investigate these very small amounts and correct them accordingly.
RESPONSE	The main problem is the Village treasurer is diligently working to make sure the bank reconciliation sheets are connected and balanced to the financial software. Occasionally an oversight is the problem to non-matching bank reconciliation sheets and the trial balances. The Village Treasurer being the only staff in the office often has an excess workload and time is not taken to correct the bank sheets to the software balances as often as it should. With a better understanding of priorities, this problem hopefully will not be repeated.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2007 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 112.

EXIT CONFERENCE

An exit conference was held on April 9, 2009. In attendance were Mr. Victor Vigil, Mayor Pro-Tem, Ms. Shawn Jeffrey, Clerk and Ms. Pamela A. Rice, CPA, Contract Auditor.