

STATE OF NEW MEXICO

VILLAGE OF MOSQUERO

AUDIT REPORT

For the Year Ended June 30, 2008

(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, 2008

(with Auditor's Report Thereon)

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
TABLE OF CONTENTS
Year Ended June 30, 2008

	<u>Page</u>
Introduction Section	
Official Roster	i
Financial Section	
Independent Auditor's Report	1
<u>Financial Statements</u>	
<u>Statements</u>	
1 Statement of Net Assets	3
2 Statement of Activities	5
3 Balance Sheet - Governmental Funds	6
4 Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Funds	7
5 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	9
7 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	10
8 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - Special Revenue - Fire Protection Fund	11
9 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - Special Revenue - Law Enforcement Protection Fund	12

Table of Contents (continued)

	<u>Page</u>
10 Statement of Net Assets - Proprietary Funds	13
11 Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	14
12 Statement of Cash Flows - Proprietary Funds	15
Notes to Financial Statements	16
Proprietary Budget Fund	
A-1 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - Proprietary Funds	31
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	32
Status of Comments	34
Financial Statement Preparation and Exit Conference	39

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
Official Roster
Year Ended June 30, 2008

Village Council

<u>Name</u>	<u>Title</u>
Mr. Pablo Trujillo	Mayor
Mr. Victor Vigil	Mayor Pro-Tem
Mr. Jerry Hazen	Council Member
Mr. Roy Schell	Council Member
Mr. Mateo Sandoval	Council Member

Village Administration

Ms. Shawn Jeffrey	Clerk-Treasurer
-------------------	-----------------

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
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, 2008, 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, 2008 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, 2008, 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, 2008, 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 March 19, 2010 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.

 Reed & Associates, C.P.A.

March 19, 2010

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
Statement of Net Assets
June 30, 2008

Statement 1
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 101,892	\$ 5,462	\$ 107,354
Accounts receivable (net of uncollectible accounts)	9,774	6,527	16,301
Total current assets	111,666	11,989	123,655
Restricted Assets			
Debt service reserve (cash)	-	1,156	1,156
Total restricted assets	-	1,156	1,156
Capital Assets			
Land	174,014	-	174,014
Land Improvements	-	7,864	7,864
Equipment	31,996	-	31,996
Buildings	273,070	60,000	333,070
Vehicles	92,964	-	92,964
Heavy equipment	375,374	17,500	392,874
Water system	-	1,252,780	1,252,780
Infrastructure	402,499	115,000	517,499
Total capital assets	1,349,917	1,453,144	2,803,061
Less accumulated depreciation	(407,731)	(201,480)	(609,211)
Total capital assets (net of accumulated depreciation)	942,186	1,251,664	2,193,850
Total assets	\$ 1,053,852	\$ 1,264,809	\$ 2,318,661

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
Statement of Net Assets
June 30, 2008

Statement 1
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 900	\$ 3,414	\$ 4,314
Revenue bonds payable - current portion	-	1,500	1,500
NMFA loan payable	20,198	-	20,198
Total current liabilities	21,098	4,914	26,012
Non-Current Liabilities			
Revenue bonds payable (less current portion)	-	2,250	2,250
Landfill closure and post closure liability	-	94,900	94,900
NMFA loan payable	159,996	-	159,996
Compensated absences	1,236	2,527	3,763
Total non-current liabilities	161,232	99,677	260,909
Total liabilities	182,330	104,591	286,921
Net Assets			
Invested in net assets net of related debt	761,992	1,247,914	2,009,906
Restricted for debt service	-	1,156	1,156
Unrestricted	109,530	(88,852)	20,678
Total net assets	871,522	1,160,218	2,031,740
Total liabilities and net assets	\$ 1,053,852	\$ 1,264,809	\$ 2,318,661

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, 2008

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	\$ 78,175	\$ 853	\$ 18,758	\$ 338,303	\$ 279,739	\$ -	\$ 279,739
Public safety	24,382	-	86,256	-	61,874	-	61,874
Culture and recreation	3,784	-	3,700	-	(84)	-	(84)
Depreciation - unallocated	76,847	-	-	-	(76,847)	-	(76,847)
Interest on long-term debt	4,523	-	-	-	(4,523)	-	(4,523)
Total governmental activities	187,711	853	108,714	338,303	260,159	-	260,159
Business-type activities:							
Water/Sewer expenses	56,958	47,131	10,113	438,047	-	438,333	438,333
Interest on long-term debt	263	-	-	-	-	(263)	(263)
Depreciation - unallocated	48,017	-	-	-	-	(48,017)	(48,017)
Total business-type activities	105,238	47,131	10,113	438,047	-	390,053	390,053
Total all activities	<u>\$ 292,949</u>	<u>\$ 47,984</u>	<u>\$ 118,827</u>	<u>\$ 776,350</u>	260,159	390,053	650,212
General Revenues:							
Property taxes					1,033	-	1,033
Gross receipts taxes					25,609	6,301	31,910
Gasoline taxes					8,802	-	8,802
Motor vehicle taxes					702	-	702
State aid not restricted to special purposes							
General					35,000	-	35,000
Unrestricted investment earnings					3,292	3	3,295
Total general revenues					74,438	6,304	80,742
Change in net assets					334,597	396,357	730,954
Net assets - beginning					536,925	763,861	1,300,786
Net assets - ending					<u>\$ 871,522</u>	<u>\$ 1,160,218</u>	<u>\$ 2,031,740</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, 2008

Statement 3

	General	Fire Protection Fund	Law Enforcement Protection Fund	Total Governmental Funds
ASSETS				
Cash on deposit	\$ 38,411	\$ 58,955	\$ 4,526	\$ 101,892
Accounts receivable	9,774	-	-	9,774
Total assets	<u>\$ 48,185</u>	<u>\$ 58,955</u>	<u>\$ 4,526</u>	<u>\$ 111,666</u>
LIABILITIES				
Accounts payable	\$ 900	-	-	\$ 900
Total liabilities	<u>900</u>	<u>-</u>	<u>-</u>	<u>900</u>
FUND BALANCE				
Unreserved:				
Undesignated reported in:				
General fund	47,285	-	-	47,285
Special revenue funds	-	58,955	4,526	63,481
Total fund balance	<u>47,285</u>	<u>58,955</u>	<u>4,526</u>	<u>110,766</u>
Total liabilities and fund balance	<u>\$ 48,185</u>	<u>\$ 58,955</u>	<u>\$ 4,526</u>	<u>\$ 111,666</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, 2008

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

Fund balances - total governmental funds \$ 110,766

Capital assets used in governmental activities
are not financial resources and, therefore, are
not reported in the funds 942,186

Long-term and certain other liabilities, including
bonds payable, 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:

Revenue bonds payable	(180,194)	
Compensated absences	<u>(1,236)</u>	
		<u>(181,430)</u>
Net assets of governmental activities		<u>\$ 871,522</u>

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

STATE OF NEW MEXICO
VILLAGE OF MOSQUERO
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008

Statement 5

	General	Fire Protection Fund	Law Enforcement Protection Fund	Total Governmental Funds
REVENUES				
Taxes:				
Property taxes	\$ 1,033	\$ -	\$ -	\$ 1,033
Gross receipts taxes	25,609	-	-	25,609
Gasoline taxes	8,802	-	-	8,802
Motor vehicle taxes	702	-	-	702
Charges for services	42	-	-	42
Licenses and permits	811	-	-	811
Local sources	18,758	818	-	19,576
State sources	377,003	65,438	20,000	462,441
Federal sources	-	-	-	-
Earnings from investments	696	2,596	-	3,292
	433,456	68,852	20,000	522,308
Total revenues				
EXPENDITURES				
Current:				
General government	76,939	-	-	76,939
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Public safety	6,941	14,728	2,713	24,382
Culture and recreation	3,784	-	-	3,784
Capital outlay	338,303	20,449	12,761	371,513
Debt service:				
Principal	1,318	18,486	-	19,804
Interest	43	4,480	-	4,523
	427,328	58,143	15,474	500,945
Total expenditures				
Net change in fund balances	6,128	10,709	4,526	21,363
Fund balance beginning of year	41,157	48,246	-	89,403
Fund balance end of year	\$ 47,285	\$ 58,955	\$ 4,526	\$ 110,766

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, 2008

Net change in fund balances - total governmental funds \$ 21,363

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
capital outlays exceed depreciation in the period.

Capital outlays	371,513	
Depreciation expense	<u>(76,847)</u>	
Excess of capital outlay over depreciation expense		<u>294,666</u>

In the Statement of Activities, certain operating
expenses are measured by the amount incurred
during the year. In the fund financial statements,
however, expenditures are measured by the amount
of financial resources used (essentially the amounts
actually paid). The (increases) decreases in the
liabilities for the year were:

Compensated absences payable		(1,236)
------------------------------	--	---------

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>19,804</u>
-----------------------------	--	---------------

Change in net assets of governmental activities		<u>\$ 334,597</u>
---	--	-------------------

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, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 900	\$ 900	\$ 1,033	\$ 133
Charges for services	-	-	42	42
Licenses and permits	800	800	811	11
Local sources	26,900	26,900	18,758	(8,142)
State sources	1,123,000	1,123,000	368,585	(754,415)
Federal sources	-	-	-	-
State shared taxes	35,304	35,304	35,146	(158)
Earnings from investments	50	50	696	646
	<u>\$ 1,186,954</u>	<u>\$ 1,186,954</u>	<u>\$ 425,071</u>	<u>\$ (761,883)</u>
EXPENDITURES				
General government	\$ 105,246	\$ 105,246	\$ 77,917	\$ 27,329
Public safety	4,000	4,000	6,941	(2,941)
Culture and recreation	5,000	5,000	3,784	1,216
Capital outlay	1,088,500	1,088,500	338,303	750,197
Loan principle	5,100	5,100	1,318	3,782
Loan interest	-	-	43	(43)
	<u>\$ 1,207,846</u>	<u>\$ 1,207,846</u>	<u>\$ 428,306</u>	<u>\$ 779,540</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, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ 818	\$ 818
State sources	58,609	58,609	65,438	6,829
Earnings from investments	-	-	2,596	2,596
Total revenues	<u>\$ 58,609</u>	<u>\$ 58,609</u>	<u>\$ 68,852</u>	<u>\$ 10,243</u>
EXPENDITURES				
Public safety	\$ 81,609	\$ 81,609	\$ 58,143	\$ 23,466
Total expenditures	<u>\$ 81,609</u>	<u>\$ 81,609</u>	<u>\$ 58,143</u>	<u>\$ 23,466</u>
BUDGETED CASH BALANCE	<u>\$ 23,000</u>	<u>\$ 23,000</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, 2008

	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	\$ 20,000	\$ 20,000	\$ 15,474	\$ 4,526
Total expenditures	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 15,474</u>	<u>\$ 4,526</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, 2008

Statement 10

	Business Type Activities
	Enterprise Fund
ASSETS	
Current assets	
Cash	\$ 5,462
Receivables, net	6,527
Total current assets	11,989
Non-current assets	
Restricted cash	1,156
Capital assets:	
Buildings, net	25,545
Infrastructure, net	1,226,119
Total non-current assets	1,252,820
Total assets	1,264,809
LIABILITIES	
Current liabilities	
Accounts payable	3,414
Bonds payable	1,500
Total current liabilities	4,914
Non-current liabilities	
Landfill closure payable	94,900
Bonds payable	2,250
Compensated absences	2,527
Total non-current liabilities	99,677
Total liabilities	104,591
NET ASSETS	
Invested in capital assets, net of related debt	1,247,914
Unrestricted	(88,852)
Restricted for debt service	1,156
Total net assets	\$ 1,160,218

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

STATE OF NEW MEXICO
 VILLAGE OF MOSQUERO
 Proprietary Funds
 Statement of Revenues, Expenses and Changes in Fund Net Assets
 For the Year Ended June 30, 2008

Statement 11

	Business Type Activities Enterprise Fund
Operating revenues:	
Local sources	\$ 10,113
Sales and services	47,131
Environmental gross receipts taxes	6,301
Total operating revenues	63,545
Operating expenses:	
Personal services	27,269
Maintenance & operations	29,689
Depreciation	48,017
Total operating expenses	104,975
Operating income (loss)	(41,430)
Non-operating revenues and (expenses):	
Intergovernmental	438,047
Interest income	3
Interest expense	(263)
Total non-operating revenues and (expenses)	437,787
Change in net assets	396,357
Total net assets - beginning of year	763,861
Total net assets - end of year	\$ 1,160,218

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, 2008

	Business Type Activities
	Enterprise Fund
Cash flows from operating activities	
Receipts from customers	\$ 57,144
Local gross receipts taxes	5,756
Payments to suppliers	(26,042)
Payments to employees	<u>(25,296)</u>
Net cash provided (used) by operating activities	<u>11,562</u>
Cash flows from non-capital financing activities	
Federal grant	360,000
State grant	<u>78,047</u>
Net cash provided by non-capital financing activities	<u>438,047</u>
Cash flows from financing activities	
Principal paid on bonds	(1,500)
Interest paid on bonds	<u>(263)</u>
Net cash (used) by financing activities	<u>(1,763)</u>
Cash flows used by investing activities	
Purchase of fixed assets	<u>(445,361)</u>
Cash flows from investing activities	
Interest	<u>3</u>
Net increase (decrease) in cash	2,488
Cash, beginning of year	<u>4,130</u>
Cash, end of year	<u><u>\$ 6,618</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (41,430)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	48,017
Change in assets and liabilities:	
Accounts receivable (increase)	(645)
Accounts payable (increase)	3,093
Compensated absences (increase)	<u>2,527</u>
Net cash provided (used) by operating activities	<u><u>\$ 11,562</u></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, 2008

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)

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.

The Village reports the following as Proprietary Funds.

Proprietary Funds - Enterprise Funds

Enterprise Fund - Water and Sewer Fund - To account for the operations of the Village's Water and Sewer Department, for meter deposits and payment of Joint Utility Revenue Bonds.

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 not 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.

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

The accumulated compensated absences balance at fiscal year end was \$3,763.

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.

K. Net Assets

The governmental activities and business-type activities financial statements utilize a net assets presentation. Net assets are categorized as follows:

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

Restricted net assets - This category reflects the portion of net assets that have third party limitation on their use.

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

Notes to Financial Statements (continued)

L. 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.

M. 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.

N. 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 LEAVE

Compensated absences are expended in the fund in which the liability is incurred. The General Fund would be liable for \$1,236 and the Water/Sewer Fund would be liable for \$2,527.

<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due Within</u> <u>One Year</u>
<u>\$ -</u>	<u>\$ 3,763</u>	<u>\$ -</u>	<u>\$ 3,763</u>	<u>\$ -</u>

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, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>\$ 5,250</u>	<u>\$ -</u>	<u>\$ (1,500)</u>	<u>\$ 3,750</u>

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,500	\$ 187	\$ 1,687
2010	<u>2,250</u>	<u>113</u>	<u>2,363</u>
	<u>\$ 3,750</u>	<u>\$ 300</u>	<u>\$ 4,050</u>

Notes to Financial Statements (continued)

5. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

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

	Balance <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>	Due Within <u>One Year</u>
NMFA Loan	\$ 182,610	\$ -	\$ 18,486	\$ 164,124	\$ 18,877
NMFA Loan	<u>17,388</u>	<u>-</u>	<u>1,318</u>	<u>16,070</u>	<u>1,321</u>
Total	<u>\$ 199,998</u>	<u>\$ -</u>	<u>\$ 19,804</u>	<u>\$ 180,194</u>	<u>\$ 20,198</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>
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>\$ 164,124</u>	<u>\$ 19,643</u>	<u>\$ 183,767</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
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>\$ 16,070</u>	<u>\$ 263</u>	<u>\$ 16,333</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	Reserve Fund	Savings	\$ 1,156
Wells Fargo	Law Enforcement Fund	Checking	4,526
Wells Fargo	Fire Fund	Checking	32,989
Wells Fargo	Utilities Fund	Checking	473
Wells Fargo	General Fund	Checking	37,578
Wells Fargo	CDBG Fund	Checking	81,367
Wells Fargo	General Fund	Certificate of Deposit	5,715
First Community Bank	Utilities Fund	Checking	3,021
New Mexico Finance Authority	Fire Fund	Savings	26,784
New Mexico Finance Authority	General Fund	Savings	<u>414</u>
			<u>\$194,023</u>
	Total amount on deposit		\$194,023
	Deposit in transit		4,474
	Outstanding checks		<u>(89,987)</u>
	Total per financial statements		<u>\$108,510</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>	<u>First Community Bank</u>
Cash on deposit at June 30	\$ 27,198	\$ 163,804	\$ 3,021
Less FDIC	<u>27,198</u>	<u>106,871</u>	<u>3,021</u>
Uninsured funds	-	56,933	-
Funds needing collateralization at 50% (required by State Law)	-	28,467	-
Pledged collateral at June 30	<u>-</u>	<u>98,470</u>	<u>-</u>
Excess of Pledged Collateral	<u>\$ -</u>	<u>\$ 70,003</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, 2008, \$56,933 of the Village's bank balance of \$194,023 was exposed to custodial credit risk as follows:

A. Uninsured and Uncollateralized	\$ -
B. Uninsured and Collateralized with securities held by the pledging banks trust department, but not in the Villages name	<u>56,933</u>
Total	<u>\$ 56,933</u>

<u>Wells Fargo CALIF</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FNCL CUSIP#314104BR6	07-01-36	<u>\$98,470</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	\$433,456	\$ 68,852	\$ 20,000	\$ 501,595
Budget	<u>425,071</u>	<u>68,852</u>	<u>20,000</u>	<u>500,950</u>
Increase (decrease) in receivables	<u>\$ 8,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64</u>
<u>Expenditures</u>				
Actual	\$427,328	\$ 58,143	\$ 15,474	\$ 105,238
Budget	428,306	58,143	15,474	498,462
Depreciation	-	-	-	48,017
Purchase of Capital Assets	-	-	-	(445,361)
Bond Principal Paid	-	-	-	(1,500)
Increase in Compensated Absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,527</u>
Increase (decrease) in payables	<u>\$ (978)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,093</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 <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>June 30, 2008</u>
Buildings	\$ 60,000	\$ -	\$ -	\$ 60,000
Infrastructure	115,000	-	-	115,000
Water system	832,783	419,997	-	1,252,780
Equipment	-	17,500	-	17,500
Land improvements	-	7,864	-	7,864
Sub-total	<u>1,007,783</u>	<u>445,361</u>	<u>-</u>	<u>1,453,144</u>
Less: accumulated depreciation				
Buildings	(32,955)	(1,500)	-	(34,455)
Infrastructure	(63,824)	(2,875)	-	(66,699)
Water system	(56,684)	(40,319)	-	(97,003)
Equipment	-	(1,750)	-	(1,750)
Land improvements	-	(1,573)	-	(1,573)
Sub-total	<u>(153,463)</u>	<u>(48,017)</u>	<u>-</u>	<u>(201,480)</u>
Net capital assets	<u>\$ 854,320</u>	<u>\$ 397,344</u>	<u>\$ -</u>	<u>\$ 1,251,664</u>

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

	Balance <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
Land	\$ 174,014	\$ -	\$ -	\$ 174,014
Total capital assets not being depreciated	<u>174,014</u>	<u>-</u>	<u>-</u>	<u>174,014</u>
Building and improvements	239,321	33,749	-	273,070
Infrastructure	77,496	325,003	-	402,499
Heavy equipment	375,374	-	-	375,374
Vehicles	92,964	-	-	92,964
Equipment	19,235	12,761	-	31,996
Total capital assets being depreciated	<u>804,390</u>	<u>371,513</u>	<u>-</u>	<u>1,175,903</u>
Less accumulated depreciation for:				
Building and improvements	(113,932)	(7,810)	-	(121,742)
Infrastructure	(7,221)	(20,125)	-	(27,346)
Heavy equipment	(144,103)	(42,628)	-	(186,731)
Vehicles	(60,466)	-	-	(60,466)
Equipment	(5,162)	(6,284)	-	(11,446)
Total accumulated depreciation	<u>(330,884)</u>	<u>(76,847)</u>	<u>-</u>	<u>(407,731)</u>
Total capital assets being depreciated	<u>473,506</u>	<u>294,666</u>	<u>-</u>	<u>768,172</u>
Net capital assets	<u>\$ 647,520</u>	<u>\$ 294,666</u>	<u>\$ -</u>	<u>\$ 942,186</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	\$ -	\$ 4,960
Less allowance for uncollectible accounts	-	(1,700)
Subtotal	-	3,260
Gross receipts taxes receivable	1,356	3,267
Intergovernmental	8,418	-
 Total	 <u>\$ 9,774</u>	 <u>\$ 6,527</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, 2008, 2007, and 2006 were \$3,545, \$3,197 and \$4,344 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, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 55,913	\$ 55,913	\$ 57,144	\$ 1,231
Local sources	-	-	-	-
State grant	80,000	80,000	78,047	(1,953)
Federal grant	400,000	400,000	360,000	(40,000)
State shared taxes	1,000	1,000	5,756	4,756
Interest income	30	30	3	(27)
	<u>536,943</u>	<u>536,943</u>	<u>500,950</u>	<u>(35,993)</u>
Total revenues	<u>\$ 536,943</u>	<u>\$ 536,943</u>	<u>\$ 500,950</u>	<u>\$ (35,993)</u>
EXPENDITURES				
Personal services	\$ 40,054	\$ 40,054	\$ 25,296	\$ 14,758
Operating expenses	13,250	13,250	26,042	(12,792)
Capital outlay	482,250	482,250	445,361	36,889
Debt principal	1,100	1,100	1,500	(400)
Debt interest	263	263	263	-
	<u>536,917</u>	<u>536,917</u>	<u>498,462</u>	<u>38,455</u>
Total expenditures	<u>\$ 536,917</u>	<u>\$ 536,917</u>	<u>\$ 498,462</u>	<u>\$ 38,455</u>

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

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

**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, 2008, and have issued our report thereon dated March 19, 2010. 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, 2008. 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, 07-01 Bank Reconciliations and 08-01 Revenue Resources for Post-Closure Costs of Landfill.

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.

Rice & Associates, LLP

March 19, 2010

STATUS OF COMMENTS

Prior Year Audit Findings

1. Segregation of Duties (03-23) - Repeated.
2. Late Audit Report (03-27) - Repeated.
3. Bank Reconciliations (07-01) - Repeated.

Current Year Audit Findings

1. Revenue Resources for Post-Closure Costs of Landfill (08-01)

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.
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 March 1, 2009 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 now has the 2008 audit report completed so the 2009 audit report could be completed immediately, which means the 2010 audit will be submitted by the State Auditors deadline of December 1, 2010.
RESPONSE	The Village is small and the Village Clerk has many other duties such as the local Fire Chief, so the Clerk has tried diligently to ensure the audits are current. Now that the 2008 report has been completed the Village is going to procure an auditor for 2009 as soon as possible. This will then ensure that the 2010 audit report will be submitted timely.

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.

Revenue Resources for Post-Closure Costs of Landfill
(08-01)

CONDITION	The Village is responsible for providing a financial mechanism to pay for all post-closure costs associated with the landfill. The Village has not obtained any resources to date to help with any post-closure costs.
CRITERIA	The Village is responsible for providing resources to pay for post-closure costs of the landfill. This is to ensure that if the Village goes bankrupt that there is still a financial mechanism for the State to use to finish and maintain the post-closure procedures.
CAUSE	The Village was not aware of this requirement. Upon review of the current post-closure payable on the financial statements , it was discovered through discussions with the New Mexico Environment Department that the Village needed to obtain this resource.
EFFECT	The Village has not followed New Mexico Environment Department Solid Waste procedures for closure and post-closure requirements.
RECOMMENDATION	The Village should start investigating all resources from which revenues can be obtained to ensure all post-closure costs can be paid for, especially if the Village becomes bankrupt.
RESPONSE	The Village will start trying to obtain a financial mechanism for the post-closure costs of the landfill as soon as possible.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2008 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 March 19, 2010. In attendance were Mr. Pablo Trujillo, Mayor, Mr. Victor Vigil, Mayor Pro-Tem, Ms. Shawn Jeffrey, Clerk and Ms. Pamela A. Rice, CPA, Contract Auditor.