

***STATE OF NEW MEXICO***

***VILLAGE OF MOSQUERO***

***AUDIT REPORT***

***For the Year Ended June 30, 2009***

***(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, 2009

(with Auditor's Report Thereon)

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
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Year Ended June 30, 2009

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STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Official Roster  
Year Ended June 30, 2009

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
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# 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, 2009, 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, 2009 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, 2009, 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, 2009, 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 November 29, 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.

*Ried & Associates, C.P.A.*

November 29, 2010

**FINANCIAL STATEMENTS**



STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Statement of Net Assets  
June 30, 2009

Statement 1  
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash	\$ 244,944	\$ 15,319	\$ 260,263
Accounts receivable (net of uncollectible accounts)	1,594	5,532	7,126
Total current assets	246,538	20,851	267,389
Restricted Assets			
Debt service reserve (cash)	-	1,161	1,161
Total restricted assets	-	1,161	1,161
Capital Assets			
Land	174,014	-	174,014
Land Improvements	-	7,864	7,864
Equipment	41,798	-	41,798
Buildings	278,574	60,000	338,574
Vehicles	74,950	-	74,950
Heavy equipment	333,719	71,570	405,289
Water system	-	1,431,422	1,431,422
Infrastructure	937,355	115,000	1,052,355
Total capital assets	1,840,410	1,685,856	3,526,266
Less accumulated depreciation	(453,728)	(260,565)	(714,293)
Total capital assets (net of accumulated depreciation)	1,386,682	1,425,291	2,811,973
Total assets	\$ 1,633,220	\$ 1,447,303	\$ 3,080,523

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

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Statement of Net Assets  
June 30, 2009

Statement 1  
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts payable	\$ 3,779	\$ 2,589	\$ 6,368
Revenue bonds payable - current portion	-	2,250	2,250
NMFA loan payable	20,615	-	20,615
Total current liabilities	24,394	4,839	29,233
Non-Current Liabilities			
Landfill closure and post closure liability	-	94,900	94,900
NMFA loan payable	139,381	-	139,381
Compensated absences	1,310	2,915	4,225
Total non-current liabilities	140,691	97,815	238,506
Total liabilities	165,085	102,654	267,739
Net Assets			
Invested in net assets net of related debt	1,226,686	1,328,141	2,554,827
Restricted for debt service	-	1,161	1,161
Unrestricted	241,449	15,347	256,796
Total net assets	1,468,135	1,344,649	2,812,784
Total liabilities and net assets	\$ 1,633,220	\$ 1,447,303	\$ 3,080,523

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, 2009

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
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 78,349	\$ 375	\$ 18,354	\$ 661,150	\$ 601,530	\$ -	\$ 601,530
Public safety	35,364	-	84,146	-	48,782	-	48,782
Culture and recreation	19,450	-	1,500	-	(17,950)	-	(17,950)
Depreciation - unallocated	108,989	-	-	-	(108,989)	-	(108,989)
Interest on long-term debt	4,130	-	-	-	(4,130)	-	(4,130)
Total governmental activities	<u>246,282</u>	<u>375</u>	<u>104,000</u>	<u>661,150</u>	<u>519,243</u>	<u>-</u>	<u>519,243</u>
Business-type activities:							
Water/Sewer expenses	110,831	57,307	1,145	178,642	-	126,263	126,263
Solid waste	22,305	12,263	-	61,866	-	51,824	51,824
Total business-type activities	<u>133,136</u>	<u>69,570</u>	<u>1,145</u>	<u>240,508</u>	<u>-</u>	<u>178,087</u>	<u>178,087</u>
Total all activities	<u>\$ 379,418</u>	<u>\$ 69,945</u>	<u>\$ 105,145</u>	<u>\$ 901,658</u>	<u>519,243</u>	<u>178,087</u>	<u>697,330</u>
General Revenues:							
Property taxes					1,360	-	1,360
Gross receipts taxes					30,704	6,232	36,936
Gasoline taxes					8,743	-	8,743
Motor vehicle taxes					749	-	749
Cigarette taxes					155	-	155
State aid not restricted to special purposes							
General					35,000	-	35,000
Unrestricted investment earnings					659	110	769
Total general revenues					<u>77,370</u>	<u>6,342</u>	<u>83,712</u>
Change in net assets					596,613	184,429	781,042
Net assets - beginning					871,522	1,160,220	2,031,742
Net assets - ending					<u>\$ 1,468,135</u>	<u>\$ 1,344,649</u>	<u>\$ 2,812,784</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, 2009

Statement 3

	General	Fire Protection Fund	Law Enforcement Protection Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash on deposit	\$ 164,998	\$ 65,929	\$ 14,017	\$ 244,944
Accounts receivable	1,594	-	-	1,594
Total assets	<u><b>\$ 166,592</b></u>	<u><b>\$ 65,929</b></u>	<u><b>\$ 14,017</b></u>	<u><b>\$ 246,538</b></u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,779	\$ 1,000	\$ -	\$ 3,779
Total liabilities	<u>2,779</u>	<u>1,000</u>	<u>-</u>	<u>3,779</u>
<b>FUND BALANCE</b>				
Unreserved:				
Undesignated reported in:				
General fund	163,813	-	-	163,813
Special revenue funds	-	64,929	14,017	78,946
Total fund balance	<u>163,813</u>	<u>64,929</u>	<u>14,017</u>	<u>242,759</u>
Total liabilities and fund balance	<u><b>\$ 166,592</b></u>	<u><b>\$ 65,929</b></u>	<u><b>\$ 14,017</b></u>	<u><b>\$ 246,538</b></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, 2009

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

Fund balances - total governmental funds \$ 242,759

Capital assets used in governmental activities  
are not financial resources and, therefore, are  
not reported in the funds 1,386,682

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	(159,996)	
Compensated absences	<u>(1,310)</u>	
		<u>(161,306)</u>
Net assets of governmental activities		<u>\$ 1,468,135</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, 2009

	General	Fire Protection Fund	Law Enforcement Protection Fund	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 1,360	\$ -	\$ -	\$ 1,360
Gross receipts taxes	30,704	-	-	30,704
Gasoline taxes	8,743	-	-	8,743
Motor vehicle taxes	749	-	-	749
Cigarette tax	155	-	-	155
Charges for services	-	-	-	-
Licenses and permits	375	-	-	375
Local sources	18,354	201	-	18,555
State sources	697,650	63,945	20,000	781,595
Federal sources	-	-	-	-
Earnings from investments	338	321	-	659
	<u>758,428</u>	<u>64,467</u>	<u>20,000</u>	<u>842,895</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
General government	78,275	-	-	78,275
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Public safety	6,000	24,622	4,742	35,364
Culture and recreation	19,450	-	-	19,450
Capital outlay	536,813	10,904	5,768	553,485
Debt service:				
Principal	1,321	18,877	-	20,198
Interest	40	4,090	-	4,130
	<u>641,899</u>	<u>58,493</u>	<u>10,510</u>	<u>710,902</u>
Total expenditures				
Net change in fund balances	116,529	5,974	9,490	131,993
Fund balance beginning of year	47,284	58,955	4,527	110,766
Fund balance end of year	<u>\$ 163,813</u>	<u>\$ 64,929</u>	<u>\$ 14,017</u>	<u>\$ 242,759</u>

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

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
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, 2009

Statement 6

Net change in fund balances - total governmental funds \$ 131,993

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	553,485	
Depreciation expense	(108,989)	
Excess of capital outlay over depreciation expense		444,496

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	(74)
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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	20,198
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Change in net assets of governmental activities	\$ 596,613
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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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 1,150	\$ 1,150	\$ 1,122	\$ (28)
Charges for services	-	-	-	-
Licenses and permits	800	800	375	(425)
Local sources	11,000	11,000	18,354	7,354
State sources	1,385,000	1,385,000	706,068	(678,932)
Federal sources	-	-	-	-
State shared taxes	39,154	39,154	40,351	1,197
Earnings from investments	150	150	338	188
	<u>1,437,254</u>	<u>1,437,254</u>	<u>766,608</u>	<u>(670,646)</u>
<b>Total revenues</b>	<b>\$ 1,437,254</b>	<b>\$ 1,437,254</b>	<b>\$ 766,608</b>	<b>\$ (670,646)</b>
<b>EXPENDITURES</b>				
General government	\$ 76,254	\$ 76,254	\$ 76,396	\$ (142)
Public safety	6,000	6,000	6,000	-
Culture and recreation	150,000	150,000	19,450	130,550
Capital outlay	1,200,000	1,200,000	536,813	663,187
Loan principle	2,500	2,500	1,321	1,179
Loan interest	2,500	2,500	40	2,460
	<u>1,437,254</u>	<u>1,437,254</u>	<u>640,020</u>	<u>797,234</u>
<b>Total expenditures</b>	<b>\$ 1,437,254</b>	<b>\$ 1,437,254</b>	<b>\$ 640,020</b>	<b>\$ 797,234</b>

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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ 201	\$ 201
State sources	58,609	58,609	63,945	5,336
Earnings from investments	-	-	321	321
Total revenues	<u>\$ 58,609</u>	<u>\$ 58,609</u>	<u>\$ 64,467</u>	<u>\$ 5,858</u>
EXPENDITURES				
Public safety	\$ 85,500	\$ 85,500	\$ 57,492	\$ 28,008
Total expenditures	<u>\$ 85,500</u>	<u>\$ 85,500</u>	<u>\$ 57,492</u>	<u>\$ 28,008</u>
BUDGETED CASH BALANCE	<u>\$ 26,891</u>	<u>\$ 26,891</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, 2009

	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	\$ 24,000	\$ 24,000	\$ 10,510	\$ 13,490
Total expenditures	<u>\$ 24,000</u>	<u>\$ 24,000</u>	<u>\$ 10,510</u>	<u>\$ 13,490</u>
BUDGETED CASH BALANCE	<u>\$ 4,000</u>	<u>\$ 4,000</u>		

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

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Combining Statement of Net Assets  
Proprietary Funds  
June 30, 2009

Statement 10

	Water & Sewer Fund	Solid Waste Fund	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 15,319	\$ -	\$ 15,319
Accounts receivable (net of allowance)	5,182	350	5,532
Total current assets	20,501	350	20,851
Restricted assets			
Debt service reserve (cash)	1,161	-	1,161
Total restricted assets	1,161	-	1,161
Capital assets			
Land	-	-	-
Property, plant and equipment	1,623,922	61,934	1,685,856
Less accumulated depreciation	(251,817)	(8,748)	(260,565)
Total capital assets net of accumulated depreciation	1,372,105	53,186	1,425,291
Total assets	1,393,767	53,536	1,447,303
<b>LIABILITIES</b>			
Current liabilities			
Cash overdraft	-	-	-
Accounts payable	2,589	-	2,589
Current portion of long term debt	2,250	-	2,250
Total current liabilities	4,839	-	4,839
Noncurrent liabilities			
Compensated absences	2,915	-	2,915
Landfill closure payable	-	94,900	94,900
Total noncurrent liabilities	2,915	94,900	97,815
Total liabilities	7,754	94,900	102,654
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,369,855	(41,714)	1,328,141
Restricted for debt service	1,161	-	1,161
Unrestricted	14,997	350	15,347
Total net assets	<b>\$ 1,386,013</b>	<b>\$ (41,364)</b>	<b>\$ 1,344,649</b>

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

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Proprietary Funds  
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
For the Year Ended June 30, 2009

	Water/Sewer Fund	Solid Waste Fund	Totals
OPERATING REVENUES			
Charges for services	\$ 57,307	\$ 12,263	\$ 69,570
Local sources	1,145	61,866	63,011
Environmental gross receipts taxes	<u>4,963</u>	<u>1,269</u>	<u>6,232</u>
Total operating revenue	<u>63,415</u>	<u>75,398</u>	<u>138,813</u>
OPERATING EXPENSES			
Salaries	28,782	3,000	31,782
Depreciation	51,911	7,175	59,086
Maintenance & operations	<u>29,951</u>	<u>12,130</u>	<u>42,081</u>
Total operating expenses	<u>110,644</u>	<u>22,305</u>	<u>132,949</u>
Operating income (loss)	<u>(47,229)</u>	<u>53,093</u>	<u>5,864</u>
NON-OPERATING REVENUE (EXPENSES)			
Investment income	110	-	110
Investment expense	(187)	-	(187)
Capital grants	178,642	-	178,642
Transfer in	6,394	-	6,394
Transfer out	<u>-</u>	<u>(6,394)</u>	<u>(6,394)</u>
Total Non-Operating Revenue (Expenses)	<u>184,959</u>	<u>(6,394)</u>	<u>178,565</u>
Change in Net Assets	137,730	46,699	184,429
Net assets, beginning of year	<u>1,248,283</u>	<u>(88,063)</u>	<u>1,160,220</u>
Net assets, end of year	<u>\$ 1,386,013</u>	<u>\$ (41,364)</u>	<u>\$ 1,344,649</u>

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

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Proprietary Funds  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2009

Statement 12

	Water/Sewer Fund	Solid Waste Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Received from customers	\$ 64,216	\$ 75,594	\$ 139,810
Cash payment to employees	(28,395)	(3,000)	(31,395)
Cash payments to suppliers	(30,776)	(12,130)	(42,906)
Net cash provided by operating activities	5,045	60,464	65,509
<b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES:</b>			
Principal paid on debt	(1,500)	-	(1,500)
Interest paid on debt	(188)	-	(188)
Acquisition and construction of capital assets	(178,642)	(54,070)	(232,712)
Capital grants	178,642	-	178,642
Net cash provided by capital and related activities	(1,688)	(54,070)	(55,758)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating transfers to other funds	-	(6,394)	(6,394)
Operating transfers from other funds	6,394	-	6,394
Net cash provided (used) by noncapital financing activities	6,394	(6,394)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest	110	-	110
Net cash provided by investing activities	110	-	110
Net increase (decrease) in cash	9,861	-	9,861
Cash, beginning of year	6,619	-	6,619
Cash, end of year	<b>\$ 16,480</b>	<b>\$ -</b>	<b>\$ 16,480</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (47,229)	\$ 53,093	\$ 5,864
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	51,911	7,175	59,086
Changes in assets and liabilities:			
Receivables	801	196	997
Payables	(826)	-	(826)
Compensated absences	388	-	388
Net cash provided (used) by operating activities	<b>\$ 5,045</b>	<b>\$ 60,464</b>	<b>\$ 65,509</b>

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, 2009

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 revenues to be available if they are collected within 30 days

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 major Proprietary Funds.

The *Water and Sewer Fund* is used to account for the activities of the Village's water and wastewater operations.

The *Solid Waste Fund* accounts for the collection and disposal of solid waste.

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

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

Notes to Financial Statements (continued)

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.

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.

Notes to Financial Statements (continued)

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. 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 \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

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

Community First Bank	Reserve Fund	Savings	\$ 1,161
Community First Bank	Law Enforcement Fund	Checking	14,017
Community First Bank	Fire Fund	Checking	40,228
Community First Bank	Utilities Fund	Checking	16,427
Community First Bank	General Fund	Checking	36,802
Community First Bank	CDBG Fund	Checking	200
Wells Fargo	General Fund	Certificate of Deposit	5,767
Wells Fargo	General Fund	Checking	123,555
New Mexico Finance Authority	Fire Fund	Savings	26,294
New Mexico Finance Authority	General Fund	Savings	<u>423</u>
			<b><u>\$264,874</u></b>
	Total amount on deposit		\$264,874
	Deposit in transit		-
	Outstanding checks		<u>(3,450)</u>
	Total per financial statements		<b><u>\$261,424</u></b>

Notes to Financial Statements (continued)

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

	<u>NMFA</u>	<u>Wells Fargo</u>	<u>Community First Bank</u>
Cash on deposit at June 30	\$ 26,717	\$ 129,322	\$ 108,835
Less FDIC	<u>26,717</u>	<u>129,322</u>	<u>108,835</u>
Uninsured funds	-	-	-
Funds needing collateralization at 50% (required by State Law)	-	-	-
Pledged collateral at June 30	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Pledged Collateral	<u>\$ -</u>	<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, 2009, NONE of the Village's bank balance of \$264,874 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>-</u>
Total	<u>\$ -</u>

3. 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.

The Village is permitted to levy taxes for general operating purposes based on taxable value for both residential and

Notes to Financial Statements (continued)

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.

4. ACCOUNTS RECEIVABLES

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

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Receivables from customers	\$ -	\$ 6,882
Less allowance for uncollectible accounts	<u>-</u>	<u>(1,700)</u>
Subtotal	-	5,182
Gross receipts taxes receivable	<u>1,594</u>	<u>350</u>
 Total	 <u><b>\$ 1,594</b></u>	 <u><b>\$ 5,532</b></u>

5. ACCUMULATED UNPAID VACATION LEAVE

Compensated absences are expended in the fund in which the liability is incurred. The General Fund would be liable for \$1,310 and the Water/Sewer Fund would be liable for \$2,914.

<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due Within</u> <u>One Year</u>
<u>\$ 3,763</u>	<u>\$ 461</u>	<u>\$ -</u>	<u>\$ 4,224</u>	<u>\$ -</u>

Notes to Financial Statements (continued)

6. 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, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>\$ 3,750</u>	<u>\$ -</u>	<u>\$ (1,500)</u>	<u>\$ 2,250</u>

  

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	<u>\$ 2,250</u>	<u>\$ 113</u>	<u>\$ 2,363</u>

7. 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:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due Within</u> <u>One Year</u>
NMFA Loan	\$ 164,124	\$ -	\$ 18,877	\$ 145,247	\$ 19,291
NMFA Loan	<u>16,070</u>	<u>-</u>	<u>1,321</u>	<u>14,749</u>	<u>1,324</u>
Total	<u>\$ 180,194</u>	<u>\$ -</u>	<u>\$ 20,198</u>	<u>\$ 159,996</u>	<u>\$ 20,615</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.



Notes to Financial Statements (continued)

Due in Year Ending June 30	Principal	Interest	Total
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><b>\$ 145,247</b></u>	<u><b>\$ 15,553</b></u>	<u><b>\$ 160,800</b></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.

Due in Year Ending June 30	Principal	Interest	Total
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	<u>1,358</u>	<u>3</u>	<u>1,361</u>
	<u><b>\$ 14,749</b></u>	<u><b>\$ 223</b></u>	<u><b>\$ 14,972</b></u>

Notes to Financial Statements (continued)

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>
Actual	\$758,428	\$ 64,467	\$ 20,000
Budget	<u>766,608</u>	<u>64,467</u>	<u>20,000</u>
Increase (decrease) in receivables	<u>\$ (8,180)</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>Expenditures</u>			
Actual	\$641,899	\$ 58,493	\$ 10,510
Budget	640,020	57,492	10,510
Depreciation	-	-	-
Purchase of Capital Assets	-	-	-
Bond Principal Paid	-	-	-
Increase in Compensated Absences	-	-	-
Increase (decrease) in payables	<u>\$ 1,879</u>	<u>\$ 1,001</u>	<u>\$ -</u>

9. CAPITAL ASSETS

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

	<u>Balances June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2009</u>
Buildings	\$ 60,000	\$ -	\$ -	\$ 60,000
Infrastructure (storage tanks)	115,000	-	-	115,000
Water/sewer system	1,252,780	178,642	-	1,431,422
Equipment	17,500	54,070	-	71,570
Land improvements	<u>7,864</u>	<u>-</u>	<u>-</u>	<u>7,864</u>
Sub-total	<u>1,453,144</u>	<u>232,712</u>	<u>-</u>	<u>1,685,856</u>
Less: accumulated depreciation				
Buildings	(34,455)	(1,500)	-	(35,955)
Infrastructure (storage tanks)	(66,699)	(2,875)	-	(69,574)
Water/sewer system	(97,003)	(45,786)	-	(142,789)
Equipment	(1,750)	(7,352)	-	(9,102)
Land improvements	<u>(1,573)</u>	<u>(1,573)</u>	<u>-</u>	<u>(3,146)</u>
Sub-total	<u>(201,480)</u>	<u>(59,086)</u>	<u>-</u>	<u>(260,566)</u>
Net capital assets	<u>\$ 1,251,664</u>	<u>\$ 173,626</u>	<u>\$ -</u>	<u>\$ 1,425,290</u>

Notes to Financial Statements (continued)

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

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
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	273,070	5,504	-	278,574
Infrastructure	402,499	534,856	-	937,355
Heavy equipment	375,374	-	41,655	333,719
Vehicles	92,964	3,323	21,337	74,950
Equipment	<u>31,996</u>	<u>9,802</u>	<u>-</u>	<u>41,798</u>
Total capital assets being depreciated	<u>1,175,903</u>	<u>553,485</u>	<u>62,992</u>	<u>1,666,396</u>
Less accumulated depreciation for:				
Building and improvements	(121,742)	(7,947)	-	(129,689)
Infrastructure	(27,346)	(46,868)	-	(74,214)
Heavy equipment	(186,731)	(38,720)	41,655	(183,796)
Vehicles	(60,466)	(7,494)	21,337	(46,623)
Equipment	<u>(11,446)</u>	<u>(7,960)</u>	<u>-</u>	<u>(19,406)</u>
Total accumulated depreciation	<u>(407,731)</u>	<u>(108,989)</u>	<u>62,992</u>	<u>(453,728)</u>
Total capital assets being depreciated	<u>768,172</u>	<u>444,496</u>	<u>-</u>	<u>1,212,668</u>
Net capital assets	<u>\$ 942,186</u>	<u>\$ 444,496</u>	<u>\$ -</u>	<u>\$ 1,386,682</u>

10. 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, 2009, 2008, and 2007 were \$3,585, \$3,545 and \$3,197 respectively equal to the amount of the required contributions for the year.

Notes to Financial Statements (continued)

11. 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.

12. 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.

13. TRANSFERS

The composition of interfund transfers for the Business-Type Activities during the year are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>
Solid Waste Fund	Water/Sewer Fund
\$6,394	\$6,394

The Village made a one-time transfer from the Solid/Waste Fund to the Water/Sewer Fund to cover one-time expenditures.

**PROPRIETARY FUND  
BUDGET**

STATE OF NEW MEXICO  
 VILLAGE OF MOSQUERO  
 Proprietary Funds - Water and Sewer Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 60,518	\$ 60,518	\$ 63,071	\$ 2,553
Local sources	-	-	1,145	1,145
State sources	-	-	138,642	138,642
Federal sources	400,000	400,000	40,000	(360,000)
Interest income	-	-	110	110
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u><b>\$ 460,518</b></u>	<u><b>\$ 460,518</b></u>	<u><b>\$ 242,968</b></u>	<u><b>\$ (217,550)</b></u>
<b>EXPENDITURES</b>				
Personal services	\$ 36,338	\$ 36,338	\$ 28,395	\$ 7,943
Operating expenses	20,950	20,950	30,776	(9,826)
Capital outlay	400,000	400,000	178,642	221,358
Debt principal	1,000	1,000	1,500	(500)
Debt interest	368	368	187	181
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u><b>\$ 458,656</b></u>	<u><b>\$ 458,656</b></u>	<u><b>\$ 239,500</b></u>	<u><b>\$ 219,156</b></u>
<b>OTHER FINANCING SOURCES</b>				
Transfer in	\$ -	\$ -	\$ 6,394	\$ 6,394
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total other financing sources	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 6,394</b></u>	<u><b>\$ 6,394</b></u>
<b>REVENUES</b>				
Budgetary basis			\$ 242,968	
Accounts receivable			(801)	
			<u>          </u>	
Modified accrual basis			<u><b>\$ 242,167</b></u>	
<b>EXPENDITURES</b>				
Budgetary basis			\$ 239,500	
Depreciation			51,911	
Capital assets purchased			(178,642)	
Principal paid			(1,500)	
Difference in accounts payable/ compensated absences			(438)	
			<u>          </u>	
Modified accrual basis			<u><b>\$ 110,831</b></u>	

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

STATE OF NEW MEXICO  
VILLAGE OF MOSQUERO  
Proprietary Funds - Solid Waste Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 14,500	\$ 14,500	\$ 12,263	\$ (2,237)
Local sources	7,000	7,000	61,866	54,866
Environmental gross receipts taxes	700	700	1,465	765
<b>Total revenues</b>	<b><u>\$ 22,200</u></b>	<b><u>\$ 22,200</u></b>	<b><u>\$ 75,594</u></b>	<b><u>\$ 53,394</u></b>
<b>EXPENDITURES</b>				
Personal services	\$ 5,387	\$ 5,387	\$ 3,000	\$ 2,387
Operating expenses	16,050	16,050	12,130	3,920
<b>Total expenditures</b>	<b><u>\$ 21,437</u></b>	<b><u>\$ 21,437</u></b>	<b><u>\$ 15,130</u></b>	<b><u>\$ 6,307</u></b>
<b>OTHER FINANCING (USES)</b>				
Transfer out	\$ -	\$ -	\$ (6,394)	\$ (6,394)
<b>Total other financing (uses)</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (6,394)</u></b>	<b><u>\$ (6,394)</u></b>
<b>REVENUES</b>				
Budgetary basis			\$ 75,594	
Accounts receivable			(196)	
<b>Modified accrual basis</b>			<b><u>\$ 75,398</u></b>	
<b>EXPENDITURES</b>				
Budgetary basis			\$ 15,130	
Depreciation			7,175	
<b>Modified accrual basis</b>			<b><u>\$ 22,305</u></b>	

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

*Rice and Associates, C.P.A.*

AUDITING  
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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, 2009, and have issued our report thereon dated November 29, 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, 2009. 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 and 10-01 Law Enforcement Contract.

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.

*Rico & Associates, C.P.A.*

November 29, 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.
4. Revenue Resources for Post-Closure Costs of Landfill (08-01) - Repeated.

### **Current Year Audit Findings**

1. Law Enforcement Contract (09-01)

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 2008 audit was not delivered to the State Auditors Office until March, 2010.
EFFECT	State Auditor Rule 2.2.2 9 A(1){c} was not adhered to.
RECOMMENDATION	The village should obtain an auditor for the 2010 audit as soon as possible.
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 2009 report has been completed the Village is going to procure an auditor for 2010 as soon as possible. This will then ensure that the 2011 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.

Law Enforcement Contract  
(09-01)

CONDITION	The Village is not currently providing a police officer for the safety, protection and welfare of the Villages citizens and property.
CRITERIA	Pursuant to NMSA 1978, Section 3-12-4(A) a Village must provide a police officer for the safety, protection and welfare of the Villages citizens and property.
CAUSE	The Village has been unable to obtain a Joint Powers Agreement with the county to ensure a police officer is provided.
EFFECT	The Village could lose its Law Enforcement Protection allotment from the State.
RECOMMENDATION	The Sheriff is providing law enforcement services to the Village as required under NMSA 1978, Section 4-41-2, however, to ensure that the Village receives the annual allotment a current Joint Powers Agreement should be obtained.
RESPONSE	The Sheriff is providing law enforcement services to the Village as required under NMSA 1978, Section 4-41-2, however, to ensure that the Village receives the annual allotment a current Joint Powers Agreement should be obtained. A Joint Powers Agreement has been sent to the Harding County Sheriff's Office as of February 2010 for approval and it has just been approved by the Harding County Commissioners as of September 2010.

### FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2009 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 November 23, 2010. In attendance were Mr. Victor Vigil, Mayor Pro-Tem, Ms. Shawn Jeffrey, Clerk and Ms. Pamela A. Rice, CPA, Contract Auditor.