

**STATE OF NEW MEXICO**  
**VILLAGE OF RUIDOSO**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2009**



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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**

Village of Ruidoso

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June 30, 2009

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**STATE OF NEW MEXICO**

Village of Ruidoso

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**STATE OF NEW MEXICO**

Village of Ruidoso

Official Roster

June 30, 2009

<u>Name</u>	<u>Village Council</u>	<u>Title</u>
Lonnie Ray Nunley		Mayor
Ronald D. Hardeman		Councilor
Michele P. Rebstock		Councilor
James Stoddard		Councilor
Greg Lee Cory		Councilor
Angel C. Shaw		Councilor
Donald A. Williams		Councilor

**Administration**

Debbie Lee	Village Manager
Nancy Klingman	Director of Finance

**FINANCIAL SECTION**

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Accounting & Consulting Group, LLP  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Hector Balderas  
New Mexico State Auditor,  
Village Manager, Mayor and  
Village Council Members  
Village of Ruidoso  
Ruidoso, New Mexico

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, the component unit, each major fund, the budgetary comparisons for the general fund, Ruidoso flood special revenue fund and the aggregate remaining fund information of the Village of Ruidoso, New Mexico (Village) 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 were also engaged to audit the financial statements of each of the Village's nonmajor governmental funds, the budgetary comparisons for the proprietary funds and internal service funds, and the remaining nonmajor governmental 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 Village management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not designed, implemented or monitored the policies and procedures needed to capture, record and present revenues, expenditures, contracts, grants, other agreements, and budgetary information completely and accurately in their financial statements. The severity and pervasiveness of the material weaknesses in the Village's system of internal control over financial reporting has caused significant doubt that all possible material misstatements could be detected by our audit procedures. Because of the magnitude of the possible misstatement of the financial statements that could remain undetected, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the budgetary comparisons for the general fund and the major special revenue fund, and the aggregate remaining fund information, the financial statements of each of the Village's nonmajor governmental and budgetary comparisons for each of the Village's nonmajor governmental funds, major capital project fund, and proprietary 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.

In accordance with Government Auditing Standards, we have also issued our report dated May 12, 2011 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

We were engaged to conduct an audit for the purpose of forming opinions on the Village's basic financial statements, the discretely presented component unit, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards (Schedule V) is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The accompanying information listed as supporting Schedules I through IV in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Because of the significance of the matters discussed in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion regarding whether schedules I through IV or the Schedule of Expenditures of Federal Awards (Schedule V) are fairly stated, in all material respects, in relation to the basic financial statements and the remaining nonmajor governmental fund financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

*Accounting & Consulting Group, L.L.P.*

Accounting & Consulting Group, LLP  
Roswell, New Mexico  
May 12, 2011

**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**

Village of Ruidoso

Statement of Net Assets

June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 13,605,526	\$ 1,057,664	\$ 14,663,190	\$ -
Investments	4,029,482	7,222,181	11,251,663	3,542,198
Receivables:				
Property taxes receivable	145,927	-	145,927	-
Other taxes receivable	1,256,608	416,977	1,673,585	-
Other receivables	140,694	-	140,694	1,697
Customer receivables, net of allowance	-	765,431	765,431	359,838
Prepaid expenses	7,026	-	7,026	-
Total current assets	<u>19,185,263</u>	<u>9,462,253</u>	<u>28,647,516</u>	<u>3,903,733</u>
Noncurrent assets				
Restricted cash and cash equivalents	717,189	-	717,189	-
Capital assets	80,644,783	86,364,670	167,009,453	11,649,272
Less: accumulated depreciation	(42,508,772)	(45,201,951)	(87,710,723)	(6,808,317)
Bond issuance costs, net	117,411	89,280	206,691	-
Total noncurrent assets	<u>38,970,611</u>	<u>41,251,999</u>	<u>80,222,610</u>	<u>4,840,955</u>
Total assets	<u>\$ 58,155,874</u>	<u>\$ 50,714,252</u>	<u>\$ 108,870,126</u>	<u>\$ 8,744,688</u>

The accompanying notes are an integral part of these financial statements

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Current liabilities				
Cash deficit	\$ -	\$ -	\$ -	\$ 1,047,204
Accounts payable	508,905	340,885	849,790	21,548
Accrued payroll expenses	177,624	76,430	254,054	-
Accrued compensated absences	-	397	397	-
Accrued interest	179,213	55,237	234,450	-
Due to other funds	-	421	421	-
Meter deposits	-	432,494	432,494	-
Current portion of bonds and notes payable	1,455,672	303,963	1,759,635	68,758
Total current liabilities	2,321,414	1,209,827	3,531,241	1,137,510
Noncurrent liabilities				
Accrued compensated absences	584,458	168,734	753,192	-
Bond premiums, net	81,720	-	81,720	-
Bonds and notes payable	21,324,697	1,286,570	22,611,267	1,120,307
Total noncurrent liabilities	21,990,875	1,455,304	23,446,179	1,120,307
Total liabilities	24,312,289	2,665,131	26,977,420	2,257,817
<b>Net Assets</b>				
Invested in capital assets, net of related debt	15,355,642	39,572,186	54,927,828	3,651,890
Restricted for: (Note 18)				
Debt service	647,464	-	647,464	-
Other purposes	5,413,009	-	5,413,009	-
Unrestricted	12,427,470	8,476,935	20,904,405	2,834,981
Total net assets	33,843,585	48,049,121	81,892,706	6,486,871
Total liabilities and net assets	\$ 58,155,874	\$ 50,714,252	\$ 108,870,126	\$ 8,744,688

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Statement of Activities  
For the Year Ending June 30, 2009

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General government	\$ 3,332,077	\$ 49,911	\$ 490,283	\$ -
Public safety	11,668,530	63	502,733	850
Public works	6,733,452	-	632,996	1,491,999
Culture and recreation	2,633,501	421,920	144,463	-
Health and welfare	5,090,332	7,190	40,351	5,808,366
Interest on long-term debt	888,757	-	-	-
<i>Total governmental activities</i>	<u>30,346,649</u>	<u>479,084</u>	<u>1,810,826</u>	<u>7,301,215</u>
<b>Business-type Activities:</b>				
Utility	11,355,120	5,974,554	275,000	-
Airport	2,628,160	1,012,044	97,546	-
Solid Waste	2,521,548	2,983,064	10,000	-
<i>Total business-type activities</i>	<u>16,504,828</u>	<u>9,969,662</u>	<u>382,546</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 46,851,477</u>	<u>\$ 10,448,746</u>	<u>\$ 2,193,372</u>	<u>\$ 7,301,215</u>
<b>Component Unit</b>				
Regional Wastewater Treatment Plant	<u>1,872,404</u>	<u>3,563,348</u>	<u>30,000</u>	<u>-</u>
<b>General Revenues:</b>				
Taxes:				
Property taxes, levied for general purposes				
Gross receipts taxes				
Gasoline and motor vehicle taxes				
Other taxes				
Licenses and fees				
Fines, forfeitures, and penalties				
Investment income				
Miscellaneous income				
Extraordinary loss (Note 14)				
Transfers				
<b>Total general revenues, extraordinary items, and transfers</b>				
<b>Change in net assets</b>				
Net assets, beginning				
Restatement				
Net assets, beginning as restated				
<b>Net assets, ending</b>				

The accompanying notes are an integral part of these financial statements

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$ (2,791,883)	\$ -	\$ (2,791,883)	
(11,164,884)	-	(11,164,884)	
(4,608,457)	-	(4,608,457)	
(2,067,118)	-	(2,067,118)	
765,575	-	765,575	
(888,757)	-	(888,757)	
<u>(20,755,524)</u>	<u>-</u>	<u>(20,755,524)</u>	
-	(5,105,566)	(5,105,566)	
-	(1,518,570)	(1,518,570)	
-	471,516	471,516	
<u>-</u>	<u>(6,152,620)</u>	<u>(6,152,620)</u>	
<u>(20,755,524)</u>	<u>(6,152,620)</u>	<u>(26,908,144)</u>	
<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 1,720,944</u>
2,137,399	-	2,137,399	-
12,008,383	5,482,733	17,491,116	-
233,514	-	233,514	-
1,855,092	-	1,855,092	-
703,102	-	703,102	-
76,966	-	76,966	-
172,829	50,509	223,338	1,432
2,078,929	606,311	2,685,240	92,556
(14,565,988)	-	(14,565,988)	-
(3,978,232)	4,321,846	343,614	(343,614)
<u>721,994</u>	<u>10,461,399</u>	<u>11,183,393</u>	<u>(249,626)</u>
<u>(20,033,530)</u>	<u>4,308,779</u>	<u>(15,724,751)</u>	<u>1,471,318</u>
53,953,224	43,740,342	97,693,566	5,015,553
(76,109)	-	(76,109)	-
<u>53,877,115</u>	<u>43,740,342</u>	<u>97,617,457</u>	<u>5,015,553</u>
<u>\$ 33,843,585</u>	<u>\$ 48,049,121</u>	<u>\$ 81,892,706</u>	<u>\$ 6,486,871</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**

Village of Ruidoso  
Balance Sheet  
Governmental Funds  
June 30, 2009

	<u>General Fund</u>	<u>Ruidoso Flood</u>	<u>GO Bond RWWTP</u>
<i>Assets</i>			
Cash and cash equivalents	\$ 860,795	\$ 1,078,719	\$ 9,864,949
Investments	2,264,318	-	-
Receivables:			
Property taxes	145,927	-	-
Other taxes receivable	823,209	-	-
Other receivables	1,278	-	-
Prepaid expenses	1,290	-	-
Due from other funds	117,297	-	-
	<hr/>	<hr/>	<hr/>
<i>Total assets</i>	<u>\$ 4,214,114</u>	<u>\$ 1,078,719</u>	<u>\$ 9,864,949</u>
<i>Liabilities and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 56,620	\$ 306,897	\$ 122,120
Accrued payroll expenses	145,804	-	-
Other accrued expenses	-	-	-
Accrued compensated absences	-	-	-
Deferred property tax revenue	111,062	-	-
Due to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total liabilities</i>	<u>313,486</u>	<u>306,897</u>	<u>122,120</u>
<i>Fund balances</i>			
Reserved for:			
Debt service, repair and replacement	-	-	-
Prepaid expenses	1,290	-	-
Unreserved, reported in:			
General fund	3,899,338	-	-
Special revenue	-	771,822	-
Capital projects	-	-	9,742,829
	<hr/>	<hr/>	<hr/>
<i>Total fund balances</i>	<u>3,900,628</u>	<u>771,822</u>	<u>9,742,829</u>
	<hr/>	<hr/>	<hr/>
<i>Total liabilities and fund balances</i>	<u>\$ 4,214,114</u>	<u>\$ 1,078,719</u>	<u>\$ 9,864,949</u>

The accompanying notes are an integral part of these financial statements



Other Governmental Funds	Total
\$ 2,420,078	\$ 14,224,541
1,674,975	3,939,293
-	145,927
433,399	1,256,608
139,416	140,694
1,887	3,177
-	117,297
<u>\$ 4,669,755</u>	<u>\$ 19,827,537</u>
\$ 14,791	\$ 500,428
19,520	165,324
-	-
-	-
-	111,062
117,297	117,297
<u>151,608</u>	<u>894,111</u>
638,754	638,754
1,887	3,177
-	3,899,338
3,877,506	4,649,328
-	9,742,829
<u>4,518,147</u>	<u>18,933,426</u>
<u>\$ 4,669,755</u>	<u>\$ 19,827,537</u>

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STATE OF NEW MEXICO

Village of Ruidoso

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2009

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$ 18,933,426
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	38,136,011
Less capital assets included in internal service funds	(101,990)
Bond issuance costs used in governmental activities are not financial resources and, therefore, are not reported in the funds	117,411
Internal service funds are used by management to charge the costs of merit compensation and government-wide internal services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	260,360
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities	111,062
Certain liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Accrued interest	(179,213)
Bond premiums	(81,720)
Accrued compensated absences	(584,458)
Accrued compensated absences - internal service fund	13,065
Bonds and notes payable	<u>(22,780,369)</u>
Net assets of governmental activities	<u>\$ 33,843,585</u>

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ending June 30, 2009

	General	Ruidoso Flood	GO Bond RWTP
<i>Revenues:</i>			
Taxes:			
Property	\$ 2,026,337	\$ -	\$ -
Gross receipts	10,168,895	-	-
Gasoline and motor vehicle	143,716	-	-
Other	578,551	-	-
Intergovernmental			
Federal operating grants	10,000	-	-
Federal capital grants	850	4,960,322	1,412,927
State operating grants	597,959	-	-
State capital grants	-	848,044	-
Charges for services	172,179	-	-
Licenses and fees	516,193	-	-
Fines, forfeitures, and penalties	76,966	-	-
Investment income	70,826	-	80,357
Miscellaneous	1,816,909	-	1,560
<i>Total revenues</i>	<u>16,179,381</u>	<u>5,808,366</u>	<u>1,494,844</u>
<i>Expenditures:</i>			
Current:			
General government	1,930,933	-	-
Public safety	9,860,828	-	-
Public works	2,522,569	-	621,760
Culture and recreation	554,295	-	-
Health and welfare	-	5,036,544	-
Capital outlay	131,261	-	3,128,651
Debt service:			
Principal	53,930	-	-
Interest	8,685	-	367,280
<i>Total expenditures</i>	<u>15,062,501</u>	<u>5,036,544</u>	<u>4,117,691</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,116,880</u>	<u>771,822</u>	<u>(2,622,847)</u>
<i>Other financing sources (uses)</i>			
Transfers in	3,883,364	-	-
Transfers out	(3,178,850)	-	(94,883)
Proceeds from debt issuance	3,352	-	100,000
<i>Total other financing sources (uses)</i>	<u>707,866</u>	<u>-</u>	<u>5,117</u>
<i>Net change in fund balance</i>	1,824,746	771,822	(2,617,730)
<i>Fund balance - beginning of year</i>	<u>2,075,882</u>	<u>-</u>	<u>12,360,559</u>
<i>Fund balance - end of year</i>	<u>\$ 3,900,628</u>	<u>\$ 771,822</u>	<u>\$ 9,742,829</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ -	\$ 2,026,337
1,839,488	12,008,383
89,798	233,514
1,276,541	1,855,092
-	10,000
-	6,374,099
1,202,867	1,800,826
79,072	927,116
306,905	479,084
186,909	703,102
-	76,966
21,646	172,829
260,460	2,078,929
<u>5,263,686</u>	<u>28,746,277</u>
783,774	2,714,707
396,740	10,257,568
804,092	3,948,421
1,836,300	2,390,595
52,956	5,089,500
706,354	3,966,266
722,724	776,654
478,140	854,105
<u>5,781,080</u>	<u>29,997,816</u>
<u>(517,394)</u>	<u>(1,251,539)</u>
2,023,761	5,907,125
(7,547,331)	(10,821,064)
-	103,352
<u>(5,523,570)</u>	<u>(4,810,587)</u>
(6,040,964)	(6,062,126)
<u>10,559,111</u>	<u>24,995,552</u>
<u>\$ 4,518,147</u>	<u>\$ 18,933,426</u>

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**STATE OF NEW MEXICO**

Village of Ruidoso

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ending June 30, 2009

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds	\$	(6,062,126)
--	----	-------------

Governmental funds report capital outlays as expenditures. However, in  
the statement of activities, the cost of those assets is allocated over their  
estimated useful lives and reported as depreciation expense:

Capital expenditures recorded in capital outlay		3,966,266
Depreciation expense		(3,844,784)
Extraordinary loss		(14,565,988)

Revenues in the statement of activities that do not provide current financial  
resources are not reported as revenue in the governmental funds:

Increase in deferred revenue		30,818
------------------------------	--	--------

Expenses reported in the statement of activities that do require the use of  
current financial resources and therefore are not reported as expenditures in  
the governmental funds:

Increase in accrued compensated absences		(132,284)
Increase in accrued interest		(34,652)

Internal service funds are used by management to charge the costs of merit  
compensation and government-wide internal services to individual funds. The net  
revenue of certain activities of internal service funds is reported with governmental  
activities.

(84,679)

The issuance of long-term debt (e.g. bonds, notes, leases) 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. Neither  
transaction, however, has any effect on net assets. Also, governmental funds  
report the effect of premiums and similar items when debt is first issued, whereas  
these amounts are deferred and amortized in the statement of activities:

Amortization of bond issuance costs		15,644
Accretion of bond premiums		4,953
Proceeds from the issuance of debt		(103,352)
Principal payments on bonds and notes payable		776,654
		776,654

Change in net assets of governmental activities	\$	<u><u>(20,033,530)</u></u>
---	----	----------------------------

## STATE OF NEW MEXICO

Exhibit C-1

## Village of Ruidoso

## General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ 1,476,200	\$ 1,964,126	\$ 487,926
Gross receipts	-	5,531,718	5,158,478	(373,240)
Gasoline and motor vehicle	-	255,200	130,684	(124,516)
Other	-	613,053	568,408	(44,645)
Intergovernmental income:				
Federal operating grants	-	25,000	10,000	(15,000)
Federal capital grants	-	-	850	850
State operating grants	-	799,122	597,959	(201,163)
State capital grants	-	-	-	-
Charges for services	-	277,550	172,179	(105,371)
Licenses and fees	-	535,397	485,015	(50,382)
Fines, forfeitures and penalties	-	55,000	76,966	21,966
Investment income	-	85,000	70,826	(14,174)
Miscellaneous	-	121,542	1,816,909	1,695,367
<i>Total revenues</i>	-	9,774,782	11,052,400	1,277,618
<i>Expenditures:</i>				
Current:				
General government	2,179,505	2,184,505	1,979,987	204,518
Public safety	5,160,704	5,108,219	4,994,139	114,080
Public works	2,250,631	2,328,472	2,240,971	87,501
Culture and recreation	597,852	597,852	546,698	51,154
Health and welfare	-	-	-	-
Capital outlay	260,600	768,994	428,440	340,554
Debt service:				
Principal	26,651	26,651	21,830	4,821
Interest	-	-	-	-
<i>Total expenditures</i>	10,475,943	11,014,693	10,212,065	802,628
<i>Excess (deficiency) of revenues over expenditures</i>	(10,475,943)	(1,239,911)	840,335	2,080,246
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	10,475,943	1,036,541	-	(1,036,541)
Transfers in	-	1,778,263	3,883,364	2,105,101
Transfers out	-	(1,574,893)	(3,178,850)	(1,603,957)
<i>Total other financing sources (uses)</i>	10,475,943	1,239,911	704,514	(535,397)
<i>Net change in fund balance</i>	-	-	1,544,849	1,544,849
<i>Fund balance - beginning of year</i>	-	-	1,591,470	1,591,470
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 3,136,319	\$ 3,136,319
Net change in fund balance (non-GAAP budgetary basis)				\$ 1,544,849
Adjustments to revenues for receivables and deferred property tax revenue				5,130,333
Adjustments to expenditures for prepaid expenses, accounts payable and accrued payroll				(4,850,436)
Net change in fund balance (GAAP)				\$ 1,824,746

The accompanying notes are an integral part of these financial statements



## STATE OF NEW MEXICO

Exhibit C-2

## Village of Ruidoso

## Ruidoso Flood Special Revenue Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

## Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	14,918,361	4,960,322	(9,958,039)
State operating grants	-	-	-	-
State capital grants	-	-	848,044	848,044
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>14,918,361</u>	<u>5,808,366</u>	<u>(9,109,995)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	15,755,517	4,729,647	11,025,870
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>15,755,517</u>	<u>4,729,647</u>	<u>11,025,870</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(837,156)</u>	<u>1,078,719</u>	<u>1,915,875</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	837,156	-	(837,156)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>837,156</u>	<u>-</u>	<u>(837,156)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>1,078,719</u>	<u>1,078,719</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,078,719</u>	<u>\$ 1,078,719</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 1,078,719
No adjustments to revenues				-
Adjustments to expenditures for accounts payable				(306,897)
Net change in fund balance (GAAP)				<u>\$ 771,822</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit D-1

Village of Ruidoso  
Statement of Net Assets  
Proprietary Funds  
June 30, 2009

	Utility	Airport	Solid Waste	Total	Internal Service Fund
<i>Assets</i>					
<i>Current assets</i>					
Cash and cash equivalents	\$ 343,602	\$ 200	\$ 713,862	\$ 1,057,664	\$ 98,174
Investments	6,717,326	-	504,855	7,222,181	90,189
Receivables:					
Other taxes	392,450	-	24,527	416,977	-
Customer receivables, net of allowance	515,821	-	249,610	765,431	-
Prepaid expenses	-	-	-	-	3,849
<i>Total current assets</i>	<u>7,969,199</u>	<u>200</u>	<u>1,492,854</u>	<u>9,462,253</u>	<u>192,212</u>
<i>Noncurrent assets</i>					
Capital assets	59,089,319	23,380,206	3,895,145	86,364,670	115,745
Accumulated depreciation	(29,895,018)	(13,160,534)	(2,146,399)	(45,201,951)	(13,755)
Bond issuance costs, net	71,514	17,766	-	89,280	-
<i>Total noncurrent assets</i>	<u>29,265,815</u>	<u>10,237,438</u>	<u>1,748,746</u>	<u>41,251,999</u>	<u>101,990</u>
<i>Total Assets</i>	<u>\$ 37,235,014</u>	<u>\$ 10,237,638</u>	<u>\$ 3,241,600</u>	<u>\$ 50,714,252</u>	<u>\$ 294,202</u>
<i>Liabilities and Net Assets</i>					
<i>Liabilities</i>					
<i>Current liabilities</i>					
Accounts payable	\$ 78,779	\$ 35,661	\$ 226,445	\$ 340,885	\$ 8,477
Accrued payroll expenses	39,184	8,376	28,870	76,430	12,300
Accrued compensated absences	-	397	-	397	-
Meter and other refundable deposits	432,494	-	-	432,494	-
Due to other funds	-	-	421	421	-
Accrued interest payable	21,793	16,770	16,674	55,237	-
Current portion of notes payable	-	58,765	245,198	303,963	-
<i>Total current liabilities</i>	<u>572,250</u>	<u>119,969</u>	<u>517,608</u>	<u>1,209,827</u>	<u>20,777</u>
<i>Noncurrent liabilities</i>					
Accrued compensated absences	126,015	16,457	26,262	168,734	13,065
Notes payable	1,216,141	70,429	-	1,286,570	-
<i>Total noncurrent liabilities</i>	<u>1,342,156</u>	<u>86,886</u>	<u>26,262</u>	<u>1,455,304</u>	<u>13,065</u>
<i>Total liabilities</i>	<u>1,914,406</u>	<u>206,855</u>	<u>543,870</u>	<u>2,665,131</u>	<u>33,842</u>
<i>Net Assets</i>					
Invested in capital assets, net of related debt	27,978,160	10,090,478	1,503,548	39,572,186	101,990
Unrestricted net assets	7,342,448	(59,695)	1,194,182	8,476,935	158,370
<i>Total net assets</i>	<u>35,320,608</u>	<u>10,030,783</u>	<u>2,697,730</u>	<u>48,049,121</u>	<u>260,360</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 37,235,014</u>	<u>\$ 10,237,638</u>	<u>\$ 3,241,600</u>	<u>\$ 50,714,252</u>	<u>\$ 294,202</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Village of Ruidoso  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Proprietary Funds  
 For the Year Ended June 30, 2009

	Utility	Airport	Solid Waste	Total	Internal Service Fund
<i>Operating revenues:</i>					
Charges for services	\$ 5,974,554	\$ 1,012,044	\$ 2,983,064	\$ 9,969,662	\$ -
<i>Total operating revenues</i>	<u>5,974,554</u>	<u>1,012,044</u>	<u>2,983,064</u>	<u>9,969,662</u>	<u>-</u>
<i>Operating expenses:</i>					
General and administrative	607,644	736,762	681,009	2,025,415	-
Personnel services	6,434,086	550,226	970,619	7,954,931	605,442
Contractual services	364,413	34,259	43,470	442,142	-
Supplies and purchased power	315,372	20,490	21,782	357,644	-
Maintenance and materials	1,014,339	248,407	578,797	1,841,543	681,320
Utilities	260,031	64,206	24,302	348,539	-
Amortization	3,259	5,076	-	8,335	-
Depreciation	1,960,359	861,370	148,512	2,970,241	13,755
<i>Total operating expenses</i>	<u>10,959,503</u>	<u>2,520,796</u>	<u>2,468,491</u>	<u>15,948,790</u>	<u>1,300,517</u>
<i>Operating income (loss)</i>	<u>(4,984,949)</u>	<u>(1,508,752)</u>	<u>514,573</u>	<u>(5,979,128)</u>	<u>(1,300,517)</u>
<i>Non-operating revenues (expenses):</i>					
Operating grants	275,000	97,546	10,000	382,546	-
Interest income	45,378	1,274	3,857	50,509	188,363
Interest expense	(216,019)	(84,842)	(53,057)	(353,918)	-
Gross receipts tax revenue	5,298,598	-	184,135	5,482,733	-
Gross receipts tax expense	(179,598)	(22,522)	-	(202,120)	-
Miscellaneous	561,863	10,503	33,945	606,311	91,768
<i>Total non-operating revenues (expenses)</i>	<u>5,785,222</u>	<u>1,959</u>	<u>178,880</u>	<u>5,966,061</u>	<u>280,131</u>
Transfers in	4,439,422	731,771	-	5,171,193	957,871
Transfers out	(518,879)	(92,653)	(237,815)	(849,347)	(22,164)
<i>Capital grants and net transfers</i>	<u>3,920,543</u>	<u>639,118</u>	<u>(237,815)</u>	<u>4,321,846</u>	<u>935,707</u>
<i>Change in net assets</i>	<u>4,720,816</u>	<u>(867,675)</u>	<u>455,638</u>	<u>4,308,779</u>	<u>(84,679)</u>
<i>Beginning net assets</i>	<u>30,599,792</u>	<u>10,898,458</u>	<u>2,242,092</u>	<u>43,740,342</u>	<u>345,039</u>
<i>Net assets, end of year</i>	<u>\$ 35,320,608</u>	<u>\$ 10,030,783</u>	<u>\$ 2,697,730</u>	<u>\$ 48,049,121</u>	<u>\$ 260,360</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2009

	Utility	Airport	Solid Waste
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 5,399,214	\$ 1,032,582	\$ 3,022,681
Cash payments to employees for services	(6,454,285)	(553,578)	(969,511)
Cash payments to suppliers for goods and services	(3,675,211)	(1,034,909)	(1,122,915)
<i>Net cash provided (used) by operating activities</i>	<u>(4,730,282)</u>	<u>(555,905)</u>	<u>930,255</u>
<i>Cash flows from noncapital financing activities:</i>			
Operating grants	275,000	97,546	10,000
Net gross receipts taxes received	5,119,000	(22,522)	159,608
Net miscellaneous income and expenses	603,083	202,405	(1,029,083)
Change in noncurrent accrued compensated absences	37,547	(25,639)	(27,454)
Internal transfers and loans	3,920,963	496,956	(237,815)
<i>Net cash provided (used) by noncapital financing activities</i>	<u>9,955,593</u>	<u>748,746</u>	<u>(1,124,744)</u>
<i>Cash flows from capital and related financing activities:</i>			
Acquisition of capital assets	(1,874,072)	(40,773)	(35,000)
Proceeds from issuance of long-term debt	-	(88,500)	-
Principal paid on capital debt	251,071	2,950	203,840
Interest paid on capital debt	(199,943)	(68,072)	(42,124)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(1,822,944)</u>	<u>(194,395)</u>	<u>126,716</u>
<i>Cash flows from investing activities:</i>			
Interest on investments	45,378	1,274	3,857
Net acquisition/disposition of investments	(4,425,376)	-	(469,855)
<i>Net cash provided by (used) from investing activities</i>	<u>(4,379,998)</u>	<u>1,274</u>	<u>(465,998)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	(977,631)	(280)	(533,771)
<i>Cash and cash equivalents - beginning of year</i>	3,613,183	480	1,282,633
<i>Restatement</i>	(2,291,950)	-	(35,000)
<i>Cash and cash equivalents - beginning of year, restated</i>	<u>1,321,233</u>	<u>480</u>	<u>1,247,633</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 343,602</u>	<u>\$ 200</u>	<u>\$ 713,862</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (4,984,949)	\$ (1,508,752)	\$ 514,573
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	1,960,359	861,370	148,512
Amortization	3,259	5,076	-
Changes in assets and liabilities			
Receivables	(575,340)	20,538	39,617
Inventory	155,443	40,079	-
Prepaid expenses	-	-	-
Accounts payable	(1,268,855)	29,136	226,445
Accrued payroll expenses	(20,199)	(3,749)	1,108
Accrued compensated absences	-	397	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ (4,730,282)</u>	<u>\$ (555,905)</u>	<u>\$ 930,255</u>

The accompanying notes are an integral part of these financial statements

<u>Total</u>	<u>Internal Service</u>
\$ 9,454,477	\$ -
(7,977,374)	(605,890)
(5,833,035)	(643,411)
<u>(4,355,932)</u>	<u>(1,249,301)</u>
382,546	-
5,256,086	-
(223,595)	91,768
(15,546)	(7,882)
<u>4,180,104</u>	<u>935,707</u>
<u>9,579,595</u>	<u>1,019,593</u>
(1,949,845)	-
(88,500)	-
457,861	-
<u>(310,139)</u>	<u>-</u>
<u>(1,890,623)</u>	<u>-</u>
50,509	188,363
(4,895,231)	29,811
<u>(4,844,722)</u>	<u>218,174</u>
(1,511,682)	(11,534)
4,896,296	229,708
(2,326,950)	(120,000)
<u>2,569,346</u>	<u>109,708</u>
<u>\$ 1,057,664</u>	<u>\$ 98,174</u>
\$ (5,979,128)	\$ (1,300,517)
2,970,241	13,755
8,335	-
(515,185)	-
195,522	33,281
-	(3,849)
(1,013,274)	8,477
(22,840)	(448)
397	-
<u>\$ (4,355,932)</u>	<u>\$ (1,249,301)</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Statement of Fiduciary Assets and Liabilities - Agency Funds  
June 30, 2009

Exhibit E-1

<i>Assets</i>	
Cash	<u><u>\$ 5,886</u></u>
<i>Liabilities</i>	
Deposits held in trust for others	<u><u>\$ 5,886</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Notes to Financial Statements  
June 30, 2009

**NOTE 1. Summary of Significant Accounting Policies**

The Village of Ruidoso (the “Village”) is a political subdivision of the State of New Mexico established and regulated by the constitution of the State of New Mexico. The Village was incorporated during 1945, under the New Mexico Constitution, Article X, Section 6, into its present Commission-Manager form of government. The Village has an elected mayor and six-member council. The Village provides the following services as authorized by its charter: public law, public safety (police and fire); highways and streets, sanitation, health and social services, cultural and recreation, public infrastructure improvements, planning and zoning, and general administrative services.

The Village of Ruidoso is a body politic and corporate under the name and form of government selected by its qualified electors. The Village may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

The summary of significant accounting policies of the Village is presented to assist in the understanding of the Village’s financial statements. The financial statements and notes are the representation of the Village’s management who is responsible for their integrity and objectivity. The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their government-wide financial statements, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance. The more significant of the Village’s accounting policies are described below.

**A. Financial Reporting Entity**

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No.’s 14 and 39.

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.

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Notes to Financial Statements  
June 30, 2009

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**A. Financial Reporting Entity (continued)**

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 Village of Ruidoso and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Village 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 Village is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Village has a component unit, the Village of Ruidoso and City of Ruidoso Downs Regional Wastewater Treatment Plant (Plant).

The financial statements of the Plant have been included in the Village's financial statements as a "discretely presented" component unit.

This component unit has a separate board and provides wastewater treatment services to the Village and the City of Ruidoso Downs, New Mexico generally within the governments' boundaries. The Plant is reported as a proprietary fund type. The Village appoints some of the board members, performs all administrative functions including all accounting duties, and is able to impose its will on the Plant. Additionally, the Village's manager is responsible for the daily operations of the Plant.

Separately issued financial statements may be obtained directly from their administrative offices as follows: Village Clerk, Village of Ruidoso, 313 Cree Meadows Drive, Ruidoso, NM 88345.

There are no other component units during the fiscal year ended June 30, 2009.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.



**STATE OF NEW MEXICO**  
Village of Ruidoso  
Notes to Financial Statements  
June 30, 2009

**NOTE 1. Summary of Significant Accounting Policies (continued)**

***B. Government-wide and fund financial statements (continued)***

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 operational 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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 and fiduciary 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 levied. 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, 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, subject to the availability criterion. 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, subject to the availability criterion. 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.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Village's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of Village facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Notes to Financial Statements  
June 30, 2009

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

The Village reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Village does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Governmental funds are used to account for the Village's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and the servicing of general long-term debt.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Village's enterprise fund is charges for services for the Village's utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under the requirements of GASB No. 34, the Village is required to present certain of its governmental funds as major based upon specific criteria.

The Village 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. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Village except for items included in other funds.

The *Ruidoso Flood Special Revenue Fund* accounts the federal reimbursement of funds from a signed Presidential disaster declaration; for the reparation, restoration, mitigation, and construction of Village property including infrastructure. Authority for the creation of this fund is budget approval by Village Council.

The *GO Bond Regional Wastewater Treatment Plant Capital Projects Fund* accounts for bond proceeds for the Village's cost of constructing and equipping the wastewater treatment plant.

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Notes to Financial Statements  
June 30, 2009

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

The Village reports its proprietary funds as major funds. Proprietary funds include:

The *Utility Fund* accounts for water and wastewater (sewer) system services provided for residents of the Village, including administration, operations, maintenance, debt service, billing and collection. Utility services are provided to Village residents.

The *Airport Fund* accounts for the air service activities of the Village's airport, including administration operations, maintenance, debt service, billing and collection.

The *Solid Waste Fund* accounts for the operations of the Village's refuse collection and disposal services, including yard waste disposal. Revenues are generated through user charges. Refuse collection services are provided to Village residents.

Additionally, the government reports the following fund types:

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Proprietary Funds* are used to account for activities similar to those found in the private sector where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

The *Fiduciary Funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The Village's fiduciary funds are used to account for the collection and payment of taxes, water meter deposits, crime lab fees, and bail bond fees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

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

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Notes to Financial Statements  
June 30, 2009

**NOTE 1. Summary of Significant Accounting Policies (continued)**

***D. Assets, Liabilities and Net Assets or Equity***

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

State statutes authorize the Village to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the Village are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

**Receivables and Payables:** Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied, net of estimated refunds and uncollectible amounts.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10<sup>th</sup> and April 10<sup>th</sup> are considered delinquent and the Village may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Lincoln County and remitted monthly to the Village.

**Inventory:** The Village's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost and consists of supplies and materials. The cost of purchased supplies and materials is recorded as an expenditure at the time individual inventory items are consumed.

**Prepaid Items:** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Restricted Assets:** Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Notes to Financial Statements  
June 30, 2009

**NOTE 1. Summary of Significant Accounting Policies (continued)**

***D. Assets, Liabilities and Net Assets or Equity (continued)***

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column 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. Such assets are recorded at historical cost if purchased or constructed. Because the Village is a phase III government for purposes of implementing GASB 34, it is not required to retroactively report its major general infrastructure assets. However, it must report all infrastructure assets purchased or built after July 1, 2003. Donated capital assets are recorded at estimated fair market value at the date of donation. The Village does not develop any software. Library books are expensed when purchased because their estimated useful life is less than one year.

The costs 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. Construction related interest is capitalized only in the proprietary funds.

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

<u>Assets</u>	<u>Years</u>
Land improvements	40
Buildings and improvements	40
Utility systems	33
Infrastructure	30
Machinery and equipment	5-10
Computer hardware and software	3-7
Library books	5
Vehicles	5-10

**Accrued Expenses:** Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2009, along with applicable PERA and Retiree Health Care.

**Deferred Revenue:** There are two types of deferred revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, then those assets must be offset by a corresponding liability for deferred revenue (commonly referred to as unearned revenue). The other type of deferred revenue is “unavailable revenue.” Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred revenue.

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Notes to Financial Statements  
June 30, 2009

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Net Assets or Equity (continued)**

**Compensated Absences:** Village employees are entitled to certain compensated absences based on their employment classification and length of employment. Earned vacation, up to the amount the employee accrued each year is allowed to be carried over from one calendar year to the next. Upon termination, employees shall receive payment for unused, accrued vacation. With minor exceptions, the Village allows 40 hour week employees to accumulate vacation leave to a maximum of 240 hours for regular employees and 318 hours for fire department employees. Vacation benefit vesting is on a bi-weekly basis as follows:

<u>Employment Duration</u>	<u>Regular Employees</u>	<u>Fire Employees</u>
1 to 12 months	3.39 hours	4.50 hours
13 to 24 months	3.70 hours	4.91 hours
25 to 36 months	4.00 hours	5.30 hours
37 to 48 months	4.31 hours	5.72 hours
49 to 168 months	4.62 hours	6.13 hours
169 months and over	6.16 hours	8.16 hours

Certain employees are entitled to receive payment of accrued, vested sick leave upon termination. The Village has adopted the following vesting schedule as follows:

<u>Employment Duration</u>	<u>Vesting %</u>	<u>Maximum Hours Payable</u>
1 to 5 years	0%	0 hours
6 to 10 years	25%	130 hours
11 to 15 years	50%	260 hours
16 to 20 years	75%	390 hours
≥ 20 years	100%	520 hours

All vested compensated absences are accrued in the government-wide and proprietary fund financial statements.

**Long-term Obligations:** In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. For bonds issued after the Village implemented GASB 34, 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.

**Net Assets or 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. Designations of fund balance represent tentative management plans that are subject to change.

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Notes to Financial Statements  
June 30, 2009

**NOTE 1. Summary of Significant Accounting Policies (continued)**

***E. Assets, Liabilities and Net Assets or Equity (continued)***

**Equity Classifications**

*Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt:  
Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets:  
Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets:  
All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**Interfund Transactions:** Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**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. Significant estimates in the Village’s financial statements include management’s estimate of depreciation on assets over their estimated useful lives, accrued compensated absences, and the allowance for uncollectible accounts.

**Reclassifications:** Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Notes to Financial Statements  
June 30, 2009

**NOTE 2. Stewardship, Compliance and Accountability**

*Budgetary Information*

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

These budgets are prepared on the non-GAAP budgetary basis, excluding encumbrances, and secure appropriation of funds for only one year. The budgetary information presented in these financial statements has been amended in accordance with the above procedures. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
	Budgeted Funds:	
General Fund	\$ (10,475,943)	\$ (1,239,911)
Ruidoso Flood	-	(837,156)
GO Bond RWWTP	(12,446,045)	(12,083,094)
Other Governmental Funds	(1,769,312)	(1,483,664)
	Change in Net Assets	
	Original Budget	Final Budget
Utility	\$ (6,605,535)	\$ (4,722,480)
Airport	-	215,956
Solid Waste	-	(86,080)
Merit Liability	-	-
Internal Service	(754,562)	-

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

The Village is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on the budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2009 is presented. Reconciliations between the non-GAAP budgetary basis amounts and the financial statements on the GAAP basis, by fund, can be found on each individual budgetary statement.



**STATE OF NEW MEXICO**  
Village of Ruidoso  
Notes to Financial Statements  
June 30, 2009

**NOTE 3. Deposits and Investments**

State statutes authorize the investment of Village funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested fund of the Village properly followed State investment requirements as of June 30, 2009.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or are collateralized as required by statute.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The collateral pledged is listed on Schedule II in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing negotiable order of withdrawal (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. However, on October 14, 2008, the FDIC announced a new Transaction Account Guarantee (TAG) Program that provides depositors with unlimited coverage through December 31, 2010 for insured depository institutions (IDIs) currently participating in the TAG program, with the possibility of an additional extension of up to 12 months without additional rulemaking, upon a determination by the FDIC's Board of Directors that continuing economic difficulties warrant further extension. With regards to this Transaction Guarantee Program, noninterest-bearing checking accounts include Demand Deposit Accounts (DDA's) and any other transaction account that has unlimited withdrawals and that cannot earn interest. Also included in this program are low-interest NOW accounts that cannot earn more than 0.5% interest.

*Custodial Credit Risk – Deposits* Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2009, \$10,285,270 of the Village's bank balances of \$10,535,270 was exposed to custodial credit risk. \$10,285,270 was uninsured and collateralized by securities held by the pledging bank's trust department, not in the Village's name and none was uninsured and uncollateralized.

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Notes to Financial Statements  
June 30, 2009

**NOTE 3. Deposits and Investments (continued)**

	<u>Wells Fargo Bank</u>
Amount of deposits	\$ 10,535,270
FDIC coverage	250,000
Total uninsured public funds	10,285,270
Collateralized by securities held by pledging institutions or by its trust department or agenc in other than the Village's name	10,285,270
Uninsured and uncollateralized	\$ -
Collateral requirement (50% of uninsured funds)	\$ 5,142,635
(102% of repurchase agreements)	209,704
Pledged collateral	16,171,963
Over (under) collateralized	\$ 10,819,624

**Investments**

The Village invests excess cash in the State Treasurer Local Government Investment Pool. The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per Section 6-10-10(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

As of June 30, 2009, the Village's investment in the State Treasurer Local Government Investment Pool was rated as AAAM by Standard & Poors.

The Village's investments at June 30, 2009 include the following:

<u>Investments</u>	<u>Rated</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Wells Fargo Securities	Unknown	Unknown	6,413,637
First National Bank	Unknown	Unknown	903,437
Pioneer Savings Bank	Unknown	Unknown	2,429,568
City Bank of New Mexico	Unknown	Unknown	1,505,021
			\$ 11,251,663

*Interest Rate Risk – Investments.* The Village's policy related to interest rate risk with investments is to comply with the state as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Notes to Financial Statements  
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**NOTE 3. Deposits and Investments (continued)**

Reconciliation to the Statement of Net Assets

Unrestricted cash and cash equivalents per Exhibit A-1	14,663,190
Restricted cash and cash equivalents per Exhibit A-1	717,189
Agency funds cash per Exhibit E-1	5,886
Less U.S. Treasury Money Market Mutual Funds	(717,189)
Plus outstanding checks	1,218,280
Less deposits in transit	(2,785,678)
Less other adjustments	(2,564,368)
Less petty cash	(2,040)
	<u>                    </u>
Bank balance of deposits	<u><u>\$ 10,535,270</u></u>

**NOTE 4. Receivables**

Governmental funds receivables as of June 30, 2009 are shown as follows:

	General	Nonmajor Governmental Funds	Total
Property taxes	\$ 145,927	\$ -	\$ 145,927
Other taxes:			
Gross receipts taxes	800,034	276,179	1,076,213
Franchise taxes	10,143	-	10,143
Lodger's taxes	-	151,745	151,745
Other taxes	13,032	5,475	18,507
Other receivables:			
Intergovernmental grants:			
State	-	133,796	133,796
Licenses and fees	1,278	5,620	6,898
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Totals by category	<u><u>\$ 970,414</u></u>	<u><u>\$ 572,815</u></u>	<u><u>\$ 1,543,229</u></u>

Proprietary fund receivables are shown as follows:

	Utility	Solid Waste	Total
Other taxes receivable:			
Gross receipts taxes	\$ -	\$ 24,527	\$ 24,527
Franchise taxes	392,450	-	392,450
Customer receivables	531,687	261,378	793,065
Allowance for doubtful accounts	(15,866)	(11,768)	(27,634)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Totals by category	<u><u>\$ 908,271</u></u>	<u><u>\$ 274,137</u></u>	<u><u>\$ 1,182,408</u></u>

**STATE OF NEW MEXICO**  
Village of Ruidoso  
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**NOTE 5. Interfund Receivables, Payables, and Transfers**

Operating transfers that occurred during the year were made to close out funds and to supplement other funding sources as follows:

Transfers In	Transfers Out	Amount
General Fund	Utility	496,182
General Fund	Airport	91,496
General Fund	1/2 % Gross Receipts Tax	1,334,865
General Fund	Parks & Recreation	12,840
General Fund	1/8th Infrastructure Tax	21,830
General Fund	Regional Wastewater Treatment Plant	335,741
General Fund	Revenue Bond & Interest	118,531
General Fund	GO Bond Debt Service	3,002
General Fund	Solid Waste	229,362
General Fund	Convention Center	105,355
General Fund	CIP SRT Bond Proceeds	1,015,002
General Fund	GO Bond RWWTWP	94,883
General Fund	CIP Relocate Fire Station	1,997
General Fund	Scenic By-Ways	114
General Fund	Internal Service	22,164
Utility	CIP SRT Bond Proceeds	8,910
Utility	Supplemental Gross Receipts	4,430,512
Airport	General Fund	731,771
Parks & Recreation	General Fund	659,207
Emergency Medical Services	General Fund	50,881
Revenue Bond & Interest	General Fund	319
Revenue Bond & Interest	1/8th Infrastructure Tax	494,373
Special Street	General Fund	149,326
Convention Center	General Fund	312,480
RSVP	General Fund	1,482
Internal Service	Utility	22,697
Internal Service	Airport	1,157
Internal Service	Regional Wastewater Treatment Plant	7,873
Internal Service	Solid Waste	8,453
Internal Service	General Fund	917,691
Infrastructure CIP	General Fund	252,049
DWI Grant	General Fund	287
CIP Airport Improvement	General Fund	82,080
CIP Relocate Fire Station	General Fund	21,277
		\$ 12,036,189

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**NOTE 5. Interfund Receivables, Payables, and Transfers (continued)**

Internal balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2009 is as follows:

Due from other funds	Due to other funds	Amount
General Fund	RSVP	\$ 7,471
General Fund	Forestry Operations	109,826
		<u>\$ 117,297</u>

All interfund transactions are short-term and are repaid within a month.

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2009, including those changes pursuant to the implementation of GASB Statement No. 34, follow. Land and construction in progress are not subject to depreciation.

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,273,160	\$ -	\$ -	\$ 3,273,160
Construction in progress	446,955	3,128,651	-	3,575,606
Total capital assets not being depreciated	<u>3,720,115</u>	<u>3,128,651</u>	<u>-</u>	<u>6,848,766</u>
Capital assets being depreciated:				
Buildings and improvements	17,444,821	-	-	17,444,821
Infrastructure	78,616,174	571,380	33,000,000	46,187,554
Equipment	9,781,662	381,980	-	10,163,642
Total capital assets being depreciated	<u>105,842,657</u>	<u>953,360</u>	<u>33,000,000</u>	<u>73,796,017</u>
Less accumulated depreciation:				
Buildings and improvements	6,541,546	406,564	-	6,948,110
Infrastructure	43,890,504	2,622,059	18,434,012	28,078,551
Equipment	6,652,195	829,916	-	7,482,111
Total accumulated depreciation	<u>57,084,245</u>	<u>3,858,539</u>	<u>18,434,012</u>	<u>42,508,772</u>
Total capital assets, net of depreciation	<u>\$ 52,478,527</u>	<u>\$ 223,472</u>	<u>\$ 14,565,988</u>	<u>\$ 38,136,011</u>

\$115,745 of the Village's capital asset additions of \$4,082,011 are related to the internal service fund's capital assets and would not be reflected in the governmental funds' capital outlay.

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**NOTE 6. Capital Assets (continued)**

Depreciation expense for the year ended June 30, 2009 was charged to governmental activities as follows:

General Government	\$ 490,489
Public Safety	462,727
Public Works	2,717,467
Culture and Recreation	174,101
Internal Service Fund	<u>13,755</u>
Total depreciation expense, governmental activities	<u><u>\$ 3,858,539</u></u>

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,160,515	\$ -	\$ -	\$ 3,160,515
Water rights	4,423,779	-	-	4,423,779
Construction in progress	<u>31,624</u>	<u>-</u>	<u>-</u>	<u>31,624</u>
Total capital assets not being depreciated	<u>7,615,918</u>	<u>-</u>	<u>-</u>	<u>7,615,918</u>
Capital assets being depreciated:				
Buildings and improvements	17,341,424	-	-	17,341,424
Utility distribution system	43,579,793	1,874,072	-	45,453,865
Airport infrastructure	1,357,411	40,773	-	1,398,184
Equipment	<u>14,520,279</u>	<u>35,000</u>	<u>-</u>	<u>14,555,279</u>
Total capital assets being depreciated	<u>76,798,907</u>	<u>1,949,845</u>	<u>-</u>	<u>78,748,752</u>
Less accumulated depreciation:				
Buildings and improvements	7,353,837	508,349	-	7,862,186
Utility distribution system	24,693,408	1,466,892	-	26,160,300
Airport infrastructure	236,720	82,047	-	318,767
Equipment	<u>9,947,745</u>	<u>912,953</u>	<u>-</u>	<u>10,860,698</u>
Total accumulated depreciation	<u>42,231,710</u>	<u>2,970,241</u>	<u>-</u>	<u>45,201,951</u>
Total capital assets, net of depreciation	<u><u>\$ 42,183,115</u></u>	<u><u>\$ (1,020,396)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 41,162,719</u></u>

Depreciation expense charged to business-type activities for the year ended June 30, 2009 was \$2,970,241.

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**NOTE 7. Long-term Debt**

**Governmental Activities**

During the year ended June 30, 2009, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Due Within One Year
Bonds	\$ 19,920,000	\$ -	\$ 480,000	\$ 19,440,000	\$ 1,010,000
NMFA Loans	3,375,231	-	296,654	3,078,577	280,158
Capital Leases	158,440	3,352	-	161,792	161,792
Notes Payables	-	100,000	-	100,000	3,722
Compensated Absences	460,056	513,455	389,053	584,458	-
<b>Total</b>	<b><u>\$ 23,913,727</u></b>	<b><u>\$ 616,807</u></b>	<b><u>\$ 1,165,707</u></b>	<b><u>\$ 23,364,827</u></b>	<b><u>\$ 1,455,672</u></b>

Capital lease additions of \$3,352 were necessary to tie out the ending capital lease balances and are not indicative of a new capital lease. Typically, the general fund has been used to liquidate the compensated absences.

**Revenue Bonds**

The Village issues revenue bonds for the governmental activities where the Village pledges income derived from municipal gross receipts tax, lodger's tax and property tax Revenue bonds outstanding at year end for governmental activities are as follows:

<u>Series</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
1993 Sales Tax Refunding and Improvement Bonds	\$ 2,985,000	8/1/2012	3.15%-6.625%	\$ 930,000
2006 Sales Tax Refunding and Improvement Bonds	4,020,000	6/1/2026	3.50%-4.75%	3,340,000
2001 Supplemental Gross Receipts Tax Revenue Bonds	2,865,000	6/1/2031	3.75%-5.20%	2,570,000
2008 Ad Valorem Property Tax and Improvement Bonds	12,600,000	4/16/2028	3.15%-4.74%	<u>12,600,000</u>
<b>Total</b>				<b><u>\$ 19,440,000</u></b>

**STATE OF NEW MEXICO**  
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**NOTE 7. Long-term Debt (continued)**

**Governmental Activities (continued)**

**NMFA Loans and Notes Payable**

On November 1, 2000, the Village borrowed \$1,472,459 from the New Mexico Finance Authority for the purpose of purchasing an existing commercial building for the Police Administration Building. Principal is paid annually with interest paid semiannually. The note is secured by and payable from the revenues derived from the first two increments of municipal infrastructure gross receipts tax.

On November 1, 2003, the Village borrowed \$175,000 from the New Mexico Finance Authority for the purpose of purchasing a Class A Fire Pumper Truck and associated equipment. Principal is paid annually with interest paid semiannually. The note is secured by and payable from the distributions of fire protection fund revenues received by the Village from the State Treasurer.

On November 1, 2004, the Village borrowed \$589,992 from the New Mexico Finance Authority for the purpose of purchasing two Class A Fire Pumper Trucks. Principal is paid annually with interest paid semiannually. The note is secured by and payable from the revenues derived from the distributions of fire protection fund revenues received by the Village from the State Treasurer.

On January 23, 2004, the Village borrowed \$1,295,471 from the New Mexico Finance Authority for the purpose of acquiring and improvement of 9.2 acres of land for a Village square and events plaza. Principal is paid annually with interest paid semiannually. The note is secured by and payable from the Lodger's Tax imposed by the Village at a rate of 4.25%. 51.47% of the Village's Lodger's Tax is pledged towards repayment of the loan.

On April 14, 2006, the Village borrowed \$846,667 from the New Mexico Finance Authority for the purpose of acquiring street maintenance equipment for the Village's Road Department. Principal is paid annually with interest paid semiannually. The note is secured by and payable from the gasoline tax distributions.

On December 15, 2006, the Village borrowed \$60,000 from the New Mexico Finance Authority for the purpose of acquiring reverse 911 software and hardware for emergency management and public awareness. Principal is paid annually with interest paid semiannually. The note is secured by and payable from the first two increments of municipal infrastructure gross receipts tax.

On June 25, 2009 the Village borrowed \$100,000 from New Mexico Environment Department for the purpose of construction a wastewater facility. Principal is paid annually with interest due semiannually. The note is secured and payable by net revenues received from the waste water treatment plant.



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**NOTE 7. Long-term Debt (continued)**

**Governmental Activities (continued)**

**NMFA Loans and Notes Payable (continued)**

Outstanding notes payable at the end of the year for governmental activities are as follows:

<u>Series</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
NMFA - Police Building	\$ 1,472,459	5/1/2020	4.03%-5.45%	\$ 989,841
NMFA - Fire Pumper Truck	175,000	5/1/2014	0.88%-3.49%	95,390
NMFA - 2 Fire Pumper Trucks	589,992	5/1/2014	0.90%-3.27%	312,907
NMFA - 9 acres of land and improvements	1,295,471	5/1/2024	0.79%-4.38%	1,050,053
NMFA - Special Street Equipment	846,667	5/1/2016	3.02%-3.70%	630,386
NMFA - Reverse 911 hardware	60,000	5/1/2009	3.42%	-
2009 NMED Wastewater Facility Construction loan program	100,000	2/5/2029	3.00%	<u>100,000</u>
Total				<u><u>\$ 3,178,577</u></u>

**Capital Leases**

On January 1, 2005 the Village negotiated a lease purchase agreement with Wagner Equipment for a Backhoe Loader in the amount of \$74,822 with an interest rate of 5.00%. The lease calls for monthly payments of \$1,585 and will be paid in full in fiscal year 2010.

On January 19, 2005 the Village negotiated a lease purchase agreement with Caterpillar Financial for a Backhoe Loader in the amount of \$176,437 with an interest rate of 5.00%. The lease calls for monthly payments of \$1,412 and will be paid in full in fiscal year 2010.

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**NOTE 7. Long-term Debt (continued)**

**Governmental Activities (continued)**

**Debt Service Requirements**

Debt service requirements on long-term debt for governmental activities at June 30, 2009 are as follows:

**Bonds Payable:**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2010	\$ 1,010,000	\$ 847,081	\$ 1,857,081
2011	1,050,000	812,568	1,862,568
2012	990,000	768,115	1,758,115
2013	1,035,000	725,173	1,760,173
2014	805,000	688,770	1,493,770
2015-2019	4,535,000	2,951,979	7,486,979
2020-2024	5,590,000	1,911,758	7,501,758
2025-2029	4,065,000	601,640	4,666,640
2030-2034	360,000	28,340	388,340
	<u>\$ 19,440,000</u>	<u>\$ 9,335,424</u>	<u>\$ 28,775,424</u>

**New Mexico Finance Authority Loans:**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2010	\$ 280,158	\$ 122,381	\$ 402,539
2011	229,460	114,122	343,582
2012	238,463	105,142	343,605
2013	248,170	95,456	343,626
2014	258,559	85,094	343,653
2015-2019	1,033,801	269,965	1,303,766
2020-2024	789,966	61,803	851,769
	<u>\$ 3,078,577</u>	<u>\$ 853,963</u>	<u>\$ 3,932,540</u>

**Notes Payable:**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2010	\$ 3,722	\$ 3,000	\$ 6,722
2011	3,833	2,888	6,721
2012	3,948	2,773	6,721
2013	4,067	2,655	6,722
2014	4,189	2,533	6,722
2015-2019	22,905	10,703	33,608
2020-2024	26,554	7,054	33,608
2025-2029	30,782	2,825	33,607
	<u>\$ 100,000</u>	<u>\$ 34,431</u>	<u>\$ 134,431</u>

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**NOTE 7. Long-term Debt (continued)**

**Governmental Activities (continued)**

**Debt Service Requirements (continued)**

**Capital Leases:**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2010	\$ 161,792	\$ 5,697	\$ 167,489

**Business-Type Activities**

During the year ended June 30, 2009, the following changes occurred in the liabilities reported in the proprietary funds statement of net assets:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Due Within One Year
Bonds	\$ 180,000	\$ -	\$ 180,000	\$ -	\$ -
NMFA Loans	1,042,278	-	194,325	847,953	200,969
Capital Leases	84,204	88,500	43,510	129,194	58,765
Notes Payables	653,412	-	40,026	613,386	44,229
Compensated Absences	184,280	141,125	156,274	169,131	397
<b>Total</b>	<b>\$ 2,144,174</b>	<b>\$ 229,625</b>	<b>\$ 614,135</b>	<b>\$ 1,759,664</b>	<b>\$ 304,360</b>

The long-term compensated absences are usually paid out of the fund that incurs the related payroll expense.

**Revenue Bonds**

The Village issues revenue bonds for the business-type activities where the Village pledges income derived from the operation of the municipal Joint Water and Sewer System. Revenue bonds outstanding at year end for business-type activities are as follows:

Series	Original Issue	Final Maturity	Interest Rate	Outstanding
1987 Joint Water and Sewer Refunding Bonds	\$ 1,270,000	4/1/2009	4.25%-5.40%	\$ -

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**NOTE 7. Long-term Debt (continued)**

**Business-Type Activities (continued)**

**Notes Payable**

The Village of Ruidoso settled with the Village of Capitan and Eagle Creek for the transfer of water rights. The Village of Ruidoso agreed to pay \$894,161 to the Village of Capitan to be financed over twenty years with annual payments at a 10.5% interest rate. The first payment was due on June 26, 1999.

On May 12, 2006, the Village borrowed \$1,377,778 from the New Mexico Finance Authority for the purpose of acquiring 13 acres of land to design, equip, furnish and construct a building, and acquire various solid waste equipment for the Village's Solid Waste System. Principal is paid annually with interest paid semiannually. The note is secured by and payable from the net revenues of the Village's Solid Waste System.

Outstanding notes payable at the end of the year for business-type activities are as follows:

<u>Series</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
NMFA - Solid Waste System	\$ 1,377,778	5/1/2013	3.02%-3.51%	\$ 847,953
Village of Capitan - Water Rights	894,161	5/26/2018	10.50%	<u>613,386</u>
Total				<u><u>\$ 1,461,339</u></u>

**Capital Leases**

On September 1, 2005 the Village negotiated a lease purchase agreement with Wagner Equipment for a Backhoe Loader in the amount of \$45,943 with an interest rate of 5.00%. The lease calls for monthly payments of \$867 and will be paid in full August 1, 2010.

On March 14, 2003 the Village negotiated a lease purchase agreement with BancLeasing, Inc. for a Grapple Truck in the amount of \$100,049 with an interest rate of 5.25%. The lease calls for monthly payments of \$1,426 and will be paid in full March 13, 2010.

On March 14, 2003 the Village negotiated a lease purchase agreement with BancLeasing, Inc. for a Refuse Truck in the amount of \$147,433 with an interest rate of 5.25%. The lease calls for monthly payments of \$2,101 and will be paid in full March 13, 2010.

On April 1, 2009 the Village negotiated a lease purchase agreement with Avfuel Corporation for a Jet Fuel Truck in the amount of \$88,500. The lease calls for monthly payments of \$1,475 and will be paid in full on April 1, 2014.

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**NOTE 7. Long-term Debt (continued)**

**Business-type Activities (continued)**

**Debt Service Requirements**

Debt service requirements on long-term debt for business-type activities at June 30, 2009 are as follows:

**New Mexico Finance Authority Loans:**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2010	\$ 200,969	\$ 30,834	\$ 231,803
2011	208,020	23,801	231,821
2012	215,507	16,333	231,840
2013	223,457	8,402	231,859
	<u>\$ 847,953</u>	<u>\$ 79,370</u>	<u>\$ 927,323</u>

**Capital Leases:**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2010	\$ 58,765	\$ 1,085	\$ 59,850
2011	17,700	22	17,722
2012	17,700	-	17,700
2013	17,700	-	17,700
2014	17,329	-	17,329
	<u>\$ 129,194</u>	<u>\$ 1,107</u>	<u>\$ 130,301</u>

**Notes Payable:**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2010	\$ 44,229	\$ 64,406	\$ 108,635
2011	48,873	59,761	108,634
2012	54,005	54,630	108,635
2013	59,675	48,959	108,634
2014	65,941	42,693	108,634
2015-2019	340,663	93,876	434,539
	<u>\$ 613,386</u>	<u>\$ 364,325</u>	<u>\$ 977,711</u>

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**NOTE 7. Long-term Debt (continued)**

**Landfill Closure and Post-Closure Care Costs**

The Village, County of Lincoln, Village of Capitan, City of Ruidoso Downs, Village of Corona, Town of Carrizozo, County of Otero, City of Alamogordo, Village of Tularosa and the Village of Cloudcroft have formed the Otero-Lincoln County regional landfill. All trash collected by the Village is transferred to the regional landfill. The financial accountability for the regional landfill is the responsibility of the City of Alamogordo. The Village has pledged environmental gross receipts tax collections to service bonds issued by the City of Alamogordo for facility construction. Financial assurances required by the State of New Mexico Environment Regulation Board for the closure and post-closure care costs are the responsibility of the City of Alamogordo. The Village has no landfill closure liability nor any post-closure costs associated with trash generated by the Village residents for the year ended June 30, 2009.

**NOTE 8. Risk Management**

The Village is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The Village participates in the New Mexico Self-Insurers' Fund risk pool.

The Village has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Village which exceeds the insurance coverage, the Village would not be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverages have not changed significantly from prior years and coverages are expected to be continued.

At June 30, 2009, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the Village of Ruidoso.

New Mexico Self-Insurers' Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

**NOTE 9. PERA Pension Plan**

*Plan Description.* Substantially all of the Village of Ruidoso'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 Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute the following percentages of their gross salary: 16.3% for law enforcement and fire protection employees and 9.15% for municipal employees. The Village was required to contribute the following percentages of the gross covered salary: 21.25% for fire protection plan members, 18.5% for law enforcement plan members, and 9.15% for municipal plan members. The contribution requirements of plan members and the Village are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Village's contributions to PERA for the fiscal years ending June 30, 2009, 2008, and 2007 were \$900,320, \$756,583, and \$994,026, respectively.

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**NOTE 10. Deferred Compensation**

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by International City Manager Association (ICMA). The assets and liabilities are held in trust by ICMA.

The plan is available to all Village employees. The plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Employees elect to contribute a certain percentage of their gross salary but the amount of contribution cannot exceed 33.5% of their salary up to a maximum dollar amount of \$13,000 per year into the plan. All contributions withheld from the participants' wages by the Village have been paid to the plan administrator. Currently, there are forty-four employees participating in the plan.

**NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan**

The Retiree Health Care Act, Chapter IV, Article 7C, NMSA 1978 provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Village has elected not to participate in the post-employment health insurance plan.

**NOTE 12. Contingent Liabilities**

The Village is party to various claims and lawsuits in the normal course of business. As of the date of this report possible outcomes and liabilities associated with these claims and lawsuits were unable to be determined.

During the audit of federal awards it was determined that the Village incurred \$3,938,666 in questioned costs and \$1,107,473 in disallowed costs. As of the date of this report it is not possible to determine if there will be liabilities associated with these costs.

**NOTE 13. Federal and State Grants**

In the normal course of operations, the Village receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not expected to be material.

**NOTE 14. Extraordinary Loss**

In July of 2008 the Village sustained a severe flood that completely destroyed existing sewer lines in the Village. This resulted in an extraordinary loss of \$14,565,988 in capital assets for the year ended June 30, 2009.

**NOTE 15. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

A. Deficit fund balance of individual funds. The following funds reflected a deficit fund balance as of June 30, 2009:

Parks and Recreation	\$ 18,143
Convention Center	3,922
RSVP	<u>396</u>
Total	<u><u>\$ 22,461</u></u>

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**NOTE 15. Other Required Individual Fund Disclosures (continued)**

These funds have a deficit fund balance because expenditures were in excess of revenues and available cash and there were not sufficient transfers to cover the deficit.

B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2009:

State Fire	\$ 39,244
DWI Grant	1,695
Infrastructure CIP	8,458
Merit Liability	218,174
Internal Service	<u>19,026</u>
 Total	 <u><u>\$ 286,597</u></u>

In the future the Village plans to monitor its budget more closely and make necessary adjustments with approval from those charged with governance and The Department of Finance and Administration.

C. Designated cash appropriations exceeded prior year available balances. The following funds exceeded designated cash appropriations in excess of available balances for the year ended June 30, 2009:

	<u>Designated Cash</u>	<u>Beginning Year Cash &amp; A/R Available</u>	<u>Cash Appropriation in Excess of Available</u>
General Fund	\$ 10,475,943	\$ 2,131,723	\$ 8,344,220
Parks and Recreation	918,947	94,354	824,593
Cemetery	24,425	18,540	5,885
Convention Center	434,820	120,827	313,993
GO Bond RWWTP	12,446,045	12,443,050	2,995
Utility	6,605,535	1,459,563	5,145,972
Internal Service	754,562	11,534	743,028

The reason for these deficits is inadequate monitoring of cash available to be rebudgeted. To correct this, the Village plans to implement a process to consider a reasonable estimate of designated cash when budgets are established.

**NOTE 16. Restatement**

The government-wide statement of activities reports a restatement of net assets of \$(76,109) to restate prior year balances. In addition, the GO Bond RWWTP Fund and the Regional Wastewater Construction Fund were reported separately in the prior year return but are combined this year.

The statement of cash flows for proprietary funds reports a restate of cash and cash equivalents of \$2,291,950 in the utility fund, \$35,000 in the solid waste fund, and \$120,000 in the merit liability internal service fund. The restatement is to correct a prior year reporting error in which cash and cash equivalents included investment balances.



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June 30, 2009

**NOTE 17. Subsequent Events**

In July 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, which is effective for periods beginning after June 15, 2009. For governments that were classified as phase 1 or phase 2 governments, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated. Retroactive reporting of these intangible assets by phase 3 governments is encouraged but not required. Retroactive reporting is not required but is permitted for intangible assets considered to have indefinite useful lives as of the effective date of this Statement and those considered to be internally generated. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The City is analyzing the effect that this standard will have on the financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010 with earlier implementation encouraged. GASB Statement No. 54 distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purpose for which specific amounts can be spent. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The City is analyzing the effect that this standard will have on the financial statements.

**LGIP Investment in the Reserve Primary Fund** - The New Mexico State Treasurer’s Office invested a portion of the Local Government Investment Pool (LGIP) in the Reserve Primary Fund (“the Fund”), a money market fund, in fiscal years 2006, 2007, 2008 and 2009. On September 15, 2008, the balance of the LGIP’s investment in the Fund was \$381.7 million. On September 16, 2008, the Reserve Primary Fund’s net asset value fell below \$1.00 and holdings in the Fund were frozen.

On July 15, 2010, the Reserve announced that it will begin its seventh distribution to Primary Fund shareholders on or about July 16, 2010. The distribution in the amount of approximately \$215 million represents approximately 67% of the Fund’s remaining asset value of \$323 million as of the close of business on July 9, 2010. Including this seventh distribution, \$50.7 billion of Fund assets as of the close of business on September 15, 2008, will have been returned to investors. There is \$108 million still remaining with the Reserve at this time and the State Treasurer’s Office has no information about timing nor amounts of potential future distributions. As a result, the State Treasurer’s Office cannot anticipate what the actual loss to the LGIP from the Reserve Primary Fund may be or when the actual loss may be realized. No actual loss has been realized to date.

**NOTE 18. Restricted Net Assets**

The government-wide statement of net assets reports \$6,060,473 of restricted net assets of which, \$647,464 is restricted by enabling legislation for debt service and \$5,413,009 is restricted by enabling legislation referred to in the special revenue fund descriptions on pages 34 and 61 to 63.

**NOTE 19. Commitments**

The following is a summary of construction in progress as of June 30, 2009:

<u>Description</u>	<u>Contractor</u>	<u>Commitments</u>	<u>Contract Date</u>
RWWTP Phase 1A	Tatsch Construction	\$ 1,785,920	9/22/2008

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**SUPPLEMENTARY INFORMATION**

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**STATE OF NEW MEXICO**  
Village of Ruidoso  
Nonmajor Governmental Fund Descriptions  
June 30, 2009

**SPECIAL REVENUE FUNDS**

½% Gross Receipts Tax

To account for specifically designated local municipal enacted gross receipts taxes. Expenditures are restricted to airport improvements and repayment of debt. Authority for creation of this fund is NMSA, 3-34-1 to 3-34-5; 7-19A-1 to 7-19A-7.

Parks and Recreation

To account for state and Village cigarette tax revenue, which is to be used to operate and maintain the Village's various recreational facilities. Authority for creation of this fund is NMSA, 7-12-1 to 7-12-17.

Cemetery

To account for the operation and maintenance of the Village cemetery. Funding is provided through charges for services. Authority for creation of this fund is NMSA, 3-40-3.

1/8<sup>th</sup> Infrastructure Tax

To account for specifically designated state-shared gross receipts taxes. Expenditures are restricted to infrastructure improvements. Authority for creation of this fund is NMSA, 3-34-1 to 3-34-5; 7-19A-1 to 7-19A-7.

State Fire

To account for an annual grant from the State of New Mexico Fire Marshall's office. Funds are restricted for use on the maintenance of the fire department, the purchase, construction, maintenance, repair and operation of fire apparatus and equipment. Authority for creation of this fund is NMSA, 59-15-1 to 59-15-17.

Scenic By-Ways

To account for the revenues and expenditures of state and local funds restricted to improvements to scenic byways within the Village geographic boundaries. Authority for creation of this fund is budget approval by Village Council.

Emergency Medical Services

To account for an annual grant from the Emergency Medical Service Fund Act. Funding is made available to municipalities in proportion to their needs, for use in the establishment and enhancement of local emergency medical services that assist in reducing injury and loss of life. Authority for creation of this fund is NMSA, 24-10A-1 to 24-10A-9.

Law Enforcement Protection

To account for state grant funds passed through the State of New Mexico that are to be utilized to enhance the efficiency and effectiveness of protection utilized in local law enforcement services. Authority for creation of this fund is NMSA, 29-13-1 to 29-13-9.

Traffic Safety Fees

To account for motor vehicle assessments that are to be utilized to enhance and improve traffic safety programs. Authority for creation of this fund is NMSA, 66-7-512.

Supplemental Gross Receipts

To account for specifically designated state shared gross receipts taxes. Expenditures are restricted to infrastructure improvements and repayment of debt. NMSA, 7-19-18.

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Nonmajor Governmental Fund Descriptions  
June 30, 2009

**SPECIAL REVENUE FUNDS (continued)**

Correction Fees

To account for the collection of fines which are used to supplement the cost of correctional facilities. Authority for creation of this fund is NMSA, 33-3-25.

Lodger's Tax

To account for the collection and disbursement of local lodging tax whose use is restricted to the promotion or rural areas within the Village. Authority for creation of this fund is NMSA, 3-38-18 to 3-38-24.

Special Donations

To account for donation revenues generated by various hosting events at legislative and community functions. Authority for creation of this fund is budget approval by Village Council.

Special Street

To account for motor vehicle fees (10%) that is to be used only for additions and improvements to the Village's streets and highways. Authority for creation of this fund is NMSA, 7-24A-1 to 7-24A-21.

Convention Center

To account for the operation and maintenance of the convention and civic events center. Authority for creation of this fund is budget approval by Village Council.

Impact Fee

To account for the proceeds of water, sewer and wastewater system connection fees that are to be used for the improvement of distribution lines. Authority for creation of this fund is NMSA, 3-26.

RSVP

To account for grants received from the State of New Mexico that are to be used for the improvement of facilities and services for older adults. Authority for creation of this fund is budget approval by Village Council.

Arts Commission

To act as liaison to the arts community for the purpose of improving the public's quality of life by encouraging the development of the arts. Authority for creation of this fund is budget approval by Village Council.

Forestry Operations

To account for grants received from the State of New Mexico that are to be used for forest management and improvement. Authority for creation of this fund is budget approval by Village Council.

Police Grants

To account for state grants and local source revenues that are to be used for the purchase of capital assets. Authority for creation this fund is budget approval by Village Council.

DWI Grant

To account for state and federal grants that are to be used for implementation of improved traffic safety and drug control awareness. Authority for creation of this fund is budget approval by Village Council.

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Nonmajor Governmental Fund Descriptions  
June 30, 2009

**SPECIAL REVENUE FUNDS (continued)**

Special Grants

To account for private grants and donation revenue restricted to grantor approved purposes. Authority for creation of this fund is budget approval by Village Council.

**CAPITAL PROJECTS FUNDS**

Infrastructure CIP

To account for the Village's cost of constructing, purchasing, furnishing, equipping, rehabilitating, making additions to or making improvements to one or more public buildings, public parks, public recreational buildings and other public facilities. Authority for creation of this fund is budget approval by Village Council.

CIP SRT Bond Proceeds

This fund is to account for the Village's cost of construction, expansion and improvement to water distribution systems. Authority for creation of this fund is budget approval by Village Council.

CIP Airport Improvement

To account for the Village's cost of constructing, acquiring and improving the Village's airport and system.

CIP Relocate Fire Station

To account for bond proceeds for the Village's cost of constructing and equipping a new main fire station. Authority for creation of this fund is budget approval by Village Council.

**DEBT SERVICE FUNDS**

Revenue Bond & Interest

To account for the accumulation of resources for and the payment of governmental activities long-term debt principal, interest and related costs specifically for the revenue bonds. The fund's source of revenue is a municipal gross receipts tax approved by the Village of Ruidoso Council for note obligation repayment.

GO Bond

To account for the accumulation of resources for and the payment of governmental activities long-term debt principal, interest and related costs specifically for general obligation tax bonds. The fund's source of revenue is a 1.5% property tax mill levy approved by the Village of Ruidoso Council for note obligation repayment.

Required Bond Reserves

To account for monies held in reserve for bond requirements. Authority for creation of this fund is budget approval by Village Council.

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Nonmajor Governmental Funds  
Combining Balance Sheet  
For the Year Ended June 30, 2009

	Special Revenue			
	1/2% Gross Receipts Tax	Parks and Recreation	Cemetery	1/8th Infrastructure Tax
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 175	\$ (5,035)	\$ 151,468
Investments	-	-	55,084	-
Receivables:				
Other taxes	198,645	-	-	77,534
Other receivables	-	-	-	-
Prepaid insurance	-	-	-	-
<i>Total assets</i>	\$ 198,645	\$ 175	\$ 50,049	\$ 229,002
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 3,766	\$ -	\$ -
Accrued payroll expenses	-	14,552	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	-	18,318	-	-
<i>Fund balances</i>				
Reserved for:				
Debt service, repair and replacement	-	-	-	-
Prepaid expenses	-	-	-	-
Unreserved, reported in:				
Special revenue	198,645	(18,143)	50,049	229,002
<i>Total fund balances</i>	198,645	(18,143)	50,049	229,002
<i>Total liabilities and fund balances</i>	\$ 198,645	\$ 175	\$ 50,049	\$ 229,002

The accompanying notes are an integral part of these financial statements



Special Revenue

<u>State Fire</u>	<u>Scenic By-Ways</u>	<u>Emergency Medical Services</u>	<u>Law Enforcement Protection</u>	<u>Traffic Safety Fees</u>	<u>Supplemental Gross Receipts</u>
\$ (106,949)	\$ -	\$ 44,628	\$ -	\$ 14,224	\$ -
203,094	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,887	-	-	-	-	-
<u>\$ 98,032</u>	<u>\$ -</u>	<u>\$ 44,628</u>	<u>\$ -</u>	<u>\$ 14,224</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
1,887	-	-	-	-	-
96,145	-	44,628	-	14,224	-
<u>98,032</u>	<u>-</u>	<u>44,628</u>	<u>-</u>	<u>14,224</u>	<u>-</u>
<u>\$ 98,032</u>	<u>\$ -</u>	<u>\$ 44,628</u>	<u>\$ -</u>	<u>\$ 14,224</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Nonmajor Governmental Funds  
Combining Balance Sheet  
For the Year Ended June 30, 2009

Special Revenue

	<u>Correction Fees</u>	<u>Lodger's Tax</u>	<u>Special Donations</u>	<u>Special Street</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 74,954	\$ 647,059	\$ 3,182	\$ -
Investments	-	659,357	-	-
Receivables:				
Other taxes receivable	-	151,745	-	5,475
Other receivables	-	5,000	-	-
Prepaid insurance	-	-	-	-
<i>Total assets</i>	<u>\$ 74,954</u>	<u>\$ 1,463,161</u>	<u>\$ 3,182</u>	<u>\$ 5,475</u>
<i>Liabilities</i>				
Accounts payable	\$ 1,440	\$ 9,585	\$ -	\$ -
Accrued payroll expenses	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>1,440</u>	<u>9,585</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Reserved for:				
Debt service, repair and replacement	-	-	-	-
Prepaid expenses	-	-	-	-
Unreserved, reported in:				
Special revenue	73,514	1,453,576	3,182	5,475
<i>Total fund balances</i>	<u>73,514</u>	<u>1,453,576</u>	<u>3,182</u>	<u>5,475</u>
<i>Total liabilities and fund balances</i>	<u>\$ 74,954</u>	<u>\$ 1,463,161</u>	<u>\$ 3,182</u>	<u>\$ 5,475</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

<u>Convention Center</u>	<u>Impact Fee</u>	<u>RSVP</u>	<u>Arts Commission</u>	<u>Forestry Operations</u>	<u>Police Grants</u>
\$ 30	\$ 957,588	\$ -	\$ -	\$ -	\$ -
-	757,440	-	-	-	-
-	-	-	-	-	-
620	-	7,471	-	126,325	-
-	-	-	-	-	-
<u>\$ 650</u>	<u>\$ 1,715,028</u>	<u>\$ 7,471</u>	<u>\$ -</u>	<u>\$ 126,325</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4,572	-	396	-	-	-
-	-	7,471	-	109,826	-
<u>4,572</u>	<u>-</u>	<u>7,867</u>	<u>-</u>	<u>109,826</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
(3,922)	1,715,028	(396)	-	16,499	-
<u>(3,922)</u>	<u>1,715,028</u>	<u>(396)</u>	<u>-</u>	<u>16,499</u>	<u>-</u>
<u>\$ 650</u>	<u>\$ 1,715,028</u>	<u>\$ 7,471</u>	<u>\$ -</u>	<u>\$ 126,325</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Nonmajor Governmental Funds  
Combining Balance Sheet  
For the Year Ended June 30, 2009

	Special Revenue		Capital Projects	
	DWI Grant	Special Grants	Infrastructure CIP	CIP SRT Bond Proceeds
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Receivables:				
Other taxes receivable	-	-	-	-
Other receivables	-	-	-	-
Prepaid insurance	-	-	-	-
<i>Total assets</i>	\$ -	\$ -	\$ -	\$ -
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll expenses	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	-	-	-	-
<i>Fund balances</i>				
Reserved for:				
Debt service, repair and replacement	-	-	-	-
Prepaid expenses	-	-	-	-
Unreserved, reported in:				
Special revenue	-	-	-	-
<i>Total fund balances</i>	-	-	-	-
<i>Total liabilities and fund balances</i>	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

Capital Projects		Debt Service			Total Nonmajor Governmental Funds
CIP Airport Improvement	CIP Relocate Fire Station	Revenue Bond & Interest	GO Bond	Required Bond Reserves	
\$ -	\$ -	\$ -	\$ -	\$ 638,754	\$ 2,420,078
-	-	-	-	-	1,674,975
-	-	-	-	-	433,399
-	-	-	-	-	139,416
-	-	-	-	-	1,887
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 638,754</u>	<u>\$ 4,669,755</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,791
-	-	-	-	-	19,520
-	-	-	-	-	117,297
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,608</u>
-	-	-	-	638,754	638,754
-	-	-	-	-	1,887
-	-	-	-	-	3,877,506
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>638,754</u>	<u>4,518,147</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 638,754</u>	<u>\$ 4,669,755</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2009

	Special Revenue			
	1/2% Gross Receipts Tax	Parks and Recreation	Cemetery	1/8th Infrastructure Tax
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ 1,246,577	\$ -	\$ -	\$ 592,911
Gasoline and motor vehicle	-	-	-	-
Other	-	5,739	-	-
Intergovernmental:				
State operating grants	-	83,341	-	-
State capital grants	-	-	-	-
Charges for services	-	99,676	7,190	-
Licenses and fees	-	-	-	-
Investment income	553	-	84	-
Miscellaneous	-	18,023	-	-
<i>Total revenues</i>	1,247,130	206,779	7,274	592,911
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	855,426	-	-
Health and welfare	-	-	15,765	-
Capital outlay	-	59,761	-	-
Debt service:				
Principal	-	39,559	-	-
Interest	-	2,765	-	-
<i>Total expenditures</i>	-	957,511	15,765	-
<i>Excess (deficiency) of revenues over expenditures</i>	1,247,130	(750,732)	(8,491)	592,911
<i>Other financing sources (uses)</i>				
Transfers in	-	659,207	-	-
Transfers out	(1,334,865)	(12,840)	-	(516,203)
Proceeds from debt issuance	-	-	-	-
<i>Total other financing sources (uses)</i>	(1,334,865)	646,367	-	(516,203)
<i>Net change in fund balances</i>	(87,735)	(104,365)	(8,491)	76,708
<i>Fund balances - beginning of year</i>	286,380	86,222	58,540	152,294
<i>Fund balances - end of year</i>	\$ 198,645	\$ (18,143)	\$ 50,049	\$ 229,002

The accompanying notes are an integral part of these financial statements

Special Revenue

<u>State Fire</u>	<u>Scenic By-Ways</u>	<u>Emergency Medical Services</u>	<u>Law Enforcement Protection</u>	<u>Traffic Safety Fees</u>	<u>Supplemental Gross Receipts</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
195,198	-	11,288	32,000	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	5,854	-
256	-	-	-	-	-
262	-	-	-	-	-
<u>195,716</u>	<u>-</u>	<u>11,288</u>	<u>32,000</u>	<u>5,854</u>	<u>-</u>
-	-	-	-	-	-
94,898	-	18,422	54,957	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
102,700	-	-	-	-	-
76,779	-	-	-	-	-
14,908	-	-	-	-	-
<u>289,285</u>	<u>-</u>	<u>18,422</u>	<u>54,957</u>	<u>-</u>	<u>-</u>
<u>(93,569)</u>	<u>-</u>	<u>(7,134)</u>	<u>(22,957)</u>	<u>5,854</u>	<u>-</u>
-	-	50,881	-	-	-
-	(114)	-	-	-	(4,430,512)
-	-	-	-	-	-
<u>-</u>	<u>(114)</u>	<u>50,881</u>	<u>-</u>	<u>-</u>	<u>(4,430,512)</u>
(93,569)	(114)	43,747	(22,957)	5,854	(4,430,512)
<u>191,601</u>	<u>114</u>	<u>881</u>	<u>22,957</u>	<u>8,370</u>	<u>4,430,512</u>
<u>\$ 98,032</u>	<u>\$ -</u>	<u>\$ 44,628</u>	<u>\$ -</u>	<u>\$ 14,224</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2009

	Special Revenue			
	Correction Fees	Lodger's Tax	Special Donations	Special Street
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	89,798
Other	-	1,270,802	-	-
Intergovernmental:				
State operating grants	-	20,710	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	40,063	-	-	-
Investment income	-	4,253	-	-
Miscellaneous	-	230,099	-	-
<i>Total revenues</i>	40,063	1,525,864	-	89,798
<i>Expenditures:</i>				
Current:				
General government	-	769,315	-	-
Public safety	9,798	-	-	-
Public works	-	-	-	133,200
Culture and recreation	-	-	1,771	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	202,721
Debt service:				
Principal	-	313,295	-	77,986
Interest	-	42,540	-	26,323
<i>Total expenditures</i>	9,798	1,125,150	1,771	440,230
<i>Excess (deficiency) of revenues over expenditures</i>	30,265	400,714	(1,771)	(350,432)
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	149,326
Transfers out	-	-	-	-
Proceeds from debt issuance	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	149,326
<i>Net change in fund balances</i>	30,265	400,714	(1,771)	(201,106)
<i>Fund balances - beginning of year</i>	43,249	1,052,862	4,953	206,581
<i>Fund balances - end of year</i>	\$ 73,514	\$ 1,453,576	\$ 3,182	\$ 5,475

The accompanying notes are an integral part of these financial statements



Special Revenue

Convention Center	Impact Fee	RSVP	Arts Commission	Forestry Operations	Police Grants
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	40,351	-	622,996	13,196
-	-	-	-	-	-
200,039	-	-	-	-	-
-	140,992	-	-	-	-
1,077	3,913	-	-	-	-
12,076	-	-	-	-	-
<u>213,192</u>	<u>144,905</u>	<u>40,351</u>	<u>-</u>	<u>622,996</u>	<u>13,196</u>
-	-	-	-	-	-
-	-	-	-	-	33,196
-	-	-	-	670,892	-
510,404	-	-	26,209	-	-
-	-	37,191	-	-	-
14,889	300,955	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>525,293</u>	<u>300,955</u>	<u>37,191</u>	<u>26,209</u>	<u>670,892</u>	<u>33,196</u>
<u>(312,101)</u>	<u>(156,050)</u>	<u>3,160</u>	<u>(26,209)</u>	<u>(47,896)</u>	<u>(20,000)</u>
312,480	-	1,482	-	-	-
(105,355)	-	-	-	-	-
-	-	-	-	-	-
<u>207,125</u>	<u>-</u>	<u>1,482</u>	<u>-</u>	<u>-</u>	<u>-</u>
(104,976)	(156,050)	4,642	(26,209)	(47,896)	(20,000)
<u>101,054</u>	<u>1,871,078</u>	<u>(5,038)</u>	<u>26,209</u>	<u>64,395</u>	<u>20,000</u>
<u>\$ (3,922)</u>	<u>\$ 1,715,028</u>	<u>\$ (396)</u>	<u>\$ -</u>	<u>\$ 16,499</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2009

	Special Revenue		Capital Projects	
	DWI Grant	Special Grants	Infrastructure CIP	CIP SRT Bond Proceeds
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
State operating grants	183,787	-	-	-
State capital grants	-	-	79,072	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	8,334
Miscellaneous	-	-	-	-
<i>Total revenues</i>	183,787	-	79,072	8,334
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	185,469	-	-	-
Public works	-	-	-	-
Culture and recreation	-	442,490	-	-
Health and welfare	-	-	-	-
Capital outlay	16,870	-	8,458	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	202,339	442,490	8,458	-
<i>Excess (deficiency) of revenues over expenditures</i>	(18,552)	(442,490)	70,614	8,334
<i>Other financing sources (uses)</i>				
Transfers in	287	-	252,049	-
Transfers out	-	-	-	(1,023,912)
Proceeds from debt issuance	-	-	-	-
<i>Total other financing sources (uses)</i>	287	-	252,049	(1,023,912)
<i>Net change in fund balances</i>	(18,265)	(442,490)	322,663	(1,015,578)
<i>Fund balances - beginning of year</i>	18,265	442,490	(322,663)	1,015,578
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

Capital Projects		Debt Service			Total Nonmajor Governmental Funds
CIP Airport Improvement	CIP Relocate Fire Station	Revenue Bond & Interest	GO Bond	Required Bond Reserves	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,839,488
-	-	-	-	-	89,798
-	-	-	-	-	1,276,541
-	-	-	-	-	1,202,867
-	-	-	-	-	79,072
-	-	-	-	-	306,905
-	-	-	-	-	186,909
-	3,153	16	7	-	21,646
-	-	-	-	-	260,460
-	3,153	16	7	-	5,263,686
-	10,702	-	3,757	-	783,774
-	-	-	-	-	396,740
-	-	-	-	-	804,092
-	-	-	-	-	1,836,300
-	-	-	-	-	52,956
-	-	-	-	-	706,354
-	-	215,105	-	-	722,724
-	-	391,604	-	-	478,140
-	10,702	606,709	3,757	-	5,781,080
-	(7,549)	(606,693)	(3,750)	-	(517,394)
82,080	21,277	494,692	-	-	2,023,761
-	(1,997)	(118,531)	(3,002)	-	(7,547,331)
-	-	-	-	-	-
82,080	19,280	376,161	(3,002)	-	(5,523,570)
82,080	11,731	(230,532)	(6,752)	-	(6,040,964)
(82,080)	(11,731)	230,532	6,752	638,754	10,559,111
\$ -	\$ -	\$ -	\$ -	\$ 638,754	\$ 4,518,147

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Combining Statement of Net Assets  
Internal Service Funds- Proprietary Fund  
June 30, 2009

Statement B-1

	Merit Liability	Internal Service	Total
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 98,174	\$ -	\$ 98,174
Investments	90,189	-	90,189
Prepaid expenses	-	3,849	3,849
<i>Total current assets</i>	188,363	3,849	192,212
<i>Noncurrent assets</i>			
Capital assets	-	115,745	115,745
Accumulated depreciation	-	(13,755)	(13,755)
<i>Total noncurrent assets</i>	-	101,990	101,990
<i>Total Assets</i>	\$ 188,363	\$ 105,839	\$ 294,202
<i>Liabilities and Net Assets</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	\$ -	\$ 8,477	\$ 8,477
Accrued payroll expenses	-	12,300	12,300
Accrued compensated absences current portion	-	-	-
<i>Total current liabilities</i>	-	20,777	20,777
<i>Noncurrent liabilities</i>			
Accrued compensated absences	-	13,065	13,065
<i>Total noncurrent liabilities</i>	-	13,065	13,065
<i>Total liabilities</i>	-	33,842	33,842
<i>Net Assets:</i>			
Invested in capital assets, net of related debt	-	101,990	101,990
Unrestricted net assets	188,363	(29,993)	158,370
<i>Total net assets</i>	188,363	71,997	260,360
<i>Total Liabilities and Net Assets</i>	\$ 188,363	\$ 105,839	\$ 294,202

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-2

## Village of Ruidoso

## Combining Statement of Revenues, Expenses and Changes in Net Assets

## Internal Service Funds- Proprietary Fund

For the Year Ended June 30, 2009

	<u>Merit Liability</u>	<u>Internal Service</u>	<u>Total</u>
<i>Operating revenues:</i>			
Charges for services	\$ -	\$ -	\$ -
<i>Total operating revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Operating expenses:</i>			
Personnel services	218,174	387,268	605,442
Maintenance and materials	-	681,320	681,320
Depreciation	-	13,755	13,755
<i>Total operating expenses</i>	<u>218,174</u>	<u>1,082,343</u>	<u>1,300,517</u>
<i>Operating income (loss)</i>	<u>(218,174)</u>	<u>(1,082,343)</u>	<u>(1,300,517)</u>
<i>Non-operating revenues (expenses):</i>			
Interest income	188,363	-	188,363
Miscellaneous	-	91,768	91,768
<i>Total non-operating revenues (expenses)</i>	<u>188,363</u>	<u>91,768</u>	<u>280,131</u>
Transfers in	-	957,871	957,871
Transfers out	-	(22,164)	(22,164)
<i>Capital grants and net transfers</i>	<u>-</u>	<u>935,707</u>	<u>935,707</u>
<i>Change in net assets</i>	<u>(29,811)</u>	<u>(54,868)</u>	<u>(84,679)</u>
<i>Net assets, beginning of year</i>	<u>218,174</u>	<u>126,865</u>	<u>345,039</u>
<i>Net assets, end of year</i>	<u>\$ 188,363</u>	<u>\$ 71,997</u>	<u>\$ 260,360</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-3

## Village of Ruidoso

Combining Statement of Cash Flows - Internal Service Funds- Proprietary Fund  
For the Year Ended June 30, 2009

	Merit Liability	Internal Service	Total
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ -	\$ -	\$ -
Cash payments to employees for services	(218,174)	(387,716)	(605,890)
Cash payments to suppliers for goods and services	-	(643,411)	(643,411)
<i>Net cash provided (used) by operating activities</i>	<u>(218,174)</u>	<u>(1,031,127)</u>	<u>(1,249,301)</u>
<i>Cash flows from noncapital financing activities:</i>			
Operating grants	-	-	-
Other taxes received	-	-	-
Miscellaneous income	-	91,768	91,768
Change in noncurrent accrued compensated absences	-	(7,882)	(7,882)
Internal transfers and loans	-	935,707	935,707
<i>Net cash provided (used) by noncapital financing activities:</i>	<u>-</u>	<u>1,019,593</u>	<u>1,019,593</u>
<i>Cash flows from capital and related financing activities:</i>			
Capital grants	-	-	-
Acquisition of capital assets	-	-	-
Proceeds from sale of capital assets	-	-	-
Principal paid on capital debt	-	-	-
Proceeds from debt issuance	-	-	-
Interest paid on capital debt	-	-	-
<i>Net cash provided (used) by capital and related financing activities:</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash flows from investing activities:</i>			
Interest on investments	188,363	-	188,363
Disposition of investments	29,811	-	29,811
<i>Net cash provided by (used) from investing activities</i>	<u>218,174</u>	<u>-</u>	<u>218,174</u>
<i>Net increase in cash and cash equivalents</i>	-	(11,534)	(11,534)
<i>Cash and cash equivalents - beginning of year</i>	218,174	11,534	229,708
<i>Restatement</i>	(120,000)	-	(120,000)
<i>Cash and cash equivalents - beginning of year, restated</i>	<u>98,174</u>	<u>11,534</u>	<u>109,708</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 98,174</u>	<u>\$ -</u>	<u>\$ 98,174</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (218,174)	\$ (1,082,343)	\$ (1,300,517)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	-	13,755	13,755
Changes in assets and liabilities			
Inventory	-	33,281	33,281
Prepaid expenses	-	(3,849)	(3,849)
Accounts payable	-	8,477	8,477
Accrued payroll expenses	-	(448)	(448)
Current accrued compensated absences	-	-	-
Meter deposits and other refundable deposits	-	-	-
Deferred revenue	-	-	-
<i>Net cash (used) by operating activities</i>	<u>\$ (218,174)</u>	<u>\$ (1,031,127)</u>	<u>\$ (1,249,301)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-1

## Village of Ruidoso

## 1/2% Gross Receipts Tax Special Revenue Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

## Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	1,291,697	1,291,697
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	553	553
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>1,292,250</u>	<u>1,292,250</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>1,292,250</u>	<u>1,292,250</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(1,334,865)	(1,334,865)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(1,334,865)</u>	<u>(1,334,865)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(42,615)</u>	<u>(42,615)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>42,615</u>	<u>42,615</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (42,615)
Adjustments to revenues for other taxes receivable				(45,120)
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ (87,735)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-2

## Village of Ruidoso

## Parks and Recreation Special Revenue Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

## Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	12,602	5,739	(6,863)
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	54,000	83,341	29,341
State capital grants	-	-	-	-
Charges for services	-	122,720	99,676	(23,044)
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	9,012	9,012
	<u>-</u>	<u>189,322</u>	<u>197,768</u>	<u>8,446</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	877,697	885,122	776,283	108,839
Health and welfare	-	-	-	-
Capital outlay	32,000	49,575	59,761	(10,186)
Debt service:				
Principal	9,250	9,250	8,092	1,158
Interest	-	-	-	-
<i>Total expenditures</i>	<u>918,947</u>	<u>943,947</u>	<u>844,136</u>	<u>99,811</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(918,947)</u>	<u>(754,625)</u>	<u>(646,368)</u>	<u>108,257</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	918,947	102,735	-	(102,735)
Loan proceeds	-	-	-	-
Transfers in	-	664,735	659,207	(5,528)
Transfers out	-	(12,845)	(12,840)	5
<i>Total other financing sources (uses)</i>	<u>918,947</u>	<u>754,625</u>	<u>646,367</u>	<u>(108,258)</u>
<i>Net change in fund balance</i>	-	-	(1)	(1)
<i>Fund balance - beginning of year</i>	-	-	1	1
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (1)
Adjustments to miscellaneous revenues				9,011
Adjustments to expenditures for accounts payable and accrued payroll				(113,375)
Net change in fund balance (GAAP)				<u>\$ (104,365)</u>

The accompanying notes are an integral part of these financial statements



## STATE OF NEW MEXICO

Statement C-3

Village of Ruidoso

Cemetery Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	5,850	5,850	7,190	1,340
Licenses and fees	-	-	-	-
Investment income	700	700	84	(616)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>6,550</u>	<u>6,550</u>	<u>7,274</u>	<u>724</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	30,975	30,975	15,765	15,210
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>30,975</u>	<u>30,975</u>	<u>15,765</u>	<u>15,210</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(24,425)</u>	<u>(24,425)</u>	<u>(8,491)</u>	<u>15,934</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	24,425	24,425	-	(24,425)
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>24,425</u>	<u>24,425</u>	<u>-</u>	<u>(24,425)</u>
<i>Net change in fund balance</i>	-	-	(8,491)	(8,491)
<i>Fund balance - beginning of year</i>	-	-	8,491	8,491
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (8,491)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ (8,491)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-4

## Village of Ruidoso

## 1/8th Infrastructure Tax Special Revenue Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

## Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	594,696	594,696	635,389	40,693
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>594,696</u>	<u>594,696</u>	<u>635,389</u>	<u>40,693</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>594,696</u>	<u>594,696</u>	<u>635,389</u>	<u>40,693</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(1,086,419)	(102,973)	-	102,973
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	491,723	(491,723)	(516,203)	(24,480)
<i>Total other financing sources (uses)</i>	<u>(594,696)</u>	<u>(594,696)</u>	<u>(516,203)</u>	<u>78,493</u>
<i>Net change in fund balance</i>	-	-	119,186	119,186
<i>Fund balance - beginning of year</i>	-	-	(119,186)	(119,186)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 119,186
Adjustments to revenues for other taxes receivable				(42,478)
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ 76,708</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-5

Village of Ruidoso

State Fire Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	199,765	199,765	195,198	(4,567)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	2,500	2,500	256	(2,244)
Miscellaneous	-	-	262	262
<i>Total revenues</i>	<u>202,265</u>	<u>202,265</u>	<u>195,716</u>	<u>(6,549)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	90,412	106,712	105,630	1,082
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	12,000	12,000	46,484	(34,484)
Debt service:				
Principal	77,000	77,000	82,842	(5,842)
Interest	-	-	-	-
<i>Total expenditures</i>	<u>179,412</u>	<u>195,712</u>	<u>234,956</u>	<u>(39,244)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>22,853</u>	<u>6,553</u>	<u>(39,240)</u>	<u>(45,793)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(22,853)	(6,553)	-	6,553
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(22,853)</u>	<u>(6,553)</u>	<u>-</u>	<u>6,553</u>
<i>Net change in fund balance</i>	-	-	(39,240)	(39,240)
<i>Fund balance - beginning of year</i>	-	-	39,240	39,240
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (39,240)
No adjustments to revenues				-
Adjustments to expenditures for prepaid expenses				(54,329)
Net change in fund balance (GAAP)				<u>\$ (93,569)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-6

Village of Ruidoso

Scenic By-Ways Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(114)	(114)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(114)</u>	<u>(114)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(114)</u>	<u>(114)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>114</u>	<u>114</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (114)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ (114)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-7

## Village of Ruidoso

Emergency Medical Services Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	20,867	11,288	(9,579)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>20,867</u>	<u>11,288</u>	<u>(9,579)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	20,867	18,422	2,445
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>20,867</u>	<u>18,422</u>	<u>2,445</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(7,134)</u>	<u>(7,134)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	50,881	50,881
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>50,881</u>	<u>50,881</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>43,747</u>	<u>43,747</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(43,747)</u>	<u>(43,747)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 43,747
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ 43,747</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-8

## Village of Ruidoso

Law Enforcement Protection Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	48,400	32,000	(16,400)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>48,400</u>	<u>32,000</u>	<u>(16,400)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	48,400	42,970	5,430
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>48,400</u>	<u>42,970</u>	<u>5,430</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(10,970)</u>	<u>(10,970)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(10,970)	(10,970)
<i>Fund balance - beginning of year</i>	-	-	10,970	10,970
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (10,970)
No adjustments to revenues				-
Adjustments to expenditures for accounts payable				(11,987)
Net change in fund balance (GAAP)				<u>\$ (22,957)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-9

## Village of Ruidoso

## Traffic Safety Fees Special Revenue Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

## Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	3,795	5,854	2,059
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>3,795</u>	<u>5,854</u>	<u>2,059</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>3,795</u>	<u>5,854</u>	<u>2,059</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(3,795)	-	3,795
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(3,795)</u>	<u>-</u>	<u>3,795</u>
<i>Net change in fund balance</i>	-	-	5,854	5,854
<i>Fund balance - beginning of year</i>	-	-	(5,854)	(5,854)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 5,854
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ 5,854</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-10

## Village of Ruidoso

Supplemental Gross Receipts Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	483,358	483,358
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>483,358</u>	<u>483,358</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>483,358</u>	<u>483,358</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(4,430,512)	(4,430,512)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(4,430,512)</u>	<u>(4,430,512)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(3,947,154)</u>	<u>(3,947,154)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,947,154</u>	<u>3,947,154</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (3,947,154)
Adjustments to revenues for other taxes receivable				(483,358)
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ (4,430,512)</u>

The accompanying notes are an integral part of these financial statements



## STATE OF NEW MEXICO

Statement C-11

Village of Ruidoso

Correction Fees Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	25,300	25,300	40,063	14,763
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>25,300</u>	<u>25,300</u>	<u>40,063</u>	<u>14,763</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	25,300	25,300	8,358	16,942
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>25,300</u>	<u>25,300</u>	<u>8,358</u>	<u>16,942</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	31,705	31,705
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	31,705	31,705
<i>Fund balance - beginning of year</i>	-	-	(31,705)	(31,705)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 31,705
No adjustments to revenues				-
Adjustments to expenditures for accounts payable				(1,440)
Net change in fund balance (GAAP)				<u>\$ 30,265</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-12

Village of Ruidoso

Lodger's Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	1,108,000	1,108,000	1,209,830	101,830
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	15,710	15,710
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	12,000	12,000	4,253	(7,747)
Miscellaneous	-	475,755	230,099	(245,656)
<i>Total revenues</i>	<u>1,120,000</u>	<u>1,595,755</u>	<u>1,459,892</u>	<u>(135,863)</u>
<i>Expenditures:</i>				
Current:				
General government	1,137,493	1,147,493	874,471	273,022
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	301,755	75,188	226,567
Debt service:				
Principal	-	95,598	165,517	(69,919)
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,137,493</u>	<u>1,544,846</u>	<u>1,115,176</u>	<u>429,670</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(17,493)</u>	<u>50,909</u>	<u>344,716</u>	<u>293,807</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	123,091	(40,909)	-	40,909
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(105,598)	(10,000)	-	10,000
<i>Total other financing sources (uses)</i>	<u>17,493</u>	<u>(50,909)</u>	<u>-</u>	<u>50,909</u>
<i>Net change in fund balance</i>	-	-	344,716	344,716
<i>Fund balance - beginning of year</i>	-	-	1,771	1,771
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 346,487</u>	<u>\$ 346,487</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 344,716
Adjustments to revenues for other taxes receivable and other receivables				65,972
Adjustments to expenditures for accounts payable				(9,974)
Net change in fund balance (GAAP)				<u>\$ 400,714</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-13

Village of Ruidoso

Special Donations Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary Basis)	(Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	3,077	-	(3,077)
<i>Total revenues</i>	<u>-</u>	<u>3,077</u>	<u>-</u>	<u>(3,077)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	3,077	1,771	1,306
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>3,077</u>	<u>1,771</u>	<u>1,306</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(1,771)</u>	<u>(1,771)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(1,771)	(1,771)
<i>Fund balance - beginning of year</i>	-	-	1,771	1,771
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (1,771)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ (1,771)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-14

Village of Ruidoso

Special Street Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	197,000	197,000	58,287	(138,713)
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	90,000	90,000	-	(90,000)
<i>Total revenues</i>	<u>287,000</u>	<u>287,000</u>	<u>58,287</u>	<u>(228,713)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	83,200	83,200	83,200	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	100,000	100,000	-	100,000
Debt service:				
Principal	103,800	103,800	78,273	25,527
Interest	-	-	-	-
<i>Total expenditures</i>	<u>287,000</u>	<u>287,000</u>	<u>161,473</u>	<u>125,527</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(103,186)	(103,186)
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	149,326	149,326
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	<u>149,326</u>	<u>149,326</u>
<i>Net change in fund balance</i>	-	-	46,140	46,140
<i>Fund balance - beginning of year</i>	-	-	(46,140)	(46,140)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 46,140
Adjustments to revenues for other taxes receivable				31,511
Adjustments to expenditures for debt service and accounts payable				(278,757)
Net change in fund balance (GAAP)				<u>\$ (201,106)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-15

## Village of Ruidoso

## Convention Center Special Revenue Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

## Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	168,924	199,420	30,496
Licenses and fees	-	100	-	(100)
Investment income	-	-	1,077	1,077
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>169,024</u>	<u>200,497</u>	<u>31,473</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	434,820	434,820	392,732	42,088
Health and welfare	-	-	-	-
Capital outlay	-	-	14,889	(14,889)
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>434,820</u>	<u>434,820</u>	<u>407,621</u>	<u>27,199</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(434,820)</u>	<u>(265,796)</u>	<u>(207,124)</u>	<u>58,672</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	434,820	121,095	-	(121,095)
Loan proceeds	-	-	-	-
Transfers in	-	150,053	312,480	162,427
Transfers out	-	(5,352)	(105,355)	(100,003)
<i>Total other financing sources (uses)</i>	<u>434,820</u>	<u>265,796</u>	<u>207,125</u>	<u>(58,671)</u>
<i>Net change in fund balance</i>	-	-	1	1
<i>Fund balance - beginning of year</i>	-	-	(3,509)	(3,509)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,508)</u>	<u>\$ (3,508)</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 1
Adjustments to revenues for other receivables				12,695
Adjustments to expenditures for accrued payroll				(117,672)
Net change in fund balance (GAAP)				<u>\$ (104,976)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-16

Village of Ruidoso

Impact Fee Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	270,000	270,000	318,360	48,360
Investment income	40,000	40,000	3,913	(36,087)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>310,000</u>	<u>310,000</u>	<u>322,273</u>	<u>12,273</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	23,250	-	-	-
Capital outlay	1,283,926	1,283,926	477,626	806,300
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,307,176</u>	<u>1,283,926</u>	<u>477,626</u>	<u>806,300</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(997,176)</u>	<u>(973,926)</u>	<u>(155,353)</u>	<u>818,573</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	997,176	997,176	-	(997,176)
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(23,250)	-	23,250
<i>Total other financing sources (uses)</i>	<u>997,176</u>	<u>973,926</u>	<u>-</u>	<u>(973,926)</u>
<i>Net change in fund balance</i>	-	-	(155,353)	(155,353)
<i>Fund balance - beginning of year</i>	-	-	(3,509)	(3,509)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (158,862)</u>	<u>\$ (158,862)</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (155,353)
Adjustments to revenues for other receivables				(177,368)
Adjustments to expenditures for accrued payroll				176,671
Net change in fund balance (GAAP)				<u>\$ (156,050)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-17

Village of Ruidoso

RSVP Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	37,085	37,085	32,880	(4,205)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>37,085</u>	<u>37,085</u>	<u>32,880</u>	<u>(4,205)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	37,085	37,685	37,072	613
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>37,085</u>	<u>37,685</u>	<u>37,072</u>	<u>613</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(600)</u>	<u>(4,192)</u>	<u>(3,592)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	600	-	(600)
Loan proceeds	-	-	-	-
Transfers in	-	-	1,482	1,482
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>600</u>	<u>1,482</u>	<u>882</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(2,710)</u>	<u>(2,710)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>2,710</u>	<u>2,710</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (2,710)
Adjustments to revenues for other receivables				7,471
Adjustments to expenditures for accrued payroll				(119)
Net change in fund balance (GAAP)				<u>\$ 4,642</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-18

Village of Ruidoso

Arts Commission Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
No adjustments to revenues				-
Adjustments to culture and recreation expenditures				(26,209)
Net change in fund balance (GAAP)				<u>\$ (26,209)</u>

The accompanying notes are an integral part of these financial statements



## STATE OF NEW MEXICO

Statement C-19

## Village of Ruidoso

## Forestry Operations Special Revenue Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

## Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	255,094	655,094	496,671	(158,423)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	123,821	636,821	-	(636,821)
<i>Total revenues</i>	<u>378,915</u>	<u>1,291,915</u>	<u>496,671</u>	<u>(795,244)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	378,915	891,915	670,892	221,023
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>378,915</u>	<u>891,915</u>	<u>670,892</u>	<u>221,023</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>400,000</u>	<u>(174,221)</u>	<u>(574,221)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(400,000)	-	400,000
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(400,000)</u>	<u>-</u>	<u>400,000</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(174,221)</u>	<u>(174,221)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (174,221)</u>	<u>\$ (174,221)</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (174,221)
Adjustments to revenues fro other receivables				126,325
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ (47,896)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-20

## Village of Ruidoso

## Police Grants Special Revenue Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

## Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	13,544	13,196	(348)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>13,544</u>	<u>13,196</u>	<u>(348)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	19,044	19,038	6
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>19,044</u>	<u>19,038</u>	<u>6</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(5,500)</u>	<u>(5,842)</u>	<u>(342)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	5,500	-	(5,500)
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>5,500</u>	<u>-</u>	<u>(5,500)</u>
<i>Net change in fund balance</i>	-	-	(5,842)	(5,842)
<i>Fund balance - beginning of year</i>	-	-	5,842	5,842
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (5,842)
No adjustments to revenues				-
Adjustments to expenditures for accounts payable				(14,158)
Net change in fund balance (GAAP)				<u>\$ (20,000)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-21

Village of Ruidoso

DWI Grant Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	193,644	181,249	183,787	2,538
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>193,644</u>	<u>181,249</u>	<u>183,787</u>	<u>2,538</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	187,644	193,644	185,469	8,175
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	7,000	16,870	(9,870)
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>187,644</u>	<u>200,644</u>	<u>202,339</u>	<u>(1,695)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>6,000</u>	<u>(19,395)</u>	<u>(18,552)</u>	<u>843</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(6,000)	19,395	-	(19,395)
Loan proceeds	-	-	-	-
Transfers in	-	-	287	287
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(6,000)</u>	<u>19,395</u>	<u>287</u>	<u>(19,108)</u>
<i>Net change in fund balance</i>	-	-	(18,265)	(18,265)
<i>Fund balance - beginning of year</i>	-	-	18,265	18,265
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (18,265)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ (18,265)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-22

Village of Ruidoso

Special Grants Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
No adjustments to revenues				-
Adjustments to culture and recreation expenditures				(442,490)
Net change in fund balance (GAAP)				<u>\$ (442,490)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-23

## Village of Ruidoso

## Infrastructure CIP Capital Projects Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

## Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	79,072	79,072
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>79,072</u>	<u>79,072</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	8,458	(8,458)
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>8,458</u>	<u>(8,458)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>70,614</u>	<u>70,614</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	252,049	252,049
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>252,049</u>	<u>252,049</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>322,663</u>	<u>322,663</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(322,663)</u>	<u>(322,663)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 322,663
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ 322,663</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-24

Village of Ruidoso

CIP SRT Bond Proceeds Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary Basis)	(Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	8,910	8,910
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>8,910</u>	<u>8,910</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>8,910</u>	<u>8,910</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(1,023,912)	(1,023,912)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(1,023,912)</u>	<u>(1,023,912)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(1,015,002)</u>	<u>(1,015,002)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,015,002</u>	<u>1,015,002</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (1,015,002)
Adjustments to revenues for other receivables				(576)
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ (1,015,578)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-25

## Village of Ruidoso

CIP Airport Improvement Capital Projects Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary Basis)	(Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	82,080	82,080
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>82,080</u>	<u>82,080</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>82,080</u>	<u>82,080</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(82,080)</u>	<u>(82,080)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 82,080
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ 82,080</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-26

## Village of Ruidoso

## CIP Relocate Fire Station Capital Projects Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

## Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	3,153	3,153
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>3,153</u>	<u>3,153</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>3,153</u>	<u>3,153</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	21,277	21,277
Transfers out	-	-	(1,997)	(1,997)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>19,280</u>	<u>19,280</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>22,433</u>	<u>22,433</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(22,433)</u>	<u>(22,433)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 22,433
No adjustments to revenues				-
Adjustments to general government expenditures				(10,702)
Net change in fund balance (GAAP)				<u>\$ 11,731</u>

The accompanying notes are an integral part of these financial statements



## STATE OF NEW MEXICO

Statement C-27

Village of Ruidoso

Go Bond RWWTP Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	4,693,500	4,693,500	1,512,927	(3,180,573)
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	145,847	145,847	80,357	(65,490)
Miscellaneous	-	-	1,560	1,560
<i>Total revenues</i>	<u>4,839,347</u>	<u>4,839,347</u>	<u>1,594,844</u>	<u>(3,244,503)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	2,359,837	1,996,886	702,906	1,293,980
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	14,558,275	14,558,275	3,007,876	11,550,399
Debt service:				
Principal	367,280	367,280	367,280	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>17,285,392</u>	<u>16,922,441</u>	<u>4,078,062</u>	<u>12,844,379</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(12,446,045)</u>	<u>(12,083,094)</u>	<u>(2,483,218)</u>	<u>9,599,876</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	12,446,045	12,446,045	-	(12,446,045)
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(362,951)	(94,883)	268,068
<i>Total other financing sources (uses)</i>	<u>12,446,045</u>	<u>12,083,094</u>	<u>(94,883)</u>	<u>(12,177,977)</u>
<i>Net change in fund balance</i>	-	-	(2,578,101)	(2,578,101)
<i>Fund balance - beginning of year</i>	-	-	2,578,101	2,578,101
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (2,578,101)
No adjustments to revenues				-
Adjustments to expenditures for accounts payable				(39,629)
Net change in fund balance (GAAP)				<u>\$ (2,617,730)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-28

## Village of Ruidoso

## Revenue Bond &amp; Interest Debt Service Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

## Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	16	16
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>16</u>	<u>16</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	495,000	494,373	627
Interest	-	350	335	15
<i>Total expenditures</i>	<u>-</u>	<u>495,350</u>	<u>494,708</u>	<u>642</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(495,350)</u>	<u>(494,692)</u>	<u>658</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	495,350	-	(495,350)
Loan proceeds	-	-	-	-
Transfers in	-	-	494,692	494,692
Transfers out	-	-	(118,531)	(118,531)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>495,350</u>	<u>376,161</u>	<u>(119,189)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(118,531)</u>	<u>(118,531)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>118,531</u>	<u>118,531</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (118,531)
No adjustments to revenues				-
Adjustments to expenditures for debt service				(112,001)
Net change in fund balance (GAAP)				<u>\$ (230,532)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-29

Village of Ruidoso

GO Bond Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	7	7
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(3,002)	(3,002)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(3,002)</u>	<u>(3,002)</u>
<i>Net change in fund balance</i>	-	-	(2,995)	(2,995)
<i>Fund balance - beginning of year</i>	-	-	2,995	2,995
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (2,995)
No adjustments to revenues				-
Adjustments to general government expenditures				(3,757)
Net change in fund balance (GAAP)				<u>\$ (6,752)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-30

## Village of Ruidoso

## Required Bond Reserves Debt Service Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

## Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement D-1

Village of Ruidoso

Utility Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable)
<i>Operating revenues:</i>				
Charges for services	\$ 5,160,733	\$ 5,160,733	\$ 5,974,554	\$ 813,821
<i>Total operating revenues</i>	<u>5,160,733</u>	<u>5,160,733</u>	<u>5,974,554</u>	<u>813,821</u>
<i>Operating expenses:</i>				
General and administrative	1,805,487	1,062,758	607,644	455,114
Personnel services	2,046,556	2,046,556	6,434,086	(4,387,530)
Contractual services	192,000	677,000	364,413	312,587
Supplies and purchased power	6,788,946	6,537,089	315,372	6,221,717
Maintenance and materials	474,320	612,241	1,014,339	(402,098)
Utilities	297,700	297,700	260,031	37,669
<i>Total operating expenses</i>	<u>11,605,009</u>	<u>11,233,344</u>	<u>8,995,885</u>	<u>2,237,459</u>
<i>Operating income (loss)</i>	<u>(6,444,276)</u>	<u>(6,072,611)</u>	<u>(3,021,331)</u>	<u>3,051,280</u>
<i>Non-operating revenues (expenses):</i>				
Operating grants	-	-	275,000	275,000
Interest income	106,725	181,725	45,378	(136,347)
Interest expense	(13,524)	(13,524)	(216,019)	(202,495)
Gross receipts tax revenue	-	2,886,136	5,298,598	2,412,462
Gross receipts tax expense	(257,375)	(253,875)	(179,598)	74,277
Miscellaneous	2,915	2,915	561,863	558,948
<i>Total non-operating revenues (expenses)</i>	<u>(161,259)</u>	<u>2,803,377</u>	<u>5,785,222</u>	<u>2,981,845</u>
Capital grants	-	-	-	-
Transfers in	-	-	4,439,422	4,439,422
Transfers out	-	(1,453,246)	(518,879)	934,367
<i>Capital grants and net transfers</i>	<u>-</u>	<u>(1,453,246)</u>	<u>3,920,543</u>	<u>5,373,789</u>
<i>Change in net assets</i>	<u>(6,605,535)</u>	<u>(4,722,480)</u>	<u>6,684,434</u>	<u>11,406,914</u>
Designated cash	6,605,535	4,722,480	-	(4,722,480)
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>7,866,640</u>	<u>7,866,640</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,551,074</u>	<u>\$ 14,551,074</u>
<i>Change in net assets, above</i>			\$ 6,684,434	
Depreciation and amortization			(1,963,618)	
<i>Change in net assets, Exhibit D-2</i>			<u>\$ 4,720,816</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement D-2

Village of Ruidoso

Airport Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable)
<i>Operating revenues:</i>				
Charges for services	\$ 864,480	\$ 864,480	\$ 1,012,044	\$ 147,564
<i>Total operating revenues</i>	<u>864,480</u>	<u>864,480</u>	<u>1,012,044</u>	<u>147,564</u>
<i>Operating expenses:</i>				
General and administrative	1,074,504	528,347	736,762	(208,415)
Personnel services	599,112	599,112	550,226	48,886
Contractual services	88,160	88,160	34,259	53,901
Supplies and purchased power	310,751	306,751	20,490	286,261
Maintenance and materials	48,200	52,200	248,407	(196,207)
Utilities	60,000	60,000	64,206	(4,206)
<i>Total operating expenses</i>	<u>2,180,727</u>	<u>1,634,570</u>	<u>1,654,350</u>	<u>(19,780)</u>
<i>Operating income (loss)</i>	<u>(1,316,247)</u>	<u>(770,090)</u>	<u>(642,306)</u>	<u>127,784</u>
<i>Non-operating revenues (expenses):</i>				
Operating grants	221,329	221,329	97,546	(123,783)
Interest income	10,000	10,000	1,274	(8,726)
Interest expense	-	(260,494)	(84,842)	175,652
Gross receipts tax revenue	1,238,329	1,238,329	-	(1,238,329)
Gross receipts tax expense	(157,511)	(37,000)	(22,522)	14,478
Miscellaneous	4,100	4,100	10,503	6,403
<i>Total non-operating revenues (expenses)</i>	<u>1,316,247</u>	<u>1,176,264</u>	<u>1,959</u>	<u>(1,174,305)</u>
Transfers in	-	-	731,771	731,771
Transfers out	-	(190,218)	(92,653)	97,565
<i>Capital grants and net transfers</i>	<u>-</u>	<u>(190,218)</u>	<u>639,118</u>	<u>829,336</u>
<i>Change in net assets</i>	-	215,956	(1,229)	(217,185)
Designated cash	-	(215,956)	-	215,956
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>(18,926)</u>	<u>(18,926)</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,155)</u>	<u>\$ (20,155)</u>
<i>Change in net assets, above</i>			\$ (1,229)	
Depreciation and amortization			(866,446)	
<i>Change in net assets, Exhibit D-2</i>			<u>\$ (867,675)</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement D-3

Village of Ruidoso

Solid Waste Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable)
<i>Operating revenues:</i>				
Charges for services	\$ 2,594,120	\$ 2,594,120	\$ 2,983,064	\$ 388,944
<i>Total operating revenues</i>	<u>2,594,120</u>	<u>2,594,120</u>	<u>2,983,064</u>	<u>388,944</u>
<i>Operating expenses:</i>				
General and administrative	652,755	763,677	681,009	82,668
Personnel services	991,403	941,403	970,619	(29,216)
Contractual services	-	50,000	43,470	6,530
Supplies and purchased power	253,398	72,476	21,782	50,694
Maintenance and materials	341,010	411,010	578,797	(167,787)
Utilities	23,000	23,000	24,302	(1,302)
<i>Total operating expenses</i>	<u>2,261,566</u>	<u>2,261,566</u>	<u>2,319,979</u>	<u>(58,413)</u>
<i>Operating income (loss)</i>	<u>332,554</u>	<u>332,554</u>	<u>663,085</u>	<u>330,531</u>
<i>Non-operating revenues (expenses):</i>				
Operating grants	-	-	10,000	10,000
Interest income	15,000	15,000	3,857	(11,143)
Interest expense	(239,418)	(239,418)	(53,057)	186,361
Gross receipts tax revenue	145,933	145,933	184,135	38,202
Gross receipts tax expense	(254,069)	(71,484)	-	71,484
Miscellaneous	-	-	33,945	33,945
<i>Total non-operating revenues (expenses)</i>	<u>(332,554)</u>	<u>(149,969)</u>	<u>178,880</u>	<u>328,849</u>
Transfers in	-	-	-	-
Transfers out	-	(268,665)	(237,815)	30,850
<i>Capital grants and net transfers</i>	<u>-</u>	<u>(268,665)</u>	<u>(237,815)</u>	<u>30,850</u>
<i>Change in net assets</i>	-	(86,080)	604,150	690,230
Designated cash	-	86,080	-	(86,080)
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>998,072</u>	<u>998,072</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,602,222</u>	<u>\$ 1,602,222</u>
<i>Change in net assets, above</i>			\$ 604,150	
Depreciation			(148,512)	
<i>Change in net assets, Exhibit D-2</i>			<u>\$ 455,638</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Merit Liability Internal Service Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
Budget (GAAP Basis) and Actual  
For the Year Ended June 30, 2009

Statement E-1

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable)
<i>Operating revenues:</i>				
Charges for services	\$ -	\$ -	\$ -	\$ -
<i>Total operating revenues</i>	-	-	-	-
<i>Operating expenses:</i>				
General and administrative	-	-	-	-
Personnel services	-	-	218,174	(218,174)
Contractual services	-	-	-	-
Supplies and purchased power	-	-	-	-
Maintenance and materials	-	-	-	-
Utilities	-	-	-	-
<i>Total operating expenses</i>	-	-	218,174	(218,174)
<i>Operating income (loss)</i>	-	-	(218,174)	(218,174)
<i>Non-operating revenues (expenses):</i>				
Operating grants	-	-	-	-
Interest income	-	-	188,363	188,363
Interest expense	-	-	-	-
Gross receipts tax revenue	-	-	-	-
Gross receipts tax expense	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	-	-	188,363	188,363
Capital grants	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Capital grants and net transfers</i>	-	-	-	-
<i>Change in net assets</i>	-	-	(29,811)	(29,811)
Designated cash	-	-	-	-
<i>Total net assets, beginning of year</i>	-	-	218,174	218,174
<i>Total net assets, end of year</i>	\$ -	\$ -	\$ 188,363	\$ 188,363
<i>Change in net assets, above</i>			\$ (29,811)	
No adjustments			-	
<i>Change in net assets, Statement B-2</i>			\$ (29,811)	

The accompanying notes are an integral part of these financial statements



## STATE OF NEW MEXICO

Statement E-2

Village of Ruidoso

Internal Service Fund

Statement of Revenues, Expenses and Changes in Net Assets  
Budget (GAAP Basis) and Actual  
For the Year Ended June 30, 2009

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable)
<i>Operating revenues:</i>				
Charges for services	\$ -	\$ -	\$ -	\$ -
<i>Total operating revenues</i>	-	-	-	-
<i>Operating expenses:</i>				
General and administrative	-	-	-	-
Personnel services	465,587	458,587	387,268	71,319
Contractual services	-	-	-	-
Supplies and purchased power	-	-	-	-
Maintenance and materials	288,975	590,975	681,320	(90,345)
Utilities	-	-	-	-
<i>Total operating expenses</i>	<u>754,562</u>	<u>1,049,562</u>	<u>1,068,588</u>	<u>(19,026)</u>
<i>Operating income (loss)</i>	<u>(754,562)</u>	<u>(1,049,562)</u>	<u>(1,068,588)</u>	<u>(19,026)</u>
<i>Non-operating revenues (expenses):</i>				
Operating grants	-	-	-	-
Interest income	-	-	-	-
Interest expense	-	-	-	-
Gross receipts tax revenue	-	-	-	-
Gross receipts tax expense	-	-	-	-
Miscellaneous	-	78,000	91,768	13,768
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>78,000</u>	<u>91,768</u>	<u>13,768</u>
Capital grants	-	-	-	-
Transfers in	-	993,714	957,871	(35,843)
Transfers out	-	(22,152)	(22,164)	(12)
<i>Capital grants and net transfers</i>	<u>-</u>	<u>971,562</u>	<u>935,707</u>	<u>(35,855)</u>
<i>Change in net assets</i>	<u>(754,562)</u>	<u>-</u>	<u>(41,113)</u>	<u>(41,113)</u>
Designated cash	754,562	-	-	-
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>126,865</u>	<u>126,865</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,752</u>	<u>\$ 85,752</u>
<i>Change in net assets, above</i>			\$ (41,113)	
Depreciation			(13,755)	
<i>Change in net assets, Statement B-2</i>			<u>\$ (54,868)</u>	

The accompanying notes are an integral part of these financial statements

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**SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Schedule of Deposit and Investment Accounts  
For the Year Ended June 30, 2009

Bank Account Type/Name	Deposits		Investments	
	Wells Fargo Bank	NMFA*	Wells Fargo Securities	
Operating - Checking	\$ 205,592	\$ -	\$ -	-
Water Meter Trust - Checking	72,130	-	-	-
Impact Fees - Checking	392,599	-	-	-
WWTP - Checking	9,864,949	-	-	-
Ruidoso - Police Building	-	51,900	-	-
Ruidoso 2 - Fire Truck & Equipment	-	201	-	-
Ruidoso 3 - 9 Acres - Wingfield	-	1,416	-	-
Ruidoso 4 - 2 Fire Pumper Trucks	-	1,562	-	-
Ruidoso 5 - Street Equipment	-	21,299	-	-
Ruidoso 6	-	2,057	-	-
Req. Resv. '87 Apprt.	-	265,247	-	-
1987 JT W/S Bnd Rsrv.	-	175,000	-	-
2001 SGRT Bnd Rdrv.	-	198,507	-	-
Investments	-	-	6,413,637	-
Investments	-	-	-	-
Investments	-	-	-	-
Investments	-	-	-	-
<b>Total on deposit</b>	<b>10,535,270</b>	<b>717,189</b>	<b>6,413,637</b>	
<b>Reconciling items</b>	<b>4,131,766</b>	<b>-</b>	<b>-</b>	
<b>Reconciled balance</b>	<b>\$ 14,667,036</b>	<b>\$ 717,189</b>	<b>\$ 6,413,637</b>	

\*Accounts are U.S. Treasury MMA Mutual Funds considered cash equivalents

Petty cash

Total deposits and investments

Total unrestricted cash and cash equivalents per Exhibit A-1

Total investments per exhibit A-1

Total restricted cash and cash equivalents per Exhibit A-1

Total agency funds cash and cash equivalents per Exhibit E-1

Total deposits and investments

Investments			
First National Bank	Pioneer Savings Bank	City Bank of New Mexico	Totals
\$ -	\$ -	\$ -	\$ 205,592
-	-	-	72,130
-	-	-	392,599
-	-	-	9,864,949
-	-	-	51,900
-	-	-	201
-	-	-	1,416
-	-	-	1,562
-	-	-	21,299
-	-	-	2,057
-	-	-	265,247
-	-	-	175,000
-	-	-	198,507
-	-	-	6,413,637
903,437	-	-	903,437
-	2,429,568	-	2,429,568
-	-	1,505,021	1,505,021
903,437	2,429,568	1,505,021	22,504,122
-	-	-	4,131,766
<u>\$ 903,437</u>	<u>\$ 2,429,568</u>	<u>\$ 1,505,021</u>	26,635,888

2,040
<u>\$ 26,637,928</u>
\$ 14,663,190
11,251,663
717,189
5,886
<u>\$ 26,637,928</u>

**STATE OF NEW MEXICO**  
 Village of Ruidoso  
 Schedule of Collateral Pledged By Depository  
 For Public Funds  
 June 30, 2009

Schedule II

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2009	Location of Safekeeper
<b>Wells Fargo Bank</b>					
	FGIOHOH00887	6/1/2037	3128MS7G9	165,740	San Francisco, California
	FGIOHOH00930	6/1/2037	31371NNV3	870,860	San Francisco, California
	FNCL 869705	4/1/2036	31409V3L5	716,232	San Francisco, California
	FNCL 953910	11/3/1937	31410SA80	5,085,183	San Francisco, California
	FNCL 671618	12/1/1932	31391NDX6	6,716,074	San Francisco, California
	FNCL 867385	4/1/1936	31409CUJ2	<u>2,617,874</u>	San Francisco, California
	Total Wells Fargo Bank			<u>16,171,963</u>	
	Total Pledged Collateral			<u><u>\$ 16,171,963</u></u>	

See accompanying independent auditors' report

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2009

Schedule III

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<i>Crime Lab Test Fund</i>				
Assets				
Cash and cash equivalents	\$ 212	\$ 19,723	\$ 19,735	\$ 200
<i>Total assets</i>	<u>212</u>	<u>19,723</u>	<u>19,735</u>	<u>200</u>
Liabilities				
Deposits held and due to others	212	19,723	19,735	200
<i>Total liabilities</i>	<u>\$ 212</u>	<u>\$ 19,723</u>	<u>\$ 19,735</u>	<u>\$ 200</u>
<i>Bail Bond Trust Fund</i>				
Assets				
Cash and cash equivalents	\$ 5,983	\$ -	\$ 297	\$ 5,686
<i>Total assets</i>	<u>5,983</u>	<u>-</u>	<u>297</u>	<u>5,686</u>
Liabilities				
Deposits held and due to others	5,983	-	297	5,686
<i>Total liabilities</i>	<u>\$ 5,983</u>	<u>\$ -</u>	<u>\$ 297</u>	<u>\$ 5,686</u>
<i>Taxes Payable Fund</i>				
Assets				
Cash and cash equivalents	\$ -	\$ 419,814	\$ 419,814	\$ -
<i>Total assets</i>	<u>-</u>	<u>419,814</u>	<u>419,814</u>	<u>-</u>
Liabilities				
Deposits held and due to others	-	419,814	419,814	-
<i>Total liabilities</i>	<u>\$ -</u>	<u>\$ 419,814</u>	<u>\$ 419,814</u>	<u>\$ -</u>
<i>Total Agency Funds</i>				
Assets				
Cash and cash equivalents	\$ 6,195	\$ 439,537	\$ 439,846	\$ 5,886
<i>Total assets</i>	<u>6,195</u>	<u>439,537</u>	<u>439,846</u>	<u>5,886</u>
Liabilities				
Deposits held and due to others	6,195	439,537	439,846	5,886
<i>Total liabilities</i>	<u>\$ 6,195</u>	<u>\$ 439,537</u>	<u>\$ 439,846</u>	<u>\$ 5,886</u>

See accompanying independent auditors' report

**State of New Mexico**  
Village of Ruidoso  
Schedule of Joint Powers Agreements and  
Memorandums of Understanding  
June 30, 2009

Participants	Responsible Party	Description
Village of Ruidoso and the Board of Education for the Ruidoso Municipal School District	Both	Placement of a School Resource Officer at Ruidoso Schools
Village of Ruidoso Police Department and Lincoln County Narcotics Enforcement Unit	Both	To be a member of the Lincoln County Drug Task Force and provide an officer to the Task Force and to employ a Special Response Tactical Team
Village of Ruidoso, Sierra Blanca Regional Airport and the Bureau of Land Management	Both	To allow public land users to ingress and egress the Airport's East and South approach corridors
Village of Ruidoso and the United States Department of Agriculture, Forest Service Enterprise	Both	To jointly conduct an Environmental Impact Study
Village of Ruidoso and the New Mexico Office of the State Engineer	Both	Quantifying leads with acoustic loggers
Village of Ruidoso and the New Mexico Tourism Department	Both	To create a partnership for the use of space at the Billy the Kid Byway Visitor Center



<u>Begin Date</u>	<u>End Date</u>	<u>Estimated Amount of Project</u>	<u>Amount Contributed in Fiscal Year</u>	<u>Audit Responsibility</u>	<u>Fiscal Agent</u>	<u>Name of Govt Agency Report Rev &amp; Exp</u>
7/1/2008	6/30/2009	Unknown	Unknown	None	None	Both
1/13/2009	1/30/2010	Unknown	Unknown	None	None	Both
5/8/2006	5/8/2011	Unknown	Unknown	None	None	Both
3/31/2007	12/31/2008	Unknown	Unknown	Both	None	Both
5/8/2009	Until Complete	Unknown	Unknown	Both	None	Both
5/13/2008	5/1/2012	Unknown	Unknown	Both	None	Both

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**COMPLIANCE SECTION**

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Accounting & Consulting Group, LLP  
Certified Public Accountants

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

Hector Balderas  
New Mexico State Auditor  
Village Manager, Mayor  
Village Council Members  
Village of Ruidoso  
Ruidoso, New Mexico

We were engaged to audit the financial statements of the governmental activities, the business-type activities, the component unit, each major fund, the budgetary comparison for the general fund, Ruidoso flood special revenue fund and the aggregate remaining fund information of the Village of Ruidoso, New Mexico, (Village) 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., and have issued our report thereon dated May 12, 2011. We were also engaged to audit the financial statements of each of the Village's nonmajor governmental funds and budgetary comparisons for the proprietary funds and internal service funds and the remaining nonmajor governmental 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. We disclaimed our opinion because we were unable to apply auditing procedures to cash, assets, liabilities, net assets, revenues, expenditures, federal awards, capital assets, accumulated depreciation, and depreciation expense accounts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Ruidoso'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.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS2005-1, FS2005-2, FS2005-7, FS2005-11, FS2006-2, FS2006-4, FS2007-1, FS2007-3, FS2007-7, FS2007-9, FS2007-10, FS2007-11, FS2008-1, FS2008-2, FS2008-3, FS2008-4 and FS2009-1 through FS2009-132, inclusive, to be material weaknesses.

### 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and, which are described in the accompanying schedule of findings and questioned costs as items FS2005-11, FS2008-4 and FS2009-132.

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, Village Council, the Office of the State Auditor, the New Mexico State Legislature, Department of Finance and Administration, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Accounting & Consulting Group, L.L.P.*

Accounting & Consulting Group, LLP  
Roswell, New Mexico  
May 12, 2011

**FEDERAL FINANCIAL ASSISTANCE**

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Accounting & Consulting Group, LLP  
Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector Balderas  
New Mexico State Auditor  
Village Manager, Mayor  
Village Council Members  
Village of Ruidoso  
Ruidoso, New Mexico

Compliance

We were engaged to audit the compliance of Village of Ruidoso, New Mexico (Village), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village's compliance with those requirements.

Management has not designed, implemented, or monitored the policies and procedures needed to capture, record, and present federal expenditures accurately and completely, nor could the Village provide sufficient documentation supporting the actual amounts and compliance with requirements associated with federal expenditures.

Because of the severity and pervasiveness of the lack of internal controls over compliance coupled with the Village's inability to provide sufficient documentation of the federal expenditures, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the Village complied with the requirements referred to above that are applicable to any major program for the year ended June 30, 2009.

Internal Control Over Compliance

Management of the Village is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the Village's internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurances that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FA2009-1 through FA2009-39, inclusive, to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, Village Council, the Office of the State Auditor, the New Mexico State Legislature, Department of Finance and Administration, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Accounting & Consulting Group, L.L.P.*

Accounting & Consulting Group, LLP  
Roswell, New Mexico  
May 12, 2011

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2009

Schedule V

Federal Grantor Program Title	Federal CFDA Number	Federal or Pass Through Grant / Project Number	Federal Expenditures
<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>			
<b>U.S. Department of Transportation</b>			
Airport Improvement Program	20.106	3350052192009	\$ 160,757
<b>U.S. Environmental Protection Agency</b>			
Congressionally Mandated Projects - RWWTP Construction	66.202	XP976307017	* 2,380,909
<b>U.S. Department of Agriculture</b>			
Cooperative Forestry Assistance	10.664	ENM40052, ENM40130, ENM4004*	647,391
Emergency Watershed Protection Program	10.923	69-8630-08-0013	* 3,236,605
Total U.S. Department of Agriculture			<u>3,883,996</u>
<b>U.S. Department of Justice</b>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007F7471NMDJ	<u>13,196</u>
<b>U.S. Department of Homeland Security</b>			
Disaster Grants - Public Assistance - FEMA	97.036	1783-DR-NM	* <u>3,034,652</u>
Total Expenditures of Federal Awards			<u><u>\$ 9,473,510</u></u>

\* Major Program

**Notes to Schedule of Expenditures of Federal Awards**

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented on the accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Sub-recipients

The Village did not provide any federal awards to sub-recipients during the year.

**STATE OF NEW MEXICO**  
 Village of Ruidoso  
 Schedule of Findings and Questioned Costs  
 June 30, 2009

**Section I – Summary of Audit Results**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors’ report issued   | Disclaimer |
| 1. Internal control over financial reporting:                                    |            |
| a. Material weaknesses identified?   | Yes        |
| b. Significant deficiencies identified not considered to be material weaknesses? | No         |
| c. Noncompliance material to the financial statements noted?                     | Yes        |

*Federal Awards:*

- |   |            |
|---|------------|
| 1. Internal control over major programs:  |            |
| a. Material weaknesses identified?  | Yes        |
| b. Significant deficiencies identified not considered to be material weaknesses?                                      | No         |
| 2. Type of auditors’ report issued on compliance for major programs   | Disclaimer |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes        |
| 4. Identification of major programs:  |            |

CFDA Number	Federal Program
66.202	Congressionally Mandated Projects – EPA
10.664	Cooperative Forestry Assistance
10.923	Emergency Watershed Protection Program
97.036	Disaster Grants – Public Assistance – FEMA

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 6. Auditee qualified as low-risk auditee?                                   | No        |

**Section II – Financial Statement Findings and Questioned Costs**

**A. Financial Statement Findings**

**FS2005-1 Information System Disaster Recovery Policy – General Government and Component Unit**

*Condition:* The Village and the Regional Waste Water Treatment Plant (Plant) do not have an approved information system disaster recovery of technology plan. There are information system manuals, but they have not been reviewed and approved by the administration, Village council, or finance committee members, and the Plant board, and formally placed in service by administrative policy.

*Criteria:* Information system controls require that a comprehensive plan and procedures be documented in a place for computer system recovery in the eventuality of emergencies and/or natural disasters. The information system plan is a generally accepted tool to help ensure the best results in connection with the planning function, budgeting, training and maximizing strategic productivity for computer systems.

*Effect:* System usage could be impaired or rendered useless for a significant period of time, which could severely impact the Village's and the Plant's ability to conduct daily operations. Additionally, productivity and effectiveness may be increased with sound information system and technology planning.

*Cause:* The Village and Plant have not placed a high priority to adopting the formal disaster recovery or technology plan.

*Auditors' Recommendation:* The Village and Plant should adopt a disaster recovery plan that would provide procedures and processes for appropriate computer locations. The plan should address items not limited to: system redundancy, data storage, system firewall monitoring, back-up systems, restoration, contact personnel, and vendors. The adopted plan should be tested and communicated to all necessary parties. Annually, the plan should be assessed by information system personnel for content and revised with approvals when appropriate or necessary.

*Agency Response:* The Village of Ruidoso is in the process of reviewing the information system manuals for the RWWTP and upon completion will submit for Council approval. Additionally an off-site server will be installed for data storage.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2005-2 Accounting Policies and Procedures Manual – General Government and Component Unit**

*Condition:* During the prior year audit, it was noted that the Village and the Regional Waste Water Treatment Plant (Plant) did not have a formal accounting policies and procedures manual. The Village and Plant have procedures established by each department; however, the procedures have not been compiled into one accounting policies and procedures manual that has been approved by the governing board of the Village and the Plant board as of fiscal year end June 30, 2009.

*Criteria:* Elements of an effective internal control system includes guidelines on whom, how and when the more significant accounting transactions should be authorized, recorded and reconciled during the accounting cycle. Formal documented accounting procedures increases the likelihood transactions are executed in accordance with management's intentions and recorded in accordance with accounting policies established by the federal and state governments along with generally accepted accounting principles.

*Effect:* Not documenting formal accounting policies and procedures could allow employees to incorrectly reflect transactions that have occurred. Incorrect transactions could allow misstatement of financial data prepared by the finance department.

*Cause:* The ongoing changes in the Village's and Plant's policies, information systems and related financial reporting and accounting principles applicable to local governments have not been reduced to a specific accounting manual approved by management, the Village Council and the Plant board.

*Auditors' Recommendation:* The Village should review all of the procedures from each department, make the appropriate changes, and adopt an accounting manual that is approved by management, the Village Council and the Plant board.

*Agency Response:* The Village of Ruidoso does have an Accounting & Financial Policies Manual approved by Council 5/1/2009. Presently we are expanding on the scope of internal controls which will include all departments.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2005-7 Regional Wastewater Treatment Plant – General Government and Component Unit**

*Condition:* The Village of Ruidoso and the Village of Ruidoso Downs have entered into a joint powers agreement to create a separate entity to operate a Regional Wastewater Treatment Plant (RWWTP). The agreement was executed on July 3, 1974. A board that is composed of members of each government governs the RWWTP.

The Village performs all administrative functions for the RWWTP including all accounting functions. Each government contributes funds to maintain and operate the facility.

The Village has created a separate fund within their general ledger to account for all revenues and expenditures. The cash belonging to the RWWTP is pooled with the Village's other cash. All costs and expenses related to the payroll function are charged to the RWWTP fund; however, the employees who provide services for the RWWTP have been treated as a department of the Village.

The intention of the agreement was to create a separate entity; however the Village has not treated the RWWTP as a separate entity, rather the RWWTP has been treated as a department of the Village.

*Criteria:* The RWWTP was created with authority of the Joint Powers Agreement Act as defined in New Mexico State Statutes. According to Section 11-1-5B NMSA 1978, the administering agency under any such agreement shall be considered under the provision of this Joint Powers Agreements Act (11-1-1 to 11-1-7 NMSA 1978) as an entity separate from the parties to such agreement.

*Effect:* By treating the RWWTP as a department rather than a separate legal entity, the Village has misreported financial information to various other governments. For example, the payroll reports reported to the Internal Revenue Service contain the wages of employees who provided services to the RWWTP. All payroll activity has been reported to the Internal Revenue Service, New Mexico Taxation and Revenue Department, and the New Mexico Public Employee Retirement Association as activity belonging to the Village. The employees have accrued vacation and sick leave based on the policies established by the Village rather than the RWWTP.

*Cause:* In order to streamline operations, prior Village administrations and the current Village administration has accounted for the RWWTP as a department rather than as a separate entity.

*Auditors' Recommendation:* We recommend that the RWWTP be dissolved as a separate entity and be treated as an enterprise fund of the Village.

*Agency Response:* The Village of Ruidoso is pursuing legal action to either dissolve or proceed into mediation to rectify the accounting issue presented to us in this finding.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2005-11 Audit Report Submission to the New Mexico State Auditor and A-133 Data Collection Form – General Government and Component Unit**

*Condition:* The required submission date of the audit report for the fiscal year ended June 30, 2009, to the New Mexico State Auditor was December 1, 2009. The audit report was not submitted until May 13, 2011. In addition, the report was due to the Federal Clearing House no later than 9 months after the end of the fiscal year.

*Criteria:* Section 2.2.2.9 A of the State Audit Rule set the due date for audit reports for municipalities as December 1<sup>st</sup>. Per OMB Circular A-133 the single audit data collection form was to be submitted no later than 9 months after the end of the fiscal year.

*Effect:* Noncompliance with section 2.2.2.9 A of the State Audit Rule and with OMB Circular A-133. Late audit reports and financial statements could also impact funding from federal and state sources.

*Cause:* The Village had substantial turnover during the performance of the audit. New Village employees could not find or locate information needed for the audit.

*Auditors' Recommendation:* The Village should submit the audit report each year on a timely basis.

*Agency Response:* The Village of Ruidoso has realized the importance of timely audits. We now have a fully staffed Finance department that has prioritized annual audits and is knowledgeable in the State Audit Rule.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2006-2 Untimely Deposits**

*Condition:* Deposits were tested by reviewing the Village's general ledger detail and discussion with accounting personnel. Review of these items and discussions with personnel showed that the Village was not making timely deposits. There were receipts for utility payments in the amount of \$4,946 that were receipted on 4/7/09 and not deposited until 6/3/09. There were receipts for utility payments on 7/17/08 that were not deposited until 10/20/08 in the amount of \$4,060. There were utility checks that had been received in July 2008 that were never deposited. They were not discovered until February 2009 and it was too late to deposit them with the bank. These 93 checks totaled \$11,931.

*Criteria:* Pursuant to Chapter 4.3 of Budget and Finance Manual issued by DFA, all monies receipted must be deposited within 24 hours.

*Effect:* The Village was not in compliance with the Finance Manual issued by DFA. Deposits were not made within the 24 hour time period specified by DFA. Not making timely deposits could result in loss or misplacement of monies collected by Village personnel.

*Cause:* The Village does not have procedures in place to monitor the receipts and deposits or provide adequate oversight.

*Auditors' Recommendation:* The Village should ensure the timely deposits of public monies. All receipts collected should be deposited within 24 hours of the receipt date.

*Agency Response:* The conditions cited in this finding were the results of one employee who has been removed from the Finance Department. At this time we have timely deposits meeting the 24 hour guidelines. Internal controls have been put in place by the Finance Clerk depositing the monies and the Staff Accountant verifying the time, amount and date of deposit.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2006-4 Airport Outstanding Receivables**

*Condition:* During a discussion with the interim airport manager it was noted that their QuickBooks system has never been closed out. Therefore, the airport does not know how accurate their accounts receivable aging report is. Also, included in accounts receivable are credits for the fuel purchase program. The airport is also not following any procedures for collecting outstanding receivables over 60 days old nor are they addressing or attempting to get refunds for the credits.

*Criteria:* Section 6-5-2 NMSA 1978 authorizes DFA to establish Model Accounting Practices (MAP). MAP requires agencies to actively manage accounts receivable.

*Effect:* The Village is in violation of MAP requiring efforts to collect all accounts receivable. Without collection efforts the Village is not collecting their accounts receivable in a timely manner and may not be able to collect all outstanding receivables.

*Cause:* The Village did not have adequate management at the airport to ensure that receivables were being properly taken care of.

*Auditors' Recommendation:* The accounts receivable should be reviewed on a monthly basis and collection procedures should be followed on outstanding accounts. The Village should monitor airport personnel and provide the proper oversight to verify that employees are performing their duties.

*Agency Response:* Currently the Finance Department has taken on the responsibility of monthly review of the Airport's account receivable. The Airport administration is billing monthly on all outstanding accounts receivable with Past due notices, if an account is not brought up to current then at that time the account is put on hold for any future charges or eviction if balance is for leased property. At this time Airport Interim Director is working with Village Municipal court system on collections of past due accounts as well. Currently we are in the process of implementing a new software system (Incode) that the airport will be using to eliminate the transfer/communication disconnects of financial systems between the airport and the Village. The Village is in the process of hiring a full time Airport Manager to oversee all employees' duties and to ensure internal controls are being followed.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2007-1 Airport Inventory and Sales**

*Condition:* The Village has not been properly tracking inventory and sales. At fiscal year end June 30, 2009, inventory was not taken by airport personnel.

*Criteria:* Sections 6-5-1 through 6-5-6 NMSA, 1978 require internal accounting controls designed to prevent accounting errors and violations of state and federal laws and rules related to financial matters.

*Effect:* The Village has not developed procedures to monitor or track fuel sales with inventory and fuel expenditures. Fuel could be used with no corresponding sale being made or recorded.

*Cause:* Improper oversight and management of the Airport have left employees without proper supervision or training and accounting software is not being fully utilized to properly track and record sales and inventory.

*Auditors' Recommendation:* The Village should train employees on the proper use of the accounting software, inventory should be taken at least monthly, and fuel sales, purchase and inventory should be tracked to account for all inflows and outflows.

*Agency Response:* Currently the Airport is tracking a monthly inventory on an excel spread sheet. With the implementation of new software (Incode) we will be recording all monthly inventory transactions. Incode will be providing training and support on the new software. The airport is purchasing new inventory software and full meter devise to track the inflow and outflow of fuel.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2007-3 Utility Meter Deposits**

*Condition:* The Village is not using their utility billing system to track meter deposits or keep it current. A separate spreadsheet was maintained and updated monthly with the utility meter deposits. This has not been reconciled and the Village does not have the detail to support who has rights to the deposits in that fund. Due to this, all meter deposits and refunds have been reported as revenues and expenditures.

*Criteria:* Section 2.2.2 NMAC 10 (I) discusses the need for the Village to maintain good accounting practices. The Village should be balancing their subsidiary ledger for utility deposits to their general ledger at least monthly.

*Effect:* The Village should be utilizing their utility billing software to track and maintain meter deposits. Additional work is being created to maintain separate spreadsheets and the chance for error and abuse is increased by not properly utilizing an automated process available within the utility system. Revenues and expenditures are overstated.

*Cause:* When the Village converted to their current utility software the customer deposits did not update properly. Village employees have not updated this portion of the software and started to rely on the stand along spreadsheet to document customer deposits. Due to employee turnover in fiscal year 2008 and 2009, no employees updated this separate spreadsheet.

*Auditors' Recommendation:* The utility software should be updated to reflect the proper deposits for current customers and old outdated balances should be removed. In the future, the meter deposit listing within the utility system should be monitored and agreed to the general ledger at least monthly.

*Agency Response:* The New world software is currently not updating deposit returns or credits. We have been manually crediting customer accounts by verifying the deposit receipt and making a utility adjustment to account for the deposit. The Village is in contact with New World on correcting the posting of the deposits to eliminate the timely process of manually adjusting each account. There has been no correction to the system at this time due to the lack of customer service from the present software system. Once our new software system is implemented this will be an automatic process.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2007-7 Monitoring Grants**

*Condition:* Grants are not being properly monitored and grant reimbursement requests are not being maintained and followed up on to make sure all funds are being received on a timely basis.

*Criteria:* Section 6-5-1 through 6-5-6 NMSA, 1978 require internal accounting controls designed to prevent accounting errors and violations of state and federal laws and rules related to financial matters.

*Effect:* The Village is not managing grants. Without a monitoring process, grant funds remain unreimbursed or improperly accounted for.

*Cause:* Due to turnover in various Village departments, grants are not being properly monitored and reports are not being maintained in an available location.

*Auditors' Recommendation:* The Village should designate an individual to monitor all grants for proper reimbursement requests.

*Agency Response:* In Fiscal Year 2011 we have employed a Capital Project Administrator that will be responsible for compiling and reviewing all grant documents into an electronic format. Departments apply for grants and budget the expected monies in their current budget. The finance department follows through with monitoring if grant is received. The budget reflects the grant revenue and offsetting expenditure.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2007-9 Airport Fuel Sales**

*Condition:* Based on other findings at the airport and a lack of internal controls, procedures were extended and additional testing was done on fuel sales. Twenty sales receipts were selected for testing out of approximately 650 sales receipts for jet fuel. We were unable to trace from the detail of payments received any payments to deposit details because the deposit detail had no corresponding receipt numbers to cross reference. There was no way to ensure that the cash and check payments were actually deposited. We also determined based on the dates of cashier's summaries that deposits were only being made on average weekly, and sometimes only monthly.

*Criteria:* Auditing Standards state that the management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. Good accounting policies require maintenance of sufficient documentation for deposits to be able to trace them to the receipt and payment detail.

*Auditing Standards* lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." Further, the Standards state that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal controls are inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets and ensure compliance with internal policies, laws and regulations. Adequate controls are not in place to prevent or detect misstatements of accounting information, therefore misstatements and non-compliance with internal policies, laws and regulations may occur and not be prevented or detected by management or staff during the course of their normal duties.

*Cause:* For the period from July 1, 2008 through June 30, 2009 management did not have adequate documented internal control policies, including monitoring and risk assessment policies, in place that would ensure internal controls, such as the maintenance of sufficient documentation for deposits, were designed and operating effectively.

*Auditors' Recommendation:* We recommend the Sierra Blanca Regional Airport implement procedures, including but not limited to risk assessment and monitoring, to ensure that deposits have sufficient backup to be able to trace them to receipts and payment detail.

*Agency Response:* The Finance Department staff has implemented procedures to reduce the risk of cash management.

- Individual receipts are inputted with receipt numbers into QuickBooks to correspond with daily deposit and transactions.
- A monthly report is then generated with detail of transactions recorded with corresponding deposits.
- End of the month reconciliation is done with bank statements and transactions corresponding to the deposits. This will verify accuracy.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2007-10 Airport Fuel Sales and Purchases**

*Condition:* Based on other findings at the airport and a lack of internal controls, procedures were extended and additional testing was done on fuel purchases and sales. During our analyticals over fuel purchases and sales we noted that there appears to be monthly fluctuations in measured and purchased fuel and fuel sales and logs and daily sales in Quickbooks that could not be fully explained or justified. Based on our interviews, it was noted that there are currently no internal controls in place to monitor temperature and altitude changes that could change the volume of the fuel daily. If proper controls were in place to monitor these factors, any misappropriations could be detected.

*Criteria:* Auditing Standards state that the management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. *Auditing Standards* lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." Further, the Standards state that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal controls are inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets and ensure compliance with internal policies, laws and regulations. Adequate controls are not in place to prevent or detect misstatements of accounting information, therefore misstatements and non-compliance with internal policies, laws and regulations may occur and not be prevented or detected by management or staff during the course of their normal duties.

*Cause:* For the period from July 1, 2008 through June 30, 2009 management did not have adequate documented internal control policies, including monitoring and risk assessment policies, in place that would ensure internal controls, such as the maintenance of sufficient documentation for deposits, were designed and operating effectively.

*Auditors' Recommendation:* We recommend the Sierra Blanca Regional Airport implement procedures, including but not limited to risk assessment and monitoring, to ensure airport fuel sales and purchases are monitored.

*Agency Response:* The Finance Department staff has implemented procedures to reduce the risk of cash management.

- Individual receipts are inputted with receipt numbers into QuickBooks to correspond with daily deposit and transactions.
- A monthly report is then generated with detail of transactions recorded with corresponding deposits.
- End of the month reconciliation is done with bank statements and transactions corresponding to the deposits. This will verify accuracy.
- The Village of Ruidoso has posted a position for a full time Airport Manager which will be filled by the end of fiscal year 2011.
- The Village of Ruidoso has purchased a new software system, Incode, which will replace the QuickBooks system and eliminate the financial disconnect with the Finance Department.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2007-11 Auditor Prepared Financial Statements**

*Condition:* The financial statements and related disclosures are not being prepared by the Village. The Village does not have a procedure in place to detect and correct material misstatements in the financial statements.

*Criteria:* A system of internal control over financial reporting does not stop at the general ledger. It includes controls over financial statement preparation, including footnote disclosures. The fact that the auditor prepares the financial statements may mean they are correct, but it doesn't eliminate the control deficiency.

*Effect:* The Village has a control deficiency since there are not sufficient controls over the preparation of financial statements and related disclosures. The risk of material misstatement of the financial statements is increased by the lack of control procedures over the preparation of the Village's financial statements.

*Cause:* Village personnel do not have the time and have not been training in the preparation of financial statements and related disclosures.

*Auditors' Recommendation:* We recommend that management and personnel receive training on preparation of financial statements and related disclosures under Generally Accepted Accounting Standards, or contract with a consultant to assist with the preparation and implement procedures to detect and correct misstatements.

*Agency Response:* The Village of Ruidoso Finance Department will obtain training to prepare GASB 34 Government Wide Financial Statements.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2008-1 Airport Contract Fuel Program**

*Condition:* Airport personnel allowed high volume customers to participate in Avfuel's contract fuel program. This program allows jet fuel customers to purchase fuel directly from Avfuel, with Avfuel establishing the price of the fuel. Avfuel then reimburses the Village a percentage of the sale. The reimbursements to the Village are shown as credits on the fuel invoices. These credits were not offset against fuel purchases. Village accounting personnel were not notified of the contract fuel program so credits were not requested in a timely manner. This contract fuel program also reduces the Village's gross profit on fuel sales as the dollars credited back to the Village are at a price about 20% less than what the Village would charge for fuel. The customer pays Avfuel direct; however, Village personnel provide labor to fuel the planes. The Village is not being compensated for this labor.

*Criteria:* Section 3-37-2 NMSA, 1978 require the governing body to control the finances and property of the municipality.

*Effect:* By allowing private citizens to purchase jet fuel directly from Avfuel, the Village is reducing their revenue stream and is providing services that they are effectively not being paid for.

*Cause:* The Village has not provided proper oversight at the airport. The airport manager allowed customers to enter into the contract fuel program without seeking proper approval from the Village council.

*Auditors' Recommendation:* The Village should be providing direct oversight for the airport and should be made aware of any types of contractual relationships with outside parties.

*Agency Response:* This practice was abolished in Fiscal Year 2009.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2008-2 Bank Reconciliations**

*Condition:* The Village has not been reconciling their bank to their general ledger.

*Criteria:* Section 6-6-3 NMSA, 1978 discusses the need for the Village to keep all the books, records and accounts in their respective office in the form prescribed by the local government division and conform to the rules and regulations adopted by the local government division. Good accounting practices require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.

*Effect:* Without reconciled bank statements, the Village has no assurance that all revenues and disbursements have been recorded.

*Cause:* The turnover in the accounting department has transpired without the new employees being trained which resulted in a lapse of duties and proper training. This turnover has also created a situation in which there is a backlog of work, making it difficult for current employees to catch-up.

*Auditors' Recommendation:* The Village's Accounting Policies and Procedures manual should contain explicit instructions for all accounting related matters, as well as detailed instructions on the storage of monthly schedules used for reconciliation purposes.

*Agency Response:* Bank reconciliations were completed to date and are currently done each month. All adjustments are corrected in a timely manner. Internal controls are in place by Finance Director and Village Manager signing off on completed documentation for each monthly bank reconciliation.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2008-3 Inventories**

*Condition:* Village inventories were not available for all departments for the fiscal year ending June 30, 2009.

*Criteria:* Section 6-6-3 NMSA, 1978 states that every local public body shall keep all the books, records and accounts in their respective offices in the form prescribed by the local government division.

*Effect:* Without proper inventory controls, Village departments cannot be sure about what inventory they have on hand in case of an emergency.

*Cause:* The turnover in the accounting department has transpired without the new employees being trained which resulted in a lapse of duties and proper training. This turnover has also created a situation in which there is a backlog of work, making it difficult for current employees to catch-up.

*Auditors' Recommendation:* Each department should, at a minimum, complete a year end inventory.

*Agency Response:* Steps are in place for each department to complete a year-end inventory to be recorded in our financial software. A fixed asset inventory was completed by Finance Department in FY 11.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2008-4 Expenditures in Excess of Budget**

*Condition:* The Village over expended its budget in the following funds:

State Fire	\$ 39,244
DWI Grant	1,695
Infrastructure CIP	8,458
Merit Liability	218,174
Internal Service	19,026
Total	<u>\$ 286,597</u>

*Criteria:* Section 6-6-6 NMSA, 1978 requires that the Village keep expenditures within the budgeted amounts.

*Effect:* Improper management of budgets can create cash short falls.

*Cause:* High turnover in all departments has created inconsistencies in following Village procedures.

*Auditors' Recommendation:* We recommend the Village Establish policies and procedures governing the budgetary process and monitoring of the budget in order to properly prepare and adjust the budget in order to properly authorize all expenditures.

*Agency Response:* The Village's Finance Director reviews monthly all budget to actual reports to ensure that budgets are not exceeded.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS 2009-1 Lack of Adequate Documentation for Expenditures**

*Condition:* The Village policy is to have a purchase order for all nonrecurring purchases, however, during our disbursements test work we noted 4 instances out of 14 when the Village did not have a completed purchase order before the purchase was made. It is also required by the Village for transfers between financial institutions to be approved by the proper management; however, 2 instances out of 14 tested were not properly approved by management.

*Criteria:* Section 6.20.2.17 of NMAC requires the Town to establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 at seq., NMSA 1978.

*Effect:* Having lack of authorization for purchases made increases the risk for misappropriation, budget over expending, or fraudulent activities.

*Cause:* There was an oversight in the internal control process, and items were not authorized through a purchase order or proper approval before the purchase was made.

*Auditors' Recommendations:* It is our recommendation that the internal controls that are in place are followed for all nonrecurring items.

*Agency Response:* This condition is strongly discouraged and only acceptable in emergency situations. We are currently adding disciplinary actions to our purchasing policy manual. Purchase orders are currently not issued if line item has exceeded budgeted amount.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-2 Segregation of Duties – Cash Disbursements**

*Condition:* During our testwork of cash disbursements we noted the following instances of a lack of appropriate segregation of duties.

In our testwork of cash disbursements, we noted that the Accounts Payable Clerk performs all the duties and functions that are required for the cash disbursements process:

- The Accounts Payable Clerk receives the purchase order and prints the checks;
- The Accounts Payable Clerk has authority to have checks signed by the same system that prints the checks; and
- The Accounts Payable Clerk mails the checks.

*Criteria:* Appropriate segregation of duties in cash disbursements is required to maintain proper and sufficient internal controls and properly report all expenditures as required by Section 6-6-3, NMSA 1978.

*Effect:* Without adequate segregation of duties in key control processes, there is an increased risk of fraudulent activity, and also an increased risk of errors that may not be detected timely.

*Cause:* Due to limited resources, the Village relies on the expertise of one individual to perform many duties. Limited resources in the process noted above appear to result in a lack of segregation of duties.

*Auditors' Recommendation:* Develop a formal review process for the disbursement transaction cycle. Also, implement and document policies and procedures to maintain proper internal controls that include segregation of duties.

*Agency Response:* Upon discovery, New Finance Director implemented an immediate plan of action to review all invoices and amounts prior to payment by Staff Accountant or other qualified employee. Then check register is reviewed by Finance Director and amount is verified from Staff Account that the check run does not exceed the amount reviewed.

Incode software will automate approvals within the system to ensure proper oversight and reduce risk.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-3 Deficiencies in Internal Control Structure Design, Operation and Oversight – Cash Disbursements**

*Condition:* The Village does not have a comprehensive documented internal control structure. We noted the following areas in which the Village does not have sufficient key internal controls in place.

- Checks are prenumbered through the software system that is utilized, however, the sequence can be manually altered by the Accounts Payable Clerk without the ability of tracking the check numbers;
- Identified 2 checks that were duplicated and posted in the general ledger; and
- Found 4 checks that were issued that had a related journal entry posted to the general ledger because the issued check was posted for the incorrect amount.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Upon discovery, New Finance Director implemented an immediate plan of action to review all invoices and amounts prior to payment by Staff Accountant or other qualified employee. Then check register is reviewed by Finance Director and amount is verified from Staff Account that the check run does not exceed the amount reviewed.

We also have initiated a positive pay program with Well's Fargo bank. This process will reduce fraud and eliminate check duplication. Currently all Journal Entries are review and co-signed as part of the internal controls.

Incode software will automate approvals within the system to ensure proper oversight and reduce risk. This new software system will not allow manual alteration of check numbers.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-4 Segregation of Duties – Cash Receipts**

*Condition:* During our testwork of the cash receipts we noted the following instances of a lack of appropriate segregation of duties.

In our testwork of the cash disbursements, we noted that the Finance Clerk performs the majority of duties and functions that are required for the cash receipting process:

- Cashiers will receive money and receipt; and
- Cashiers will turn in the money without balancing their drawers at the end of the day to the receipts generated within the system.
- The Finance Clerk receives the funds from the Cashiers and will deposit the money; and
- The Finance Clerk will also take the funds to be deposited at the bank without the deposits and supporting documentation being reviewed for accuracy.

*Criteria:* Appropriate segregation of duties in cash receipts is required to maintain proper and sufficient internal controls and properly report all revenues as required by Section 6-6-3, NMSA 1978.

*Effect:* Without adequate segregation of duties in key control processes, there is an increased risk of fraudulent activity, and also an increased risk of errors that may not be detected timely.

*Cause:* Due to limited resources, the Village relies on the expertise of one individual to perform many duties. Limited resources in the process noted above, appear to result in a lack of segregation of duties.

*Auditors' Recommendation:* Develop a formal review process for the receipt transaction cycle. Also, implement and document policies and procedures to maintain proper internal controls that include segregation of duties.

*Agency Response:* Currently all cashiers balance their monies to receipts then give to the Finance Clerk. The Finance Clerk prints a system generated report for each cashier. Comparisons of the clerk's deposits to report to check for accuracy are then performed. If in balance the Finance Clerk then will proceed to prepare bank deposit.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-5 Deficiencies in Internal Control Structure Design, Operation and Oversight - Cash Receipts**

*Condition:* The Village does not have a comprehensive documented internal control structure. We noted the following areas in which the Village does not have sufficient key internal controls in place.

- No internal controls were established within the Village regarding the cash receipting process.
- There are no procedures or activities in place to regularly educate and communicate to management and employees the importance of internal controls and to raise their level of understanding of controls.
- Attitudes, actions, values to support an effective control environment appear to be inconsistent. There appears to be a reluctance to take ownership of data including who is authorized or responsible to make and/or modify transactions.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-6 Noncompliance with the Procurement Code**

*Condition:* During our test work regarding compliance with the NM Procurement Code, we noted that the Town made purchases over \$5,000, but failed to maintain sufficient records to support the assertion that management complied with the requirement level of documentation for procurement. During our testwork over bids, 3 out of the only 5 bids the client maintained, we were not able to determine which vendor was awarded the contract, the total actual contract price, and other supporting information.

*Criteria:* The New Mexico Procurement Code, Section 13-1-125, NMSA 1978, was amended effective July 1, 2005 to increase the maximum value of small purchases from \$10,000 to \$20,000 in Subsection A; increase the maximum value of professional services from \$20,000 to \$30,000 in Subsection B; and increase the maximum value of purchases at best obtainable prices from \$1,500 to \$5,000 in Subsection C. Therefore, purchases over \$1,500 up to \$5,000 should have three oral quotes documented, and purchases over \$5,000 and up to \$20,000 should have three written quotes documented.

*Effect:* The Village did not comply with the Procurement Code requirement to maintain adequate supporting documentation for purchases over \$5,000. The Village may have paid more than necessary in order to obtain the goods and services that the Village needed.

*Cause:* The Village did not have policies and procedures requiring the proper maintenance of procurement documentation.

*Auditors' Recommendation:* We recommend that the Village adopt procurement policies and procedures that are in compliance with the New Mexico Procurement Code and update them as the laws are amended.

*Agency Response:* The Village of Ruidoso adopted by resolution on October 1, 2009 a Procurement Policies & Procedures Manual. In Chapter 1: General Provisions a statement regarding Consistency with State Procurement Code states that “where this policy or any revision of this policy is inconsistent with the State Procurement Code or Statutes, the State Code and Statutes shall prevail.”

At this time the thresholds had changed regarding at what point 3 quotes (written or verbal) were needed for any purchase over \$5,000. In September of 2009, a memo went out changing the threshold back to \$2,500 to require 3 quotes (written).

The Purchasing Department and Finance Department are working on a supplement for the approved Policies and Procedures to reflect changes in the State Code.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-7 Lack of Adequate Documentation for Credit Card Expenditures**

*Condition:* During our testing of 5 credit card expenditures totaling \$548.21, we noted five instances out of five in which the Village did not have any documentation regarding the purchase. There was no way to know what was purchased on the Village's credit card.

*Criteria:* Per Section 6-6-3, NMSA 1978, cash disbursements are required to be properly authorized and the Village is required to provide supporting documentation.

*Effect:* There could be instances of unauthorized purchases and abuse of public funds and they would go unnoticed.

*Cause:* There is no supporting documentation for the credit card purchase.

*Auditors' Recommendations:* The Village should attach purchase receipts to the payment vouchers. In addition, we recommend that one or two employees be assigned the responsibility to review credit card purchases for compliance.

*Agency Response:* The Village of Ruidoso adopted by resolution on October 1, 2009 a Procurement Policies & Procedures Manual. In Chapter III: Standard Purchasing Procedures Section B deals with the policy of the Village on Procurement card purchases.

At this time, the purchasing agent checks each purchase on each card log and verifies all purchases have receipts attached and what was purchased with the cards and the accounts payable clerk randomly requests copies of receipts monthly to double check that everything is in compliance.

A new internal control will be implemented by the end of FY 11 to require the Accounts Payable Clerk to review and verify all receipts and then the Staff Accountant will do a final review before the check is written.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-8 PERA Reports and General Ledger**

*Condition:* The amount in the general ledger for employer's contribution to PERA does not tie to the reported amount.

*Criteria:* Per NMAC 2.80.500.8, each state agency or affiliated public employer shall be responsible for deducting the applicable contribution from the salary or wages paid to each member for each payroll period. The total amount of PERA withheld from employees was \$900,320 per the PERA reports, but the general ledger indicated that \$1,186,892 was withheld from employees for PERA.

*Effect:* The amount of PERA being withheld from employee paychecks could be incorrect and not be detected due to the lack of the reconciliation process

*Cause:* The Village does not have a reconciliation process for balancing the amount paid to what is reported to PERA as the Village uses payroll software that does not interface with the existing accounting software causing Village employees to manually post all payroll items to the General Ledger.

*Auditors' Recommendation:* We recommend that the Village implement a process for reconciling amounts sent to PERA and amounts recorded in the general ledger and purchase a fully functional accounting software program that interfaces with the Payroll process to help eliminate errors due to manual posting.

*Agency Response:* We currently have a liability account set up for this transaction. At the time we discovered incorrect journalizing of the PERA funds. Our new software will interface with the Payroll system.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-9 Capital Assets**

*Condition:* The Village does not have a formal capital assets management policy. For the year ended June 30, 2009, the Village had not maintained a capital asset listing that was reconciled to the general ledger and was not in compliance with the GASB 34 requirement to capitalize and depreciate infrastructure acquired for years ending in 2004 and thereafter.

*Criteria:* The Village must have a capital assets management policy to provide accountability for the safeguarding of assets in accordance with GASB 34 and NMSA 1978 Section 12-6-10.

*Effect:* Lack of sufficient records results in assets that are not properly safeguarded. Asset identification and location are essential in the prevention of theft and loss of assets due to fraudulent activity. Capital assets cannot be depreciated due to the lack of information that is being maintained. As a result, the financial statements of the Village will be materially misstated due to the balances of capital assets and accumulated depreciation being materially misstated.

*Cause:* Capital asset records have not been maintained or updated to ensure accuracy or accountability of the Village's assets.

*Auditors' Recommendation:* The Village must conduct a physical inventory of its capital assets in accordance with its capitalization policy and update the inventory annually. The inventory report must include asset identification, location and historical cost. This process will also assist the Village in the determination of obsolete equipment. Finally, a complete capital assets inventory listing will be required to be completed by the Village in order to be in compliance with GASB 34.

*Agency Response:* The Village has completed a capital asset listing and has begun working on a formal capital assets management policy. The policy will be completed, sent to Council for approval before the end of fiscal year 11.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-10 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The makeup and general construction of the governing body and its committees are not appropriate and adequate given the nature of the entity. Those charged with governance are not actively involved and do not have significant influence over the entity's internal control environment and its financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report.

Council is actively involved in the government financial reporting and financial environment.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-11 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Those charged with governance do not demonstrate a sufficient level of knowledge of accounting and regulatory requirements, industry experience, and entity operations. Those charged with governance are not actively involved and do not have significant influence over the entity's internal control environment and its financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The process of hiring educated and experienced personnel has been implemented. The review of potential candidates to match job qualifications follows a weighted scale that ensures only the best qualified are hired by the Village.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-12 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* There is not a succession planning process to continually evaluate the background and experience of those charged with governance in order to provide adequate oversight of the entity. Those charged with governance are not actively involved and do not have significant influence over the entity's internal control environment and its financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report.

Council is actively involved in the government financial reporting and financial environment. Internal controls are in place by upper management signing and reviewing financial documents. Example: Bank reconciliations are signed off by Finance Director and Village Manager. Village Manager signs approval for all new hires.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-13 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The Village council does not have a way to assess its performance and that of management. Those charged with governance are not actively involved and do not have significant influence over the entity's internal control environment and its financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Council is actively involved in the government financial reporting and financial environment.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-14 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The Village council does not evaluate the level of accounting and finance expertise of its members. The Village does not have an audit committee that includes at least one “financial expert”. Those charged with governance are not actively involved and do not have significant influence over the entity’s internal control environment and its financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our “financial expert” beginning of fiscal year 11 who is actively involved with the Village’s financials.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-15 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The Village council does not provide input and oversight of the Village’s financial statements, including the application of GAAP and use of accounting judgments. Those charged with governance are not actively involved and do not have significant influence over the entity’s internal control environment and its financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our “financial expert” beginning of fiscal year 11 who is actively involved with the Village’s financials.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-16 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The Village does not have a committee equivalent to an audit committee that meets directly with management, including the finance director, and external auditors to challenge questions raised with regard to accounting policy and accounting estimates. Those charged with governance are not actively involved and do not have significant influence over the entity's internal control environment and its financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-17 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* A process does not exist by which the Village council is made aware of key developments that may impact financial reporting. Those charged with governance are not actively involved and do not have significant influence over the entity's internal control environment and its financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-18 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management, employees, and others are not made familiar with the Village’s policies and practices with regard to ethics, accepted business practices, and positive control environment. Management, through its attitudes and actions, does not demonstrate character, integrity, and ethical values. Sound integrity and ethical values, particularly of top management, are not developed and do not set the standard of conduct for the organization and financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager’s reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our “financial expert” beginning of fiscal year 11 who is actively involved with the Village’s financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-19 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not take appropriate disciplinary action in response to departures from approved policies and procedures or violations of the code of conduct. Management, through its attitudes and actions, does not demonstrate character, integrity, and ethical values. Sound integrity and ethical values, particularly of top management, are not developed and do not set the standard of conduct for the organization and financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-20 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not act to remove or reduce incentives or temptations that might prompt personnel to engage in dishonest, illegal, or unethical acts. Management, through its attitudes and actions, does not demonstrate character, integrity, and ethical values. Sound integrity and ethical values, particularly of top management, are not developed and do not set the standard of conduct for the organization and financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-21 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Rewards, such as bonuses and other incentives, do not foster an appropriate ethical tone. Management, through its attitudes and actions, does not demonstrate character, integrity, and ethical values. Sound integrity and ethical values, particularly of top management, are not developed and do not set the standard of conduct for the organization and financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-22 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not set realistic financial targets and expectations. Management, through its attitudes and actions, does not demonstrate character, integrity, and ethical values. Sound integrity and ethical values, particularly of top management, are not developed and do not set the standard of conduct for the organization and financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-23 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not follow ethical guidelines in dealing with external audiences, including suppliers, citizens, creditors, insurers, etc. Management, through its attitudes and actions, does not demonstrate character, integrity, and ethical values. Sound integrity and ethical values, particularly of top management, are not developed and do not set the standard of conduct for the organization and financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-24 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not approve changes in key relationships with external parties. Management, through its attitudes and actions, does not demonstrate character, integrity, and ethical values. Sound integrity and ethical values, particularly of top management, are not developed and do not set the standard of conduct for the organization and financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-25 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Relationships with professional third parties are not periodically reviewed to ensure the entity maintains association with reputable parties. Management, through its attitudes and actions, does not demonstrate character, integrity, and ethical values. Sound integrity and ethical values, particularly of top management, are not developed and do not set the standard of conduct for the organization and financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-26 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* “Risk appetite,” or the amount of risk the entity is willing to accept, associated with each new activity is not discussed and influenced by the Village’s culture and operating practices. Management’s philosophy and operating style are not consistent with a sound control environment and has a negative pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate and resolve improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that reflect the economic realities of the governmental unit.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager’s reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our “financial expert” beginning of fiscal year 11 who is actively involved with the Village’s financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

The Village of Ruidoso has hired a Capital Projects Administrator, who has an MBA and 15 years experience in capital projects, to track all Capital Projects and document all expenditures, evaluate risks, and keep management fully informed of activities.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-27 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not analyze the potential benefits and key risk drivers associated with each of its new activities. Management's philosophy and operating style are not consistent with a sound control environment and has a negative pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate and resolve improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that reflect the economic realities of the governmental unit.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present management took immediate action and implemented basic internal controls and directives that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

Management works in cooperation with the HR Department to assess risk and resolve any employment practices.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-28 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Turnover of management and supervisory personnel is not monitored, and the reasons for turnover are not evaluated. Management's philosophy and operating style are not consistent with a sound control environment and has a negative pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate and resolve improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that reflect the economic realities of the governmental unit.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

The Human Resource Department has a new Director who reports directly to the Village Manager. All personnel issues involving employee replacements or departures are reported and reviewed by Village Manager.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-29 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not exemplify attitudes and actions in line with its mission, vision, and values to support an effective control environment. Management's philosophy and operating style are not consistent with a sound control environment and has a negative pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate and resolve improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that reflect the economic realities of the governmental unit.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present management took immediate action and implemented basic internal controls and directives that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-30 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not maintain contact with, or consistently emphasize appropriate behavior across, its operations. Management's philosophy and operating style are not consistent with a sound control environment and have a pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate and resolve improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that reflect the economic realities of the governmental unit.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present management took immediate action and implemented basic internal controls and directives that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

The Human Resource Department has a new Director who reports directly to the Village Manager. All personnel issues involving employee replacements or departures are reported and reviewed by Village Manager.

The Village of Ruidoso has hired a Capital Projects Administrator, who has an MBA and 15 years experience in capital projects, to track all Capital Projects and document all expenditures, evaluate risks, and keep management fully informed of activities.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-31 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* There are no procedures or activities in place to regularly educate and communicate to management and employees the importance of internal controls and to raise their level of understanding controls. Management's philosophy and operating style are not consistent with a sound control environment and have a pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate and resolve improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that reflect the economic realities of the governmental unit.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present management took immediate action and implemented basic internal controls and directives that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-32 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The responsibilities and expectations for the Village’s activities and the philosophy about identification and acceptance of risk are not clearly communicated to appropriate personnel. Management’s philosophy and operating style are not consistent with a sound control environment and have a pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate and resolves improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that reflect the economic realities of the governmental unit.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager’s reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our “financial expert” beginning of fiscal year 11 who is actively involved with the Village’s financials.

Present management took immediate action and implemented basic internal controls and directives that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-33 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not openly encourage and acknowledge the practices of employees, functions, or operating units that promote a sound control environment even when the practice may be controversial. Management's philosophy and operating style are not consistent with a sound control environment and have a pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate and resolves improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that reflect the economic realities of the governmental unit.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present management took immediate action and implemented basic internal controls and directives that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-34 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not give appropriate attention to internal controls or correct any known weaknesses in internal controls on a timely basis. Management's philosophy and operating style are not consistent with a sound control environment and have a pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate, and does not resolve improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that reflect the economic realities of the governmental unit.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present management took immediate action and implemented basic internal controls and directives that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-35 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not regard the accounting function as a means for monitoring and exercising control over the Village's various activities. Management's philosophy and operating style are not consistent with a sound control environment and have a pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate and resolve improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that reflect the economic realities of the governmental unit.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present management took immediate action and implemented basic internal controls and directives that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-36 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The central accounting and financial reporting functions do not have proper authority over decentralized accounting personnel. Management's philosophy and operating style are not consistent with a sound control environment and have a pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate and resolves improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that reflect the economic realities of the governmental unit.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present management took immediate action and implemented basic internal controls and directives that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

Currently we are in the process of implementing a new software system (Incode) that all Village Departments will be using to eliminate the disconnect of financial systems between the Finance Department and other departments. The New software system will allow direct access and entry to the General Ledger and will have an internal control level of approval to Village directors and Managers. This software reduces the risk level for all Village of Ruidoso activities.

Financial functions distributed outside the Finance Department are being reviewed and re-assigned to the Finance Department.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-37 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not establish and clearly articulate financial reporting objectives, including goals related to internal control over financial reporting. Management's philosophy and operating style are not consistent with a sound control environment and have a pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate and resolve improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that reflect the economic realities of the governmental unit.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present management took immediate action and implemented basic internal controls and directives that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

Currently we are in the process of implementing a new software system (Incode) that all Village Departments will be using to connect financial systems between the Finance Department and other departments. The New software system will allow direct access and entry to the General Ledger and will have an internal control level of approval to Village directors and Managers. This software reduces the risk level for all Village of Ruidoso activities.

Financial functions distributed outside the Finance Department are being reviewed and re-assigned to the Finance Department.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-38 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not follow a disciplined, objective process in selecting accounting principles and developing estimates. Management's philosophy and operating style are not consistent with a sound control environment and have a pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate and resolve improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that reflect the economic realities of the governmental unit.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present management took immediate action and implemented basic internal controls and directives that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now. The Purchase Policy dictates all purchases include total of all charges. Estimates can be based on historical costs in unique purchase situations.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-39 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not set the tone that high-quality and transparent financial reporting is expected. Management's philosophy and operating style are not consistent with a sound control environment and have a pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate and resolve improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that reflect the economic realities of the governmental unit.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present management took immediate action and implemented basic internal controls and directives that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-40 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not establish and clearly articulate financial reporting objectives, including goals related to internal control over financial reporting. The organizational structure of the entity is not appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit are not present and do not provide unfettered influence to effectively run the entity and support effective financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present management took immediate action and implemented basic internal controls and directives that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

Currently we are in the process of implementing a new software system (Incode) that all Village Departments will be using to eliminate the disconnect of financial systems between the Finance Department and other departments. The New software system will allow direct access and entry to the General Ledger and will have an internal control level of approval to Village Directors and Managers. This software system reduces the risk level for all Village of Ruidoso activities.

Financial functions distributed outside the Finance Department are being reviewed and re-assigned to the Finance Department.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-41 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not follow a disciplined, objective process in selecting accounting principles and developing estimates. The organizational structure of the entity is not appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit are not present and do not provide unfettered influence to effectively run the entity and support effective financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present management took immediate action and implemented basic internal controls and directives that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

Currently we are in the process of implementing a new software system (Incode) that all Village Departments will be using to connect to the financial systems between the Finance Department and other departments. The New software system will allow direct access and entry to the General Ledger and will have an internal control level of approval to Village Directors and Managers. This software system reduces the risk level for all Village of Ruidoso activities.

Financial functions distributed outside the Finance Department are being reviewed and re-assigned to the Finance Department.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-42 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The organizational structure is not commensurate with the Village’s activities. The organizational structure of the entity is not appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit are not present and do not provide unfettered influence to effectively run the entity and support effective financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Capital Project managers are now prioritizing all Capital Projects for completion within a fiscal year. The Village of Ruidoso has hired a Capital Projects Administrator, who has an MBA and 15 years experience in capital projects, to track all Capital Projects and document all expenditures, evaluate risks, and keep management fully informed of activities.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-43 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not periodically evaluate the Village’s organizational structure and make necessary changes based on changes in its activities. The organizational structure of the entity is not appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit are not present and do not provide unfettered influence to effectively run the entity and support effective financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Implementation of annual organizational chart review is part of each new budget. The organizational charts are organized by department and reviewed by Village Manager as part of each new budget.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-44 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The Village does not avoid overly complex structures involving numerous or unusual legal entities, managerial lines of authority, or contractual agreements without apparent purpose. The organizational structure of the entity is not appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit are not present and do not provide unfettered influence to effectively run the entity and support effective financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* New management immediately implemented legal review of all leases and contracts. A directive was sent to all department heads instructing them of the new policy that all leases, contracts must be signed and reviewed either by Village Manager or Mayor.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-45 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The Village does not define key areas of authority and responsibility, including management’s responsibility for activities, and how they affect the Village as a whole. The organizational structure of the entity is not appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit are not present and do not provide unfettered influence to effectively run the entity and support effective financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Village Manager has reorganized all levels of Village Activities and created a Village Wide flow chart which is included in the budget process.

Village Manager compiles a report to Council at each Council meeting containing each department’s areas of responsibility and activities. Human Resource department is reviewing each job description with Village Manager to verify each position level of authority.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-46 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The Village does not establish internal reporting responsibilities for each department, program, or other function that are consistent with the objective of achieving effective internal control over financial reporting. The organizational structure of the entity is not appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit are not present and do not provide unfettered influence to effectively run the entity and support effective financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Currently we are in the process of implementing a new software system (Incode) that all Village Departments will be using to connect to the financial systems between the Finance Department and other departments. The New software system will allow direct access and entry to the General Ledger and will have an internal control level of approval to Village Directors and Managers. This software system reduces the risk level for all Village of Ruidoso activities. The Finance Department is fully staffed and implementing responsible reporting procedures.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-47 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* There is not a structure for assigning ownership of data, including who is authorized to make and/or modify transactions. The organizational structure of the entity is not appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit are not present and do not provide unfettered influence to effectively run the entity and support effective financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Currently we are in the process of implementing a new software system (Incode) that all Village Departments will be using to connect to the financial systems between the Finance Department and other departments. The New software system will allow direct access and entry to the General Ledger and will have an internal control level of approval to Village Directors and Managers. This software system reduces the risk level for all Village of Ruidoso activities. The Finance Department is fully staffed and implementing responsible reporting procedures. The software will denote who, what, when and where entries are made.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-48 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* There are not policies for offering new services, conflicts of interest, and security practices that are adequately communicated to all employees in the organization. The organizational structure of the entity is not appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit are not present and do not provide unfettered influence to effectively run the entity and support effective financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village now has a form containing a 3<sup>rd</sup> party disclosure statement given to each new vendor. The procurement policy requires publishing requests for new vendors as part the Village's purchasing procedures.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-49 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* There is not adequate supervision and monitoring of decentralized operations, including accounting personnel and information systems. The organizational structure of the entity is not appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit are not present and do not provide unfettered influence to effectively run the entity and support effective financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village of Ruidoso now has fully staffed accounting department and additional positions have been added to this department. A review of the Villages financial functioning departments have now been incorporated into the finance department such as; Purchasing Department & Capital Projects Administrator.

The Village is obtaining a full time airport manager to provide improved supervision. Decentralized offices are going through a reorganization to ensure proper supervision and monitoring of operations are in place.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-50 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The Village council does not oversee the Village’s disclosures and the policies under which disclosures are made. The organizational structure of the entity is not appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit are not present and do not provide unfettered influence to effectively run the entity and support effective financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village of Ruidoso has implemented full disclosure of financial reports. We now have the budget and all quarterly financial reports on the Village Web site. All audits will be put on the web. All this information is available for public viewing and all reports are given to Ruidoso News at time of Council meetings.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-51 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* A process does not exist to support the identification and disclosure of related party transactions. The organizational structure of the entity is not appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit are not present and do not provide unfettered influence to effectively run the entity and support effective financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village now has a form containing a 3<sup>rd</sup> party disclosure statement given to each new vendor. The procurement policy requires publishing requests for new vendors as part the Village’s purchasing procedures.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-52 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* A process does not exist to support the identification, selection, and application of alternate accounting treatments. The organizational structure of the entity is not appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit are not present and do not provide unfettered influence to effectively run the entity and support effective financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The new software system (Incode) will increase reporting identification, selection, and application of alternate accounting treatments. This software is scheduled for implementation Summer FY 11.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-53 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* There is not a process to discuss disclosure laws and standards and establish controls to verify the effectiveness of required disclosures (e.g., accounting checklists). The organizational structure of the entity is not appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit are not present and do not provide unfettered influence to effectively run the entity and support effective financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village of Ruidoso has implemented full disclosure of financial reports. We now have the budget and all quarterly financial reports on the Village Web site. All audits will be put on the web. All this information is available for public viewing and all reports are given to Ruidoso News at time of Council meetings.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-54 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* There are single individuals capable of exerting substantial influence over the Village's affairs. The organizational structure of the entity is not appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit are not present and do not provide unfettered influence to effectively run the entity and support effective financial reporting.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present management took immediate action and implemented basic internal controls and directives that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-55 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not establish human resource policies and procedures that demonstrate its commitment to integrity, ethical behavior, and competence. Human resource policies and procedures do not send messages to employees regarding expected levels of integrity, ethical behavior, and competence.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* In Fiscal Year 2011 an Internal Personnel Committee was established to revise the personnel policy manual. The committee reviewed and edited each page and submitted to Council for approval.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-56 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Human resource policies and procedures are not clearly communicated to employees and issued, updated, and revised on a timely balance. Human resource policies and procedures do not send messages to employees regarding expected levels of integrity, ethical behavior, and competence.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Fiscal Year 2011 Internal Personnel Committee was established to revise the personnel policy manual. The committee reviewed and edited each page and submitted to Council for approval.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-57 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Employee recruitment and retention practices for key financial positions are not guided by principles or integrity and by the necessary competencies associated with the positions. Human resource policies and procedures do not send messages to employees regarding expected levels of integrity, ethical behavior, and competence.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The process of hiring educated and experienced personnel has been implemented. The review of potential candidates to match job qualifications follows a weighted scale that ensures only the best qualified are hired by the Village. Fiscal Year 2011 Internal Personnel Committee was established to revise the personnel policy manual. The Committee reviewed and edited each page and submitted to Council for approval.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-58 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* There are not formal procedures for the hiring (recruiting) and retention of employees. Human resource policies and procedures do not send messages to employees regarding expected levels of integrity, ethical behavior, and competence.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The process of hiring educated and experienced personnel has been implemented. The review of potential candidates to match job qualifications follows a weighted scale that ensures only the best qualified are hired by the Village. Fiscal Year 2011 Internal Personnel Committee was established to revise the personnel policy manual. The committee reviewed and edited each page and submitted to Council for approval.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-59 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Recruiting practices do not include formal in-depth employment interviews that provide a history, culture, and operating style along with attitudes for a good control environment. Human resource policies and procedures do not send messages to employees regarding expected levels of integrity, ethical behavior, and competence.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The process of hiring educated and experienced personnel has been implemented. The review of potential candidates to match job qualifications follows a weighted scale that ensures only the best qualified are hired by the Village. Fiscal Year 2011 Internal Personnel Committee was established to revise the Personnel Policy Manual. The Committee reviewed and edited each page and submitted to Council for approval.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-60 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* There are not screening procedures for job applicants, particularly for employees in managerial positions or positions with access to assets susceptible to misappropriation. Human resource policies and procedures do not send messages to employees regarding expected levels of integrity, ethical behavior, and competence.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The process of hiring educated and experienced personnel has been implemented. The review of potential candidates to match job qualifications follows a weighted scale that ensures only the best qualified are hired by the Village. Fiscal Year 2011 internal personnel committee was established to revise the Personnel Policy Manual. The Committee reviewed and edited each page and submitted to council for approval.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-61 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* There are not formal procedures for the ongoing training and motivation of employees. Human resource policies and procedures do not send messages to employees regarding expected levels of integrity, ethical behavior, and competence.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The process of hiring educated and experienced personnel has been implemented. The review of potential candidates to match job qualifications follows a weighted scale that ensures only the best qualified are hired by the Village. Fiscal Year 2011 internal personnel committee was established to revise the Personnel Policy Manual. The Committee reviewed and edited each page and submitted to council for approval.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-62 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* There are not formal policies and procedures to evaluate employee performance and compensation. Human resource policies and procedures do not send messages to employees regarding expected levels of integrity, ethical behavior, and competence.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The process of hiring educated and experienced personnel has been implemented. The review of potential candidates to match job qualifications follows a weighted scale that ensures only the best qualified are hired by the Village. Fiscal Year 2011 internal personnel committee was established to revise the Personnel Policy Manual. The Committee reviewed and edited each page and submitted to council for approval.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-63 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The Village council does not oversee the Village’s process for defining responsibilities for key financial reporting roles. The Village does not assign authority and responsibility to provide a basis for accountability and control.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our “financial expert” beginning of fiscal year 11 who is actively involved with the Village’s financials.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-64 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Employees are not empowered to correct problems or implement improvements in their assigned processes. The Village does not assign authority and responsibility to provide a basis for accountability and control.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The process of hiring educated and experienced personnel has been implemented. The review of potential candidates to match job qualifications follows a weighted scale that ensures only the best qualified are hired by the Village. Fiscal Year 2011 internal personnel committee was established to revise the Personnel Policy Manual. The Committee reviewed and edited each page and submitted to council for approval. The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-65 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Job descriptions, reference manuals, or other forms of communication do not inform personnel of their duties. The Village does not assign authority and responsibility to provide a basis for accountability and control.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Job descriptions are reviewed and updated as positions are vacated and new hire added. This process will eliminate outdated job descriptions. The process of hiring educated and experienced personnel has been implemented. The review of potential candidates to match job qualifications follows a weighted scale that ensures only the best qualified are hired by the Village. Fiscal Year 2011 internal personnel committee was established to revise the personnel policy manual. The committee reviewed and edited each page and submitted to council for approval.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-66 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The Village does not establish competencies (knowledge, skills, abilities, and credentials) prior to hiring of key positions. The Village is not committed to competence in the requirements of particular jobs and in translating those requirements into knowledge and skills.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The review of potential candidates to match job qualifications follows a weighted scale that ensures only the best qualified are hired by the Village. Fiscal Year 2011 Internal Personnel Committee was established to revise the Personnel Policy Manual. The Committee reviewed and edited each page and submitted to Council for approval.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-67 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Employees do not tend to have the competence and training necessary for their assigned level of responsibility or the nature and complexity of the Village’s activities. The Village is not committed to competence in the requirements of particular jobs and in translating those requirements into knowledge and skills.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The review of potential candidates to match job qualifications follows a weighted scale that ensures only the best qualified are hired by the Village. Fiscal Year 2011 Internal Personnel Committee was established to revise the Personnel Policy Manual. The committee reviewed and edited each page and submitted to Council for approval. All departments are budgeted with training funds, the expenditures of these funds are reviewed by Finance and Village Manager quarterly.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-68 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The Village does not retain or otherwise utilize individuals who possess the required competencies related to financial reporting. The Village is not committed to competence in the requirements of particular jobs and in translating those requirements into knowledge and skills.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* This practice no longer exists in this organization. The Human Resource department now aggressively recruits qualified and experienced personnel.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-69 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Job performance and competencies are not periodically evaluated and reviewed with each employee. The Village is not committed to competence in the requirements of particular jobs and in translating those requirements into knowledge and skills.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Evaluations for the Village is now considered high priority and serious. Each Department Head is responsible for annual evaluations of their employees. If a Department Head does not comply it is addressed at the time of "their" evaluation.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-70 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* All departments at the Village are not appropriately staffed. The Village is not committed to competence in the requirements of particular jobs and in translating those requirements into knowledge and skills.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Implementation of annual organizational chart review is part of each new budget. The organizational charts are organized by department and reviewed by Village Manager as part of each new budget. Through attrition the Village is replacing positions with qualified and experienced personnel therefore resulting in increased work production.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-71 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not demonstrate a commitment to provide sufficient accounting and financial personnel to keep pace with the growth and/or complexity of the Village's activities. The Village is not committed to competence in the requirements of particular jobs and in translating those requirements into knowledge and skills.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village of Ruidoso has recognized this condition and hired an experienced and qualified Finance Director and Staff Accountant, Finance Clerk and Capital Projects Administrator. New Village Management supports and ensures internal control processes are being conducted.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-72 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The Village does not supplement in-house competencies by establishing outsourcing arrangements with other firms as permitted by regulatory standards. The Village is not committed to competence in the requirements of particular jobs and in translating those requirements into knowledge and skills.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Outsourcing arrangements are now being utilized. The new Village Manager began the outsourcing of outstanding bank reconciliation due to lack of skill within the organization at that time. Also currently we have outsourced task as needed. The Village recognizes outsourcing task is more cost effective than hiring additional staff for certain tasks.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-73 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Mechanisms are not in place to identify risks applicable to the Village and financial reporting objectives, including (1) changes in operating, economic, and regulatory environments; (2) participation in new programs or activities; (3) new service offerings; (4) communication at various levels of management; (5) application processes; and (6) information technology infrastructure and processes. Management has not established practices for the identification or risks affecting the entity.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

The Village of Ruidoso has hired a Capital Projects Administrator, who has an MBA and 15 years experience in capital projects, to track all Capital Projects and document all expenditures, evaluate risks, tracking grant application process, and keep management fully informed of activities.

Currently we are in the process of implementing a new software system (Incode) that all Village Departments will be using to connect to the financial systems between the Finance Department and other departments. The New software system will allow direct access and entry to the General Ledger and will have an internal control level of approval to Village Directors and Managers. This software system reduces the risk level for all Village of Ruidoso activities. The Finance Department is fully staffed and implementing responsible reporting procedures. The software will denote who, what, when and where entries are made.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-74 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not evaluate risks as part of the planning process. Management has not established practices for the identification of risks affecting the entity.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials. .

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-75 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Periodic reviews are not performed to, among other things, anticipate and identify routine events or activities that may affect the Village's ability to achieve its objectives. Management has not established practices for the identification of risks affecting the entity.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

Monthly department head meetings are mandatory and result in open communication and discussion of performance and activity.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-76 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not have a process to identify risks associated with nonroutine transactions. Management has not established practices for the identification of risks affecting the entity.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

Monthly department head meetings are mandatory and result in open communication and discussion of performance and activity. Non-routine activities are also discussed at this time.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-77 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Risks potentially impacting the achievement of financial reporting objectives are not identified. Management has not established practices for the identification of risks affecting the entity.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-78 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not have forward-looking mechanisms to provide early warning of potential risks relevant to preparation of the financial statements. Management has not established practices for the identification of risks affecting the entity.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-79 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not identify risks related to laws or regulations that may effect financial reporting. Management has not established practices for the identification of risks affecting the entity.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-80 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Risks related to the ability of an employee to initiate and process unauthorized transactions are not appropriately identified. Management has not established practices for the identification of risks affecting the entity.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* As part of our new internal control process all transactions are reviewed and approved by upper management. Our new software will have an approval process within the system to help with identifying and recording of all financial transactions. The Village now maintains current bank reconciliations and any inappropriate journal transactions address and corrected.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-81 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Fraud assessments have not been made an integral part of the risk identification process. Management has not developed an appropriate fraud risk assessment and monitoring process.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

Our risk is reduced by the following controls:

- Bank reconciliations are kept current and reviewed and signed off by upper management.
- Positive pay implemented through Wells Fargo Bank.
- All invoices and checks reviewed by upper supervision.
- Deposits are verified and reviewed by upper supervision
- Routine Monthly review of all financial reports is done by upper management.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-82 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The Village’s assessment of fraud risks does not consider incentives and pressures, attitudes, and rationalizations as well as the opportunity to commit fraud. Management has not developed an appropriate fraud risk assessment and monitoring process.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager’s reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our “financial expert” beginning of fiscal year 11 who is actively involved with the Village’s financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

Our risk is reduced by the following controls:

- Bank reconciliations are kept current and reviewed and signed off by upper management.
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- Deposits are verified and reviewed by upper supervision
- Routine Monthly review of all financial reports is done by upper management.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-83 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The Village’s assessment of fraud risk does not consider risk factors relevant to its activities and to the geographic region in which it operates. Management has not developed an appropriate fraud risk assessment and monitoring process.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager’s reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our “financial expert” beginning of fiscal year 11 who is actively involved with the Village’s financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

Our risk is reduced by the following controls:

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- All invoices and checks reviewed by upper supervision.
- Deposits are verified and reviewed by upper supervision
- Routine Monthly review of all financial reports is done by upper management.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-84 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The Village does not assess the potential for fraud in high-risk areas of the entity, including revenue recognition, management override, accounting estimates, and nonstandard journal entries. Management has not developed an appropriate fraud risk assessment and monitoring process.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

Our risk is reduced by the following controls:

- Bank reconciliations are kept current and reviewed and signed off by upper management.
- Positive pay implemented through Wells Fargo Bank.
- All invoices and checks reviewed by upper supervision.
- Deposits are verified and reviewed by upper supervision
- Routine Monthly review of all financial reports is done by upper management.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-85 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The Village council does not understand and exercise oversight of the Village’s fraud risk assessment process. Management has not developed an appropriate fraud risk assessment and monitoring process.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager’s reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our “financial expert” beginning of fiscal year 11 who is actively involved with the Village’s financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-86 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* With respect to financial statement accounts and disclosures, the significance of potential fraud based on materiality and risk does not consider both quantitative and qualitative factors. Management has not developed an appropriate fraud risk assessment and monitoring process.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

Our risk is reduced by the following controls:

- Bank reconciliations are kept current and reviewed and signed off by upper management.
- Positive pay implemented through Wells Fargo Bank.
- All invoices and checks reviewed by upper supervision.
- Deposits are verified and reviewed by upper supervision
- Routine Monthly review of all financial reports is done by upper management.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-87 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not identify all significant relationships including service providers, suppliers, citizen groups, creditors, etc. Management does not consider the entire organization as well as its extended relationships in its risk assessment process.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village of Ruidoso adopted by resolution on October 1, 2009 a Procurement Policies & Procedures Manual. In Chapter 1: General Provisions a statement regarding Consistency with State Procurement Code states that "where this policy or any revision of this policy is inconsistent with the State Procurement Code or Statutes, the State Code and Statutes shall prevail."

The Purchasing Department and Finance Department are working on a supplement for the approved Policies and Procedures to reflect changes in the State Code.

Our Procurement agent and Capital Projects Administrator are collaborating to identify all significant relationships.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-88 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The planning process does not include a broad spectrum of personnel with collective knowledge of all areas of the Village. Management has not implemented mechanisms to anticipate, identify, and react to changes.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Village Manager has reorganized all levels of Village Activities and created a Village Wide flow chart to assist in the planning process. This has appropriate personnel with collective knowledge in the areas of the Village. The top priority for our GIS employee's is to complete Village mapping and review Utility Billing database. This is our first step to preparation of disaster recovery.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-89 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Processes are not in place to ensure that the accounting department and Village council are sufficiently aware of significant related party transactions to ensure they are appropriately accounted for and disclosed. Management has not implemented mechanisms to anticipate, identify, and react to changes.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

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*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The purchasing department includes the 3<sup>rd</sup> party disclosure document in each and every RFP. The chosen RFP is then taken to council for approval, all documentation is included for their review. Therefore insuring council is aware of any related party transactions.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-90 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Periodic risk assessments are not reviewed by management. Management does not evaluate and mitigate risk appropriately.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-91 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Senior management does not develop plans to mitigate significant identified risks and present them to the Village council. Management does not evaluate and mitigate risk appropriately.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now and as part of that process is to assist each department manager in developing and review their risks.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-92 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* When risks are identified, controls are not examined to determine whether there has been a failure in controls and action is not taken to address them. Management does not evaluate and mitigate risk appropriately.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now and as part of that process is to assist each department manager in developing and review their risks.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-93 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management does not have specific programs or procedures in place to track fraud risk factors identified by management. Management does not evaluate and mitigate risk appropriately.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

Our risk is reduced by the following controls:

- Bank reconciliations are kept current and reviewed and signed off by upper management.
- Positive pay implemented through Wells Fargo Bank.
- All invoices and checks reviewed by upper supervision.
- Deposits are verified and reviewed by upper supervision
- Routine Monthly review of all financial reports is done by upper management

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-94 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The accounting department does not have a process in place to identify and address changes in GAAP. Accounting principles are not properly applied in the preparation of the financial statements.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The present Finance Director is an active member of the Government Finance Officers Association and receives monthly updates regarding any and all changes in GAAP. The Finance Director also attends the annual Government Finance Officers Association's conference.

Any and all changes in Accounting Principles are reviewed with Village Auditor prior to application.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-95 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Changes to significant accounting policies are not approved by management and are not subject to review by the Village council. Accounting principles are not properly applied in the preparation of the financial statements.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

The present Finance Director has a BBA with a Major in Accounting and 30 years accounting experience.

The present Finance Director is an active member of the Government Finance Officers Association and receives monthly updates regarding any and all changes in GAAP. The Finance Director also attends the annual Government Finance Officers Association's conference. Any and all changes in Accounting Principles are reviewed with Village Auditor prior to application. The change of any and all accounting principles is then reported to Manager and Council in the Manager's Report.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-96 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* A process does not exist to identify changes within operating practices that may affect the method or process or recording transactions and the application of GAAP. Accounting principles are not properly applied in the preparation of the financial statements.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The present Finance Director has a BBA with a Major in Accounting and 30 years accounting experience. The present Finance Director is an active member of the Government Finance Officers Association and receives monthly updates regarding any and all changes in GAAP. The Finance Director also attends the annual Government Finance Officers Association's conference. Any and all changes in Accounting Principles are reviewed with Village Auditor prior to application. The change of any and all accounting principles is then reported to Manager and Council in the Manager's Report.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-97 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* A process does not exist to maintain current knowledge of GAAP principles and other relevant pronouncements. Accounting principles are not properly applied in the preparation of the financial statements.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The present Finance Director has a BBA with a Major in Accounting and 30 years accounting experience. The present Finance Director is an active member of the Government Finance Officers Association and receives monthly updates regarding any and all changes in GAAP. The Finance Director also attends the annual Government Finance Officers Association's conference. Any and all changes in Accounting Principles are reviewed with Village Auditor prior to application.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-98 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Operating information used to develop accounting and financial information does not serve as a basis for reliable financial reporting, and operating information is not used as the source of accounting estimates. Information is not identified, captured and used at all levels of the Village to support the achievement of financial reporting objectives.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Currently we are in the process of implementing a new software system (Incode) that all Village Departments will be using to connect to the financial systems between the Finance Department and other departments. The New software system will allow direct access and entry to the General Ledger and will have an internal control level of approval to Village Directors and Managers. This software system reduces the risk level for all Village of Ruidoso activities. The Finance Department is fully staffed and implementing responsible reporting procedures. The software will denote who, what, when and where entries are made.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-99 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Process procedures are not sufficiently formal such that management can determine whether the control objective is met, documentation supporting the procedures is in place, and personnel routinely know the procedures that need to be performed. Information relevant to financial reporting is not identified, captured, processed, and distributed within the parameters established by the Village's control processes to support the achievement of financial reporting objectives.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

Our risk is reduced by the following controls:

- Bank reconciliations are kept current and reviewed and signed off by upper management.
- Positive pay implemented through Wells Fargo Bank.
- All invoices and checks reviewed by upper supervision.
- Deposits are verified and reviewed by upper supervision
- Routine Monthly review of all financial reports is done by upper management

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-100 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Data underlying financial statements are not captured completely, accurately, and timely, in accordance with the Village's policies and procedures and in compliance with laws and regulations. Information relevant to financial reporting is not identified, captured, processed, and distributed within the parameters established by the Village's control processes to support the achievement of financial reporting objectives.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

Our risk is reduced by the following controls:

- Bank reconciliations are kept current and reviewed and signed off by upper management.
- Positive pay implemented through Wells Fargo Bank.
- All invoices and checks reviewed by upper supervision.
- Deposits are verified and reviewed by upper supervision
- Routine Monthly review of all financial reports is done by upper management

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-101 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Financial personnel do not meet with line management to discuss operational results. Information relevant to financial reporting is not identified, captured, processed, and distributed within the parameters established by the Village's control processes to support the achievement of financial reporting objectives.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The present Finance Director has a BBA with a Major in Accounting and 30 years accounting experience. The present Finance Director is an active member of the Government Finance Officers Association and receives monthly updates regarding any and all changes in GAAP. The Finance Director also attends the annual Government Finance Officers Association's conference. Any and all changes in Accounting Principles are reviewed with Village Auditor prior to application. The change of any and all accounting principles is then reported to Manager and Council in the Manager's Report.

Currently we are in the process of implementing a new software system (Incode) that all Village Departments will be using to connect to the financial systems between the Finance Department and other departments. The New software system will allow direct access and entry to the General Ledger and will have an internal control level of approval to Village Directors and Managers. This software system reduces the risk level for all Village of Ruidoso activities. The Finance Department is fully staffed and implementing responsible reporting procedures. The software will denote who, what, when and where entries are made.

The Village of Ruidoso has hired a Capital Projects Administrator, who has an MBA and 15 years experience in capital projects, to track all Capital Projects and document all expenditures, evaluate risks, tracking grant application process, and keep management fully informed of activities.

The Finance Department meets on a regular basis with all Finance Staff and other Department Heads. Monthly review of financial reports with Finance Staff, Village Manager and Department Heads/Managers enables corrections and discussions to maintain an open communication of all financial events.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-102 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Financial personnel do not receive detailed information when reviewing financial results. Information relevant to financial reporting is not identified, captured, processed, and distributed within the parameters established by the Village's control processes to support the achievement of financial reporting objectives.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Currently we are in the process of implementing a new software system (Incode) that all Village Departments will be using to connect to the financial systems between the Finance Department and other departments. The New software system will allow direct access and entry to the General Ledger and will have an internal control level of approval to Village Directors and Managers. This software system reduces the risk level for all Village of Ruidoso activities. The Finance Department is fully staffed and implementing responsible reporting procedures. The software will denote who, what, when and where entries are made.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-103 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Established and agreed-upon deadlines do not exist for period end reporting which includes review by management and third parties (e.g., attorneys). Information relevant to financial reporting is not identified, captured, processed, and distributed within the parameters established by the Village's control processes to support the achievement of financial reporting objectives.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

The present Finance Department presents timely quarterly reports to Council, Village Manager, and DFA. The present Finance Director has closed out prior accounting years and established continued regular Audits to be conducted in a timely fashion.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-104 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* An open communications channel does not exist between management and the Village council. Communication does not exist between management and the Village council so that both have relevant information to fulfill their roles with respect to governance and to financial reporting objectives.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-105 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The effectiveness of those charged with governance is not supported by timely communications. Communication does not exist between management and Village council so that both have relevant information to fulfill their roles with respect to governance and to financial reporting objectives.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

The present Finance Department presents timely quarterly reports to Council, Village Manager, and DFA. The present Finance Director has closed out prior accounting years and established continued regular Audits to be conducted in a timely fashion. The Village Manager presents orally to Council a detailed written report compiled of all department activities at each Council Meeting.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding..*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-106 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Employees do not receive adequate information to complete their job responsibilities. All personnel, particularly those in roles affecting financial reporting, are not receiving a clear message from top management that both internal control over financial reporting and individual control responsibilities must be taken seriously.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* New Management at the Village immediately set up meetings with all Department Heads and Managers to discuss job responsibilities. The Finance Department established financial reporting that was previously lacking and discussed the importance of Council having full financial information to make informed decisions for the Village.

New Management has involved all employees in the budget process to establish the need for every employee to contribute, complete and execute tasks assigned.

Village Manager has an open door policy and has invited any and all employees to come to her office to discuss issues.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-107 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Written job descriptions and reference manuals do not describe the duties of personnel. All personnel, particularly those in roles affecting financial reporting, are not receiving a clear message from top management that both internal control over financial reporting and individual control responsibilities must be taken seriously.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Presently a new Personnel Manual has been completed by Village Manager and Village Staff. It has been presented to Council for their review. The processes of all job descriptions are being updated to contain complete job descriptions.

Village Manager and Staff continue to work on creating and revising reference manuals.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-108 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Management has not developed communication approaches that specify individual responsibilities in dealing with inappropriate behavior. All personnel, particularly those in roles affecting financial reporting, are not receiving a clear message from top management that both internal control over financial reporting and individual control responsibilities must be taken seriously.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* New Management has developed and relayed clear communication to Department Heads on their responsibilities towards employees with inappropriate behaviors. Department Heads have been instructed on progressive action and the seriousness of meeting these responsibilities as Leaders.

New Management has transferred employees out of Finance to other non-financial duties and replaced those positions with qualified and experienced employees.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-109 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Employees do not receive adequate information to complete their job responsibilities. All personnel, particularly those in roles affecting financial reporting, are not receiving a clear message from top management that both internal control over financial reporting and individual control responsibilities must be taken seriously.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Presently a new Personnel Manual has been completed by Village Manager and Village Staff. It has been presented to Council for their review. The processes of all job descriptions are being updated to contain complete job descriptions.

New Management is working with the HR department and Department Heads to the process of clear directives to employees.

New Management has transferred employees out of Finance to other non-financial duties and replaced those positions with qualified and experienced employees.

Village Manager has an open door policy and has invited any and all employees to come to her office to discuss issues.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-110 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Upstream communication is not used by management to improve performance and enhance internal control. Personnel do not have an effective and nonretributive method to communicate significant information upstream in the entity.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Presently a new Personnel Manual has been completed by Village Manager and Village Staff. It has been presented to Council for their review. The processes of all job descriptions are being updated to contain complete job descriptions.

New Management is working with the HR department and Department Heads to the process of clear directives to employees.

New Management has transferred employees out of Finance to other non-financial duties and replaced those positions with qualified and experienced employees.

Village Manager has an open door policy and has invited any and all employees to come to her office to discuss issues.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-111 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Separate lines of communication are not in place and do not serve as a “fail-safe” mechanism in case normal channels are inoperative or ineffective. Personnel do not have an effective and nonretributive method to communicate significant information upstream in the entity.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Presently a new Personnel Manual has been completed by Village Manager and Village Staff. It has been presented to Council for their review. The processes of all job descriptions are being updated to contain complete job descriptions.

New Management is working with the HR department and Department Heads to the process of clear directives to employees.

Village Manager has an open door policy and has invited any and all employees to come to her office to discuss issues.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-112 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* There is no whistleblower process that allows for anonymity for individuals who report possible improprieties. Personnel do not have an effective and nonretributive method to communicate significant information upstream in the entity.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Presently a new Personnel Manual has been completed by Village Manager and Village Staff. It has been presented to Council for their review. The processes of all job descriptions are being updated to contain complete job descriptions.

New Management is working with the HR department and Department Heads to the process of clear directives to employees.

Village Manager has an open door policy and has invited any and all employees to come to her office to discuss issues.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-113 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Reported potential improprieties are not reviewed, investigated, and resolved in a timely manner. Personnel do not have an effective and nonretributive method to communicate significant information upstream in the entity.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Presently a new Personnel Manual has been completed by Village Manager and Village Staff. It has been presented to Council for their review. The processes of all job descriptions are being updated to contain complete job descriptions.

New Management is working with the HR department and Department Heads to the process of clear directives to employees. HR immediately reports, investigates and resolves all employee and proprieties. HR regards employee issues as serious and consults with legal in many situations.

Village Manager has an open door policy and has invited any and all employees to come to her office to discuss issues.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-114 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* There is not a process for tracking communications from citizens, vendors, regulators, and other external parties. Personnel do not have an effective and nonretributive method to communicate significant information upstream in the entity.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Currently the Executive Secretary has created a tracking spreadsheet and follows through with directors if the complaint has been resolved.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-115 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Ongoing monitoring is not built into operations throughout the Village and does not include explicit identification of what constitutes a deviation from expected control performance, thereby signaling a need to investigate both potential control problems and changes in risk profiles. Management does not monitor controls over financial reporting through ongoing monitoring, independent evaluations, and remediation of identified deficiencies.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials. The present Finance Department presents timely quarterly reports to Council, Village Manager, and DFA. The present Finance Director has closed out prior accounting years and established continued regular Audits to be conducted in a timely fashion.

The Village Manager presents orally to Council a detailed written report compiled of all department activities at each Council Meeting.

Our risk is reduced by the following controls:

- Bank reconciliations are kept current and reviewed and signed off by upper management.
- Positive pay implemented through Wells Fargo Bank.
- All invoices and checks reviewed by upper supervision.
- Deposits are verified and reviewed by upper supervision
- Routine Monthly review of all financial reports is done by upper management

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-116 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The Village’s ongoing monitoring does not serve as a primary indicator of both control operating effectiveness and of risk conditions. Management does not monitor controls over financial reporting through ongoing monitoring, independent evaluations, and remediation of identified deficiencies.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 112 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager’s reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our “financial expert” beginning of fiscal year 11 who is actively involved with the Village’s financials. The present Finance Department presents timely quarterly reports to Council, Village Manager, and DFA. The present Finance Director has closed out prior accounting years and established continued regular Audits to be conducted in a timely fashion.

The Village Manager presents orally to Council a detailed written report compiled of all department activities at each Council Meeting.

Our risk is reduced by the following controls:

- Bank reconciliations are kept current and reviewed and signed off by upper management.
- Positive pay implemented through Wells Fargo Bank.
- All invoices and checks reviewed by upper supervision.
- Deposits are verified and reviewed by upper supervision
- Routine Monthly review of all financial reports is done by upper management

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-117 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Separate evaluations of internal controls are not performed to provide an objective look at the overall internal control over financial reporting as of a point in time. Management does not monitor controls over financial reporting through ongoing monitoring, independent evaluations, and remediation of identified deficiencies.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Present finance personnel took immediate action and implemented basic internal controls that were absent at this time of audit finding. We continue to refine and improve all internal controls. There is an internal control manual in process now.

Our risk is reduced by the following controls:

- Bank reconciliations are kept current and reviewed and signed off by upper management.
- Positive pay implemented through Wells Fargo Bank.
- All invoices and checks reviewed by upper supervision.
- Deposits are verified and reviewed by upper supervision
- Routine Monthly review of all financial reports is done by upper management

Currently we are in the process of implementing a new software system (Incode) that all Village Departments will be using to connect to the financial systems between the Finance Department and other departments. The New software system will allow direct access and entry to the General Ledger and will have an internal control level of approval to Village Directors and Managers. This software system reduces the risk level for all Village of Ruidoso activities. The Finance Department is fully staffed and implementing responsible reporting procedures. The software will denote who, what, when and where entries are made.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-118 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* There are no other quasi-audit functions (e.g., grant compliance officer) that report to management and affect the overall control environment. Management does not monitor controls over financial reporting through ongoing monitoring, independent evaluations, and remediation of identified deficiencies.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

The present Finance Department presents timely quarterly reports to Council, Village Manager, and DFA. The present Finance Director has closed out prior accounting years and established continued regular Audits to be conducted in a timely fashion.

The Village Manager presents orally to Council a detailed written report compiled of all department activities at each Council Meeting.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-119 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Reports from external sources (e.g., external auditors, regulators) are not considered for their internal control implications, and timely corrective actions are not identified and taken. Management does not monitor controls over financial reporting through ongoing monitoring, independent evaluations, and remediation of identified deficiencies.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

The present Finance Department presents timely quarterly reports to Council, Village Manager, and DFA. The present Finance Director has closed out prior accounting years and established continued regular Audits to be conducted in a timely fashion.

The Village Manager presents orally to Council a detailed written report compiled of all department activities at each Council Meeting.

Village Manager and Finance have taken seriously present and past audit findings. We have these findings to address and improve our Villages internal controls.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-120 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* There are no separate evaluations of internal controls by management. Management does not monitor controls over financial reporting through ongoing monitoring, independent evaluations, and remediation of identified deficiencies.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

The present Finance Department presents timely quarterly reports to Council, Village Manager, and DFA. The present Finance Director has closed out prior accounting years and established continued regular Audits to be conducted in a timely fashion.

The Village Manager presents orally to Council a detailed written report compiled of all department activities at each Council Meeting.

Village Manager and Finance have taken seriously present and past audit findings. We have used these findings to address and improve our Villages internal controls.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-121 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Findings of internal control deficiencies are not reported to (1) the individual who owns the process and control involved and who is in the position to take corrective actions and (2) at least one level of management above the process owner. Management does not monitor controls over financial reporting through ongoing monitoring, independent evaluations, and remediation of identified deficiencies.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

The present Finance Department presents timely quarterly reports to Council, Village Manager, and DFA. The present Finance Director has closed out prior accounting years and established continued regular Audits to be conducted in a timely fashion.

The Village Manager presents orally to Council a detailed written report compiled of all department activities at each Council Meeting.

Village Manager and Finance have taken seriously present and past audit findings. We have used these findings to address and improve our Villages internal controls. Directors are held accountable to Village Manager and employees involved in inappropriate job performance are subject to progressive action.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-122 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* Deficiencies that affect internal control over financial reporting are not communicated regularly and as necessary to management and those charged with governance. Management does not monitor controls over financial reporting through ongoing monitoring, independent evaluations, and remediation of identified deficiencies.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* We currently are under new Village Management. Village Manager demonstrates character, integrity, and ethical values and actively promotes these values among Village employees.

The Village of Ruidoso has implemented a Finance/Investment Committee to review quarterly financial matters. The Committee is composed of the Finance Director, Village Manager, Mayor, Village Finance Advisor, and a member of the Council. The Council is now receiving a Quarterly Financial Report for review and discussion. Manager's reports are given to council twice a month to update any key developments. Council is actively involved in the government financial reporting and financial environment. The Village has a new Financial Advisor who is our "financial expert" beginning of fiscal year 11 who is actively involved with the Village's financials.

The present Finance Department presents timely quarterly reports to Council, Village Manager, and DFA. The present Finance Director has closed out prior accounting years and established continued regular Audits to be conducted in a timely fashion.

The Village Manager presents orally to Council a detailed written report compiled of all department activities at each Council Meeting.

Village Manager and Finance have taken seriously present and past audit findings. We have used these findings to address and improve our Villages internal controls. Directors are held accountable to Village Manager and employees involved in inappropriate job performance are subject to progressive action.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-123 Deficiencies in Internal Control Structure Design, Operation and Oversight – P-Cards**

*Condition:* No reconciliation of P-Card charges was done prior to the bills being paid.

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village Purchase Agent now requires all documentation for use of the P-Cards to be submitted to the Agent before payment. Currently our staff accountant reviews all transactions before payment as well. This creates two levels of internal controls.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-124 Deficiencies in Internal Control Structure Design, Operation and Oversight – Airport Supporting Documentation**

*Condition:* The Sierra Blanca Regional Airport failed to provide supporting documentation for transactions with the airport mechanic. In reviewing the lease that spanned four years from 2007 through 2011 we determined that during this time period the lease stipulated that the mechanic should be paying the Village lease payments totaling 2% of his gross receipts on a quarterly basis. In the four years the mechanic was contracted the mechanic paid \$6,620 to the Village putting his gross receipts at \$331,000. During this time the Village paid \$76,313 in utilities for the area of the airport the mechanic occupied. A special projects coordinator in charge of the airport stated that the mechanic was paying 2% of his taxable income, not his gross income. We were unable to obtain any documentation supporting the payments that were made to the Village, despite numerous requests. As a result, we were unable to determine if the airport mechanic was in compliance with the lease requirements.

*Criteria:* *Auditing Standards* state that the management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements. Good accounting policies require sufficient documentation for deposits to be able to trace them to the receipt and payment detail.

*Auditing Standards* lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” Further, the *Standards* state that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal controls are inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets and ensure compliance with internal policies, laws and regulations. Adequate controls are not in place to prevent or detect misstatements of accounting information, therefore misstatements and non-compliance with internal policies, laws and regulations may occur and not be prevented or detected by management or staff during the course of their normal duties.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The mechanics lease was terminated and new lease will have a modification of lease agreement to be able generate more revenue and associated cost.

The Village is seeking a new full time Airport Manager to ensure internal controls are met.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-125 Deficiencies in Internal Control Structure Design, Operation and Oversight – Airport Financial Management**

*Condition:* An accurate and complete interface from the airport Quick Books system does not interface with the Village’s main general ledger. The airport also uses Quick Books to record some activity and a manual receipt book for other activity. The airport does not have a documented accounts receivable process.

*Criteria:* *Auditing Standards* state that the management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements. Good accounting policies require maintenance of an accounts receivable aging, an interface between all financial systems and a documented accounts receivable process.

*Auditing Standards* lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” Further, the *Standards* state that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal controls are inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets and ensure compliance with internal policies, laws and regulations. Adequate controls are not in place to prevent or detect misstatements of accounting information, therefore misstatements and non-compliance with internal policies, laws and regulations may occur and not be prevented or detected by management or staff during the course of their normal duties.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Currently we are in the process of implementing a new software system (Incode) that all Village Departments will be using to connect to the financial systems between the Finance Department and other departments. The New software system will allow direct access and entry to the General Ledger and will have an internal control level of approval to Village Directors and Managers. This software system reduces the risk level for all Village of Ruidoso activities. The Finance Department is fully staffed and implementing responsible reporting procedures. The software will denote who, what, when and where entries are made.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-126 Deficiencies in Internal Control Structure Design, Operation and Oversight – Airport Financial Management**

*Condition:* Hangar rentals at the airport are not being monitored and accounted for.

*Criteria:* *Auditing Standards* state that the management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. Good accounting policies require maintenance of an accounts receivable aging, an interface between all financial systems and a documented accounts receivable process.

*Auditing Standards* lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." Further, the *Standards* state that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal controls are inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets and ensure compliance with internal policies, laws and regulations. Adequate controls are not in place to prevent or detect misstatements of accounting information, therefore misstatements and non-compliance with internal policies, laws and regulations may occur and not be prevented or detected by management or staff during the course of their normal duties.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village is seeking a new full time Airport Manager to ensure internal controls are met. The New Airport Manager will prioritize the renewal and monitoring of hanger rentals.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-127 Deficiencies in Internal Control Structure Design, Operation and Oversight – Airport Financial Management**

*Condition:* Sale of fuel is not being monitored at the airport. No reconciliations of fuel usage and fuel sales are completed.

*Criteria:* *Auditing Standards* state that the management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. Good accounting policies require maintenance of an accounts receivable aging, an interface between all financial systems and a documented accounts receivable process.

*Auditing Standards* lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." Further, the *Standards* state that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal controls are inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets and ensure compliance with internal policies, laws and regulations. Adequate controls are not in place to prevent or detect misstatements of accounting information, therefore misstatements and non-compliance with internal policies, laws and regulations may occur and not be prevented or detected by management or staff during the course of their normal duties.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village is seeking a new full time Airport Manager to ensure internal controls are met. The New Airport Manager will prioritize the fuel usage and fuel sales. The Airport is currently process of purchasing a fuel metering system which will track the in/out of fuel.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-128 Deficiencies in Internal Control Structure Design, Operation and Oversight – Airport Disbursements**

*Condition:* During our testing of 20 disbursements originating from Sierra Blanca Regional Airport we noted the following:

- In 7 out of 20 samples no purchase order was included in the backup documentation.
- In 1 out of 20 samples there was not any sign off on the invoice to indicate that the goods had been received and the invoice should be paid.
- In 1 out of 20 samples the purchase order was issued after the invoice was received.

*Criteria:* *Auditing Standards* state that the management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. Good accounting policies require following a documented procurement process.

*Auditing Standards* lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." Further, the *Standards* state that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal controls are inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets and ensure compliance with internal policies, laws and regulations. Adequate controls are not in place to prevent or detect misstatements of accounting information, therefore misstatements and non-compliance with internal policies, laws and regulations may occur and not be prevented or detected by management or staff during the course of their normal duties.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village of Ruidoso adopted by resolution on October 1, 2009 a Procurement Policies & Procedures Manual. In Chapter 1: General Provisions a statement regarding Consistency with State Procurement Code states that "where this policy or any revision of this policy is inconsistent with the State Procurement Code or Statutes, the State Code and Statutes shall prevail."

At this time the thresholds had changed regarding at what point 3 quotes (written or verbal) were needed for any purchase over \$5,000. In September of 2009, a memo went out changing the threshold back to \$2,500 to require 3 quotes (written).

Once invoice is received each department head signs off on invoice to confirm delivery or service was performed. Our policy for accounts payable is to match PO/Invoice and check together when making payment.

Our new software system has internal controls designed to provide effective oversight.

The Purchasing Department and Finance Department are working on a supplement for the approved Policies and Procedures to reflect changes in the State Code.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-129 Deficiencies in Internal Control Structure Design, Operation and Oversight – Airport Financial Management**

*Condition:* The airport is recording amounts of fuel sold in their Quick Books system they utilize at the airport. The airport doesn't provide Quick Books reports to the Village finance department at the end of each month to aid in the accurate recording of fuel sales. As a result, the Village general ledger has \$133,505 more in fuel sales recorded than the airport does in Quick Books. This indicates a clear lack of controls over operations and financial reporting at the airport. Revenues are not being recorded accurately and there is a significant risk of misstatement due to error or fraud.

*Criteria:* *Auditing Standards* state that the management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. Good accounting policies require maintenance of an accounts receivable aging, an interface between all financial systems and a documented accounts receivable process.

*Auditing Standards* lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." Further, the *Standards* state that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal controls are inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets and ensure compliance with internal policies, laws and regulations. Adequate controls are not in place to prevent or detect misstatements of accounting information, therefore misstatements and non-compliance with internal policies, laws and regulations may occur and not be prevented or detected by management or staff during the course of their normal duties.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The implementation of our new software system and therefore discontinuation of use of the Quick Book system will correct this finding. The Finance Department will be able to review and reconcile the fuel sales on a monthly basis.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-130 Deficiencies in Internal Control Structure Design, Operation and Oversight – Airport Hangar Lease Management**

*Condition:* During our review of hangar leases it was noted that the airport was unable to provide us with all leases that they were receiving payment for. We also noted that not all leases have been adjusted to an appropriate price per square foot and some were still paying as little as \$0.08 per square foot. We also were unable to verify that all lessees were actually making payments. Leases and lease payments are not being tracked by the airport.

*Criteria:* *Auditing Standards* state that the management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

*Auditing Standards* lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” Further, the *Standards* state that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal controls are inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets and ensure compliance with internal policies, laws and regulations. Adequate controls are not in place to prevent or detect misstatements of accounting information, therefore misstatements and non-compliance with internal policies, laws and regulations may occur and not be prevented or detected by management or staff during the course of their normal duties.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village is seeking a new full time Airport Manager to ensure internal controls are met. The New Airport Manager will prioritize the review of hanger leases and appropriate price per square foot. The New Airport Manager will implement amendments to the hanger leases to create an equitable charge per square foot and ensure that the Village is receiving payments on all the leased hangers.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-131 Deficiencies in Internal Control Structure Design, Operation and Oversight**

*Condition:* The governing body does not have a charter outlining its duties and responsibilities. The governing body does not have a code of conduct or ethics policy. Those charged with governance are not actively involved and do not have significant influence over the Village's internal control environment and its financial reporting.

*Criteria:* *Auditing Standards* state that the management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

*Auditing Standards* lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." Further, the *Standards* state that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:* Because the internal controls are inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets and ensure compliance with internal policies, laws and regulations. Adequate controls are not in place to prevent or detect misstatements of accounting information, therefore misstatements and non-compliance with internal policies, laws and regulations may occur and not be prevented or detected by management or staff during the course of their normal duties.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* Articles 10, 11, and 12 contain the duties and responsibilities of the council. Copies of these Articles are given to each Council Member after each election.

Adoption of Resolution 2011-14:

A RESOLUTION TO ADOPT A CODE OF ETHICS FOR THE MEMBERS OF THE VILLAGE OF RUIDOSO GOVERNING BODY AND FOR ALL MEMBERS BOARDS AND COMMISSIONS APPOINTED BY THE VILLAGE OF RUIDOSO GOVERNING BODY.

*Note Disclosure:* *The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.*

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**A. Financial Statement Findings (continued)**

**FS2009-132 Designated Cash Appropriations Exceeded Prior Year Available Balances**

*Condition:* The Village’s budgeted expenditures exceeded the total of budgeted revenues and beginning cash and available receivables balances for the year ended June 30, 2009 in the following funds:

	Designated Cash	Beginning Year Cash & A/R Available	Cash Appropriation in Excess of Available
General Fund	\$ 10,475,943	\$ 2,131,723	\$ 8,344,220
Parks and Recreation	918,947	94,354	824,593
Cemetery	24,425	18,540	5,885
Convention Center	434,820	120,827	313,993
GO Bond RWWTP	12,446,045	12,443,050	2,995
Utility	6,605,535	1,459,563	5,145,972
Internal Service	754,562	11,534	743,028

*Criteria:* According to State Audit Rule 2.2.2.10 if budgeted expenditures exceed budgeted revenues and the agency budgets cash then that amount must not exceed the beginning fiscal year cash and receivables.

*Effect:* The Village’s expenditures authorized expending nonexistent revenue which is prohibited by Section 6-6-11, NMSA 1978, which limits yearly expenditures to the amount of income.

*Cause:* Inadequate monitoring of the budget process.

*Auditors’ Recommendation:* Budgets for future years should be revised to ensure all funds have adequate budget authority for appropriations. Greater attention should be give to the budget preparation and monitoring process.

*Agency Response:* New Management and Finance Director began the budget process of estimated revenue to equal or exceed estimated expenditures for that year only. Management has set the budget to depend only on present revenue and not to exceed; oversight is the responsibility of Finance. Budget to actual revenue/expenditures are reviewed by the Finance Director on a regular monthly basis.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-1 Deficiencies in Internal Control Structure Design, Operation and Oversight – Preparing and Reviewing Financial Reports**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management does not prepare and review financial reports.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that financial reports be prepared and reviewed on a periodic basis.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process, which includes the periodic review of financial reports.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87. This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk. The FY 11 Quarterly Financial Reports include Federal award information which is reviewed by Finance, Village Manager and Council.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-2 Deficiencies in Internal Control Structure Design, Operation and Oversight – Identifying Federal, State, and Other Awards**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* During our audit, Village employees were not able to prepare an accurate Schedule of Federal Expenditures or provide us with the information to do so. This was partially due to management not having procedures in place to identify federal, state, and other awards.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management have procedures in place for identifying federal, state, and other awards.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process, which includes the periodic review of financial reports, which includes establishing procedures to identify federal, state, and other awards.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk. The FY 11 Quarterly Financial Reports include Federal award information which is reviewed by Finance, Village Manager and Council.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-3 Deficiencies in Internal Control Structure Design, Operation and Oversight – Identifying and Separately Recording Receipts and Expenditures for Federal Awards**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management does not have accounting procedures and charts of accounts for identifying and recording receipts and expenditures of program funds separately and in the appropriate cost category for all awards or grants.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management have accounting procedures and charts of accounts for identifying and recording receipts and expenditures of federal awards separately.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process, which includes ensuring that accounting procedures and charts of accounts are in place for the separate reporting of federal award receipts and expenditures.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk. The FY 11 Quarterly Financial Reports include Federal award information which is reviewed by Finance, Village Manager and Council.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-4 Deficiencies in Internal Control Structure Design, Operation and Oversight – Notification to Employee’s of Grant Provisions and Regulations**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management does not provide written notification to employees when grant provisions or regulations impose requirements that differ from the government’s normal policies and procedures

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management provide written notification to employees when grant provision or regulations impose requirements that differ from the government’s normal policies and procedures

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure, including procedures for providing written notification to employees when grant provisions or regulation impose requirements that differ from the government’s normal policies and procedures, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk. The FY 11 Quarterly Financial Reports include Federal award information which is reviewed by Finance, Village Manager and Council.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-5 Deficiencies in Internal Control Structure Design, Operation and Oversight – Reconciliation of Grant Financial Report with Supporting Accounting Records**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Reconciliations of grant financial reports with supporting accounting records are not prepared, reviewed, and approved by a responsible official before filing.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that a responsible official prepare, review, and approve reconciliations of grant financial reports to supporting accounting records before filing.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including procedures requiring that a responsible official prepare, review, and approve reconciliations of grant financial reports to supporting accounting records before filing, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk. The FY 11 Quarterly Financial Reports include Federal award information which is reviewed by Finance, Village Manager and Council.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-6 Deficiencies in Internal Control Structure Design, Operation and Oversight – Procedures Minimizing the Time between Transfer of Funds from the Grantor Agency and Disbursement**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management does not have procedures in place minimizing the time between the transfer of funds from the grantor agency or primary recipient and disbursement.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management have procedures in place minimizing the time between the transfer of funds from the grantor agency or primary recipient and disbursement.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including procedures minimizing the time between the transfer of funds from the grantor agency or primary recipient and disbursement, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk. The FY 11 Quarterly Financial Reports include Federal award information which is reviewed by Finance, Village Manager and Council.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-7 Deficiencies in Internal Control Structure Design, Operation and Oversight – Approval of Requests for Advancement or Reimbursement**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* A responsible official does not approve all requests for advances or reimbursement.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that a responsible official approve all requests for advances or reimbursement before they are submitted

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including procedures requiring responsible officials to approve requests for advances or reimbursement, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk. The FY 11 Quarterly Financial Reports include Federal award information which is reviewed by Finance, Village Manager and Council.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-8 Deficiencies in Internal Control Structure Design, Operation and Oversight – Controls to Preclude Charging Federal Award Programs with Unallowable Costs and Expenditures**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management has not established controls to preclude charging federal award programs with unallowable costs and expenditures.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management establish controls to preclude charging federal award programs with unallowable costs and expenditures.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including controls to preclude charging federal award programs with unallowable costs and expenditures, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk. The FY 11 Quarterly Financial Reports include Federal award information which is reviewed by Finance, Village Manager and Council.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-9 Deficiencies in Internal Control Structure Design, Operation and Oversight – Tracking Property and Equipment Purchased with Federal Award Funds**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* During FY 2009, management did not track any capital assets, including property and equipment purchased with federal awards

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management track any property and equipment purchased with federal award funds.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including tracking of property and equipment purchased with federal award funds, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk. The FY 11 Quarterly Financial Reports include Federal award information which is reviewed by Finance, Village Manager and Council. The Village now has a listing of all Capital Assets and the listing contains source documentation.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-10 Deficiencies in Internal Control Structure Design, Operation and Oversight – Monitoring of Matching Activities**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management did not, or did not have a competent employee, monitor matching activities to ensure that requirements and limitations were met and amounts claimed or used for matching were determined in accordance with applicable laws and regulations.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management monitor matching activities.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including monitoring of matching activities, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk. The FY 11 Quarterly Financial Reports include Federal award information which is reviewed by Finance, Village Manager and Council.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-11 Deficiencies in Internal Control Structure Design, Operation and Oversight – Documented Schedule for Filing Financial Reports**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management does not have a documented time schedule for the filing of financial reports with grantors.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management maintain a documented schedule for filing financial reports with grantors.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including a documented schedule for filing financial reports with grantors, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk. The FY 11 Quarterly Financial Reports include Federal award information which is reviewed by Finance, Village Manager and Council.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-12 Deficiencies in Internal Control Structure Design, Operation and Oversight – Providing Personnel Approving Expenditures with a List of Allowable and Unallowable Expenditures**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management does not provide all personnel approving expenditures with a list of allowable and unallowable expenditures and not all personnel approving expenditures knew where they could find the information.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management provide personnel approving expenditures with a list of allowable and unallowable expenditures or ensure that personnel knows where to find this information

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including procedures to provide personnel approving expenditures with a list of allowable and unallowable expenditures, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-13 Deficiencies in Internal Control Structure Design, Operation and Oversight – Key Managers Understanding of Staff, Processes, and Control**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Key program managers do not demonstrate a sufficient understanding of staff, processes, and controls to identify where unallowable activities or costs could be charged to a federal program and not detected.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management ensure that key grant managers have a sufficient understanding of staff, processes, and controls to identify where unallowable activities or costs could be charged to a federal program and not detected.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including procedures to ensure that key grant managers have sufficient understanding of staff, processes, and controls to identify where unallowable activities or costs could be charged to a federal program and not detected, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-14 Deficiencies in Internal Control Structure Design, Operation and Oversight – Accountability Provided for Charges and Costs between Federal and Nonfederal Activities**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management has not established processes and controls that provide for accountability for charges between federal and nonfederal activities

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management establish processes and controls that provide for accountability for charges between federal and nonfederal activities.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including processes and controls that provide for accountability between federal and nonfederal charges, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-15 Deficiencies in Internal Control Structure Design, Operation and Oversight – Processes for Timely Updating of Procedures for Changes in Activities Allowed and Cost Principles**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management has not established processes for timely updating of procedures for changes in activities allowed and cost principles

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management establish processes for timely updating of procedures for changes in activities allowed and cost principles.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including processes for timely updating of procedures for changes in activities allowed and cost principles, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-16 Deficiencies in Internal Control Structure Design, Operation and Oversight – Accountability for Authorization of Expenditures is Fixed in an Individual who is Knowledgeable of Allowed Activities and Costs Requirements**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management has not ensured that the personnel in charge of the grant programs and authorizing expenditures are knowledgeable of allowed activities and costs requirements.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management ensure that personnel in charge of grant programs are knowledgeable of allowed activities and costs requirements.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including ensuring that grant managers are knowledgeable of allowed activities and costs requirements, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-17 Deficiencies in Internal Control Structure Design, Operation and Oversight – Training Programs Providing the Knowledge and Skills Necessary to Determine Activities and Costs Allowed are Provided**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management has not provided to the appropriate personnel training programs providing the knowledge and skills necessary to determine activities and costs allowed.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management provide training programs providing the knowledge and skills necessary to determine activities and costs allowed.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including providing training programs, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-18 Deficiencies in Internal Control Structure Design, Operation and Oversight – Management Review of Supporting Documentation of Allowable Cost Information**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management does not review supporting documentation of allowable cost information.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management review supporting documentation of allowable cost information.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including procedures that ensure that management review supporting documentation of allowable cost information, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-19 Deficiencies in Internal Control Structure Design, Operation and Oversight – Budget Process Addresses Adequate Resources to Meet Matching Goals**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management's budgeting process does not address adequate resources to meet matching goals.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management's budgeting process address adequate resources to meet matching goals.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including a budgeting process that addresses adequate resources to meet matching goals, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-20 Deficiencies in Internal Control Structure Design, Operation and Oversight – Written Policy Concerning Matching Requirements**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* The Village does not have an official writing policy concerning matching requirements that addresses:

- Responsibilities for determining required amounts or limits for matching
- Methods of valuing matching requirements (i.e., in-kind contributions of property and services)
- Allowable costs that may be claimed for matching
- Methods of accounting for and documenting amounts used to calculate amounts claimed for matching

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management establish and official written policy concerning matching requirements.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including an official written policy on matching requirements, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-21 Deficiencies in Internal Control Structure Design, Operation and Oversight – Processes and Controls to Ensure that Matching Contributions are from Nonfederal Sources**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management has not established processes and controls to ensure costs used as matching contributions are from nonfederal sources and were not used for another federally assisted program

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management establish processes and controls to ensure that matching costs are from nonfederal sources and were not used for another federally assisted program.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including processes and controls to ensure that matching costs are from nonfederal sources and not used for another federally assisted program, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-22 Deficiencies in Internal Control Structure Design, Operation and Oversight – Accounting System Capable of Tracking Matching Costs**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* The Village does not have an accounting system capable of (or staff are not aware of how to utilize the accounting system):

- Separately accounting for data used to support matching amounts
- Ensuring that expenditures or expenses, refunds, and cash receipts or revenue are properly classified and recorded only once as to their effect on matching

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require an accounting system capable of tracking matching costs.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including an accounting system that tracks matching costs, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-23 Deficiencies in Internal Control Structure Design, Operation and Oversight – Supervisory Review of Matching Activities**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management does not perform any supervisory review of matching activities.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management perform supervisory review of matching activities.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including supervisory review of matching activities, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-24 Deficiencies in Internal Control Structure Design, Operation and Oversight – Procurement Manual that Incorporates Federal Requirements**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* During FY 2009, the Village did not have a procurement manual that incorporated federal requirements, including suspension and debarment.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require a procurement manual that incorporates federal requirements, including suspension and debarment.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including a procurement manual that incorporates federal requirements, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village of Ruidoso adopted by resolution on October 1, 2009 a Procurement Policies & Procedures Manual.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-25 Deficiencies in Internal Control Structure Design, Operation and Oversight – Clear Assignment of Authority for Issuing Purchase Orders and Contracting for Goods and Services**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* There is no clear assignment of authority for issuing purchase orders and contracting for goods and services. Sometimes the same person initiating the purchase with a purchase requisition will also purchase the goods or services instead of the purchasing department.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require a clear assignment of authority for issuing purchase orders and contracting for goods and services.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including clear assignment of authority for issuing purchase orders and contracting for goods and services, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk. The Village of Ruidoso adopted by resolution on October 1, 2009 a Procurement Policies & Procedures Manual. FY 11 the Procurement Policies & Procedures Manual has been amended to include that all purchases using Federal Funds need to be purchased by the Purchasing Department.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-26 Deficiencies in Internal Control Structure Design, Operation and Oversight – Procurement Risk Assessment**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management has not established any risk assessment procedures for procurement including:

- Procedures to identify risks arising from vendor inadequacy
- Procedures established to identify risks arising from conflicts of interest
- Conflict of interest statements maintained for individuals with responsibility for procurement of goods or services

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require risk assessment procedures of the procurement process be performed.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including risk assessment of the procurement process, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village of Ruidoso adopted by resolution on October 1, 2009 a Procurement Policies & Procedures Manual.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-27 Deficiencies in Internal Control Structure Design, Operation and Oversight – Contractor’s Performance is Monitored**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* The Village does not monitor and document the contractor’s performance with the terms, conditions, and specification of the contract

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require monitoring of contractor’s performance with the terms of the contract.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors’ Recommendation:* The Village should ensure that a comprehensive internal control structure, including processes to monitor contractors’ performance with the terms of the contracts, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

The Village now has employed educated and knowledgeable project managers to monitor and document Federal projects. The Software system, Incode, will enable data entry to track performance of the Contractors. Internal controls are in process and will include a training component for those who are going to monitor all Federal projects.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-28 Deficiencies in Internal Control Structure Design, Operation and Oversight – Periodic Review of Procurement and Contracting Activities**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management does not periodically conduct independent reviews of procurements and contracting activities to determine whether policies and procedures are being followed as intended.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require management periodically perform independent reviews of procurement and contracting activities.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including processes that ensure management periodically review procurement and contracting activities, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-29 Deficiencies in Internal Control Structure Design, Operation and Oversight – Competency of Personnel Preparing Reports**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* Management does not ensure those personnel responsible for preparing, reviewing, and approving required reports for federal awards possess the required knowledge, skills, and abilities.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require personnel with the required knowledge, skills, and abilities be responsible for preparing reports for federal programs.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including assigning competent staff to prepare reports for federal programs, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

The Village now has employed educated and knowledgeable project managers to monitor and document Federal projects. The Software system, Incode, will enable data entry to track performance of the Contractors. Internal controls are in process and will include a training component for those who are going to monitor all Federal projects.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-30 Deficiencies in Internal Control Structure Design, Operation and Oversight – Mechanisms to Identify Risks of Faulty Reporting**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* The Village does not have the mechanisms in place to identify risks of faulty reporting caused by items such as lack of current knowledge, inconsistent application, or carelessness or disregard for standards and reporting requirements of federal awards.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require mechanisms to identify risks of faulty reporting be established

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including mechanisms to identify risks of faulty reporting, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

The Village now has employed educated and knowledgeable project managers to monitor and document Federal projects. The Software system, Incode, will enable data entry to track performance of the Contractors. Internal controls are in process and will include a training component for those who are going to monitor all Federal projects.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-31 Deficiencies in Internal Control Structure Design, Operation and Oversight – Written Policy Concerning Reporting**

*Federal Program Information:*

Funding Agency: Environment Protection Agency	Funding Agency: U.S. Dept. of Agriculture
Title: Congressionally Mandated Projects	Title: Cooperative Forestry Assistance
CFDA Number: 66.202	CFDA Number: 10.664
Award Number: XP976307017	Award Number: Various
Award Period: 8/01/2002-2/28/2009	Award Period: 7/1/2008-6/30/2009

Funding Agency: U.S Dept. of Agriculture	Funding Agency: U.S. Dept. of Homeland Security
Title: Emergency Watershed Protection	Title: Disaster Grants
CFDA Number: 10.923	CFDA Number: 97.036
Award Number: 69-8630-08-0013	Award Number: 1783-DR-NM
Award Period: 8/14/2008-3/20/2009	Award Period: 8/14/2008-6/30/2009

*Condition:* The Village does not have a written policy that established responsibility and provides the procedures for periodic monitoring, verification, and reporting of program progress and accomplishments.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require a written policy concerning reporting

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendation:* The Village should ensure that a comprehensive internal control structure, including a written policy concerning reporting, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

The Village now has employed educated and knowledgeable project managers to monitor and document Federal projects. The Software system, Incode, will enable data entry to track performance of the Contractors. Internal controls are in process and will include a training component for those who are going to monitor all Federal projects.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-32 Improper Use of Emergency Purchase Orders**

*Federal Program Information:*

Funding Agency: U.S Dept. of Agriculture  
Title: Emergency Watershed Protection  
CFDA Number: 10.923  
Award Number: 69-8630-08-0013  
Award Period: 8/14/2008-3/20/2009

*Condition:* The Village improperly used emergency purchase orders for \$.01 to contract for goods and services. The Village did not keep a written determination of the basis for the emergency procurement and for the selection of the particular contractor or vendor. Also, the conditions under which these purchase orders were issued were not emergency conditions as outlined by the state procurement code.

*Criteria:* Section 13-1-127 of the State Procurement Code states that emergency procurements may be used when there exists a threat to public health, welfare, safety, or property requiring procurement under emergency conditions. Section 13-1-128 of the State Procurement Code states that record of emergency procurement shall be public record and shall contain:

- The contractor's name and address
- The amount and term of the contract
- A listing of the services, construction or items of tangible personal property procured under the contract
- The justification for the emergency procurement

*Questioned Costs:* \$195,140

*Effect:* Improper use of the emergency procurement could result in unauthorized expenditures.

*Cause:* Management and procurement staff did not have a good understanding of the purpose of an emergency procurement and the requirements of the State Procurement Code

*Auditors' Recommendation:* The Village should only use emergency purchase orders when the conditions outlined in the State Procurement Code are met and ensure that the requirements of the Code are followed.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk. The Village of Ruidoso adopted by resolution on October 1, 2009 a Procurement Policies & Procedures Manual.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.



**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-33 Purchases Exceeding Amount of the Purchase Orders**

*Federal Program Information:*

Funding Agency: U.S Dept. of Agriculture  
Title: Emergency Watershed Protection  
CFDA Number: 10.923  
Award Number: 69-8630-08-0013  
Award Period: 8/14/2008-3/20/2009

*Condition:* The Village had purchases that exceeded the amount of the applicable purchase order with no evidence of a revision to the purchase order or additional purchase orders being issued.

*Criteria:* The Village's procurement manual that all purchases be initiated by a purchase order. Purchase orders must authorize the amount to be purchased from a vendor or contractor.

*Questioned Costs:* \$215,214

*Effect:* Purchases are made that exceed the amount authorized by the purchase order could result in unauthorized expenditure

*Cause:* The Village is not ensuring that purchases do not exceed the amount authorized by the purchase order.

*Auditors' Recommendation:* The Village should ensure that the amount authorized by the purchase order is not exceeded before issuing payment to a vendor or contractor.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk. The Village of Ruidoso adopted by resolution on October 1, 2009 a Procurement Policies & Procedures Manual. The implementation of the new software, Incode, will prevent misuse of Purchase Orders.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-34 Administrative Costs Used for In-kind Contribution (Matching)**

*Federal Program Information:*

Funding Agency: U.S Dept. of Agriculture  
Title: Emergency Watershed Protection  
CFDA Number: 10.923  
Award Number: 69-8630-08-0013  
Award Period: 8/14/2008-3/20/2009

*Condition:* The Village claimed many administrative costs as in-kind contribution for the Emergency Watershed Protection Program.

*Criteria:* The Village's grant agreement with the USDA-Natural Resources Conservation Service states that the Village shall "be responsible for all administrative expenses necessary to arrange for and carry out the emergency watershed protection measures described in Section A. These administrative expenses include but shall not be limited to facilities, clerical, personnel, and legal counsel including such attorneys deemed necessary by NRCS to resolve any legal matters."

*Unallowed Costs:* \$984,396

*Effect:* The costs used to satisfy the 25% matching requirement stipulated in the grant agreement were unallowed.

*Cause:* The Village did not monitor matching activities to ensure that matching costs used were allowable.

*Auditors' Recommendation:* The Village should monitor all matching activity to ensure that the costs being used are allowable.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-35 In-kind Contribution (Matching) Costs Miscalculated**

*Federal Program Information:*

Funding Agency: U.S Dept. of Agriculture  
Title: Emergency Watershed Protection  
CFDA Number: 10.923  
Award Number: 69-8630-08-0013  
Award Period: 8/14/2008-3/20/2009

*Condition:* The Village consistently miscalculated the matching costs on the requests for reimbursement sent to USDA. They calculated matching costs at 20% instead of 25%.

*Criteria:* The Village's grant agreement with the USDA-Natural Resources Conservation Service states that the Village shall "provide 25% cost share construction measures as described in Section A."

*Unallowed Costs:* \$123,077

*Effect:* Since the Village used a cost share of 20% on the requests for reimbursement sent to USDA, the Village was reimbursed for 80% of the total cost instead of the 75% allowed by the grant agreement.

*Cause:* The Village did not review reports to ensure that the correct matching percentages were used.

*Auditors' Recommendation:* The Village should monitor all reporting to ensure that the matching costs reported are correct.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-36 Backup Documentation Missing**

*Federal Program Information:*

Funding Agency: Environment Protection Agency  
Title: Congressionally Mandated Projects  
CFDA Number: 66.202  
Award Number: XP976307017  
Award Period: 8/01/2002-2/28/2009

*Condition:* The Village did not have the purchase order, invoice, or check for this expenditure available for review.

*Criteria:* Circular A-110 states “Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of the submission of the final expenditure report.”

*Questioned Costs:* \$493,291

*Effect:* The Village is not in compliance with the requirements of Circular A-110.

*Cause:* The Village had several individuals pulling checks for review over the past year which has resulted in some checks being lost, including this check.

*Auditors’ Recommendation:* The Village should maintain all records in compliance with Circular A-110.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-37 Insufficient Accounting for Projects**

*Federal Program Information:*

Funding Agency: U.S. Dept. of Homeland Security

Title: Disaster Grants

CFDA Number: 97.036

Award Number: 1783-DR-NM

Award Period: 8/14/2008-6/30/2009

*Condition:* The Village did not account for each project authorized by FEMA separately.

*Criteria:* The Village's grant agreement with FEMA states. "The applicant ensures that their accounting system allows for separation of fund sources. Funding provided under this agreement cannot be commingled with funds from other federal, state, or local agencies, and each project must be accounted for separately."

*Questioned Costs:* \$3,034,652

*Effect:* Because of the lack of accounting for each project and poor tracking of costs to projects, we were not able to audit the Disaster Grants-Public Assistance grant.

*Cause:* The Village did not have an accounting system that accounted for each project separately and poor processes and procedures for tracking costs to project.

*Auditors' Recommendation:* The Village should start to account for each project separately and establish processes and controls to ensure that costs can be tracked to projects.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

The implementation of new software will enable direct data entry and establish improved reporting of fund sources.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-38 Purchase Requisition Dated after Invoice**

*Federal Program Information:*

Funding Agency: U.S. Dept. of Agriculture

Title: Cooperative Forestry Assistance

CFDA Number: 10.664

Award Number: Various

Award Period: 7/1/2008-6/30/2009

*Condition:* We noted two instances of purchase requisitions being issued after the purchase was already made.

*Criteria:* The Village's procurement manual states that every purchase shall be initiated with a purchase requisition.

*Questioned Costs:* \$369

*Effect:* Making purchases without a purchase requisition could result in unauthorized expenditures being made.

*Cause:* The Village does not ensure that a purchase requisition is completed for each purchase before the purchase is made.

*Auditors' Recommendation:* The Village should only make purchases after a purchase requisition has been completed.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk. The Village of Ruidoso adopted by resolution on October 1, 2009 a Procurement Policies & Procedures Manual.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**Section II – Financial Statement Findings and Questioned Costs (continued)**

**B. Federal Awards Findings**

**FA2009-39 Late Reports**

*Federal Program Information:*

Funding Agency: Environment Protection Agency  
Title: Congressionally Mandated Projects  
CFDA Number: 66.202  
Award Number: XP976307017  
Award Period: 8/01/2002-2/28/2009

*Condition:* We noted upon review of the Village's file that they had received correspondence from the EPA indication that MBE/WBE Utilization reports had not been filed for the first, third, and fourth quarters of FY 2009 and that the 10/01/2007-09/30/2008 Financial Status Report had not been filed. Upon review of these reports, they were not filed until 1/28/2009.

*Criteria:* The grant agreement with EPA required that the reports be filed in the month following the end of the quarter or year (as applicable).

*Questioned Costs:* None

*Effect:* The Village was not in compliance with the requirements of their grant agreement with EPA.

*Cause:* The Village did not monitor reporting requirements to ensure that all reports were submitted timely.

*Auditors' Recommendation:* The Village should develop a tracking system and monitor the filing of reports to ensure that all reports are filed timely.

*Agency Response:* The Village has hired an experienced employee who has an MBA and 7 years experience with Federal funding. This employee has established tracking and internal controls of all Federal funds. All invoices flow through this employee for review of qualifications meeting OMB Circular A-87.

The Village has now separated all Federal funds into separate bank accounts providing better controls and lowering risk.

This position is in the process of documenting policy to ensure internal controls are in place per requirements of the A102 Common Rule and the OMB Circular A-110.

*Note Disclosure:* The responders to this finding are Village Manager, employed July 2009 and Finance Director, employed November 2009. We accept full responsibility for rectifying this finding.

**STATE OF NEW MEXICO**  
Village of Ruidoso  
Schedule of Findings and Questioned Costs  
June 30, 2009

Schedule VI  
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**Section III – Schedule of Prior Year Audit Findings**

2005-1	Information System Disaster Recovery Policy	Revised and Repeated
2005-2	Accounting Policies and Procedures Manual	Revised and Repeated
2005-7	Regional Wastewater Treatment Plant	Revised and Repeated
2005-11	Audit Report Submission to the New Mexico State Auditor and A-133 Data Collection Form	Revised and Repeated
2006-2	Untimely Deposits	Revised and Repeated
2006-4	Airport Outstanding Receivables	Revised and Repeated
2007-1	Airport Inventory and Sales	Revised and Repeated
2007-3	Utility Meter Deposits	Revised and Repeated
2007-7	Monitoring Grants	Revised and Repeated
2007-9	Airport Fuel Sales	Revised and Repeated
2007-10	Airport Fuel Sales and Purchases	Revised and Repeated
2007-11	Auditor Prepared Financial Statements	Revised and Repeated
2008-1	Airport Contract Fuel Program	Revised and Repeated
2008-2	Bank Reconciliations	Revised and Repeated
2008-3	Inventories	Revised and Repeated
2008-4	Expenditures in Excess of Budget	Revised and Repeated



**STATE OF NEW MEXICO**

Village of Ruidoso

Other Disclosures

June 30, 2009

**Exit Conference**

An exit conference was held on May 12, 2011. The exit conference was conducted during a closed meeting pursuant to the Open Meetings Act. In attendance were the following:

**Representing the Village of Ruidoso:**

Ray Alborn	Mayor
Denise Dean	Councilor
Don Williams	Councilor
Rafael "Rifle" Salas	Councilor
Gloria Sayers	Councilor
Angel Shaw	Councilor
Debi Lee	Village Manager
Nancy Klingman	Finance Director
Jessica Espinoza	Accountant

**Representing the Regional Wastewater Treatment Plant:**

Ray Alborn	Mayor
Angel Shaw	Councilor

**Representing Accounting & Consulting Group, LLP:**

Jeff McWhorter, CPA	Partner
Shelley Olson	Senior Staff
Bethany Benavides	Staff

**Auditor Prepared Financial Statements**

Although it would be preferred and desirable for the Village to prepare its own financial statements, the Village's personnel did not have the time to prepare them. Accounting & Consulting Group, LLP prepared the financial statements of the Village of Ruidoso from the original books and records provided to them by the management of the Village.