

STATE OF NEW MEXICO
VILLAGE OF RUIDOSO
ANNUAL FINANCIAL REPORT
JUNE 30, 2010



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INTRODUCTORY SECTION

STATE OF NEW MEXICO

Village of Ruidoso

Table of Contents

June 30, 2010

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		4-5
Official Roster		6
FINANCIAL SECTION		
Independent Auditors' Report		9-10
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements		
Statement of Net Assets	A-1	12-13
Statement of Activities	A-2	14-15
Fund Financial Statements		
Balance Sheet – Governmental Funds	B-1	16-17
Reconciliation of the Balance Sheet to the Statement of Net Assets		19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	B-2	20-21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities		23
Statement of Revenues, Expenditures and Changes in Fund Balance - Budgetary (Non-GAAP Budgetary Basis) and Actual – General Fund	C-1	24
Ruidoso Flood Special Revenue Fund	C-2	25
Statement of Net Assets-Proprietary Funds	D-1	26
Statement of Revenues, Expenses, and Changes in Net Assets-Proprietary Funds	D-2	27
Statement of Cash Flows –Proprietary Funds	D-3	28-29
Statement of Fiduciary Assets and Liabilities – Agency Funds	E-1	30
NOTES TO THE FINANCIAL STATEMENTS		31-57
SUPPLEMENTARY INFORMATION		
Nonmajor Governmental Fund Descriptions	<u>Statement</u>	60-61
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES		
Combining Balance Sheet - Nonmajor Governmental Funds	A-1	62-65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	A-2	66-69
Combining Statement of Net Assets – Internal Service Funds – Proprietary Fund	B-1	70
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds – Proprietary Fund	B-2	71
Combining Statement of Cash Flows – Internal Service Funds – Proprietary Fund	B-3	72
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary (Non-GAAP Budgetary Basis) and Actual		
½% Gross Receipts Tax Special Revenue Fund	C-1	74
Parks and Recreation Special Revenue Fund	C-2	75
Cemetery Special Revenue Fund	C-3	76
1/8 th Infrastructure Tax Special Revenue Fund	C-4	77
State Fire Special Revenue Fund	C-5	78
Emergency Medical Services Special Revenue Fund	C-6	79
Law Enforcement Protection Special Revenue Fund	C-7	80
Traffic Safety Fees Special Revenue Fund	C-8	81
Correction Fees Special Revenue Fund	C-9	82

STATE OF NEW MEXICO

Village of Ruidoso

Table of Contents

June 30, 2010

	<u>Statement</u>	<u>Page</u>
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES (CONTINUED)		
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual -continued		
Lodger’s Tax Special Revenue Fund	C-10	83
Special Donations Special Revenue Fund	C-11	84
Special Street Special Revenue Fund	C-12	85
Convention Center Special Revenue Fund	C-13	86
Impact Fee Special Revenue Fund	C-14	87
RSVP Special Revenue Fund	C-15	88
Arts Commission Special Revenue Fund	C-16	89
Forestry Operations Special Revenue Fund	C-17	90
DWI Grant Special Revenue Fund	C-18	91
GO Bond RWWTP Debt Service Fund	C-19	92
Required Bond Reserves Debt Service Fund	C-20	93
Statement of Revenues, Expenditures, and Changes in Net Assets – Budget (GAAP Basis) and Actual		
Utility Proprietary Fund	D-1	94
Airport Proprietary Fund	D-2	95
Solid Waste Proprietary Fund	D-3	96
Merit Liability Internal Service Fund	E-1	97
Internal Service Fund	E-2	98
<u>Schedule</u>		
SUPPORTING SCHEDULES		
Schedule of Deposit and Investment Accounts	I	100-101
Schedule of Collateral Pledged By Depository for Public Funds	II	102
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds	III	103
Schedule of Joint Powers Agreements and Memorandums of Understanding	IV	104-105
COMPLIANCE SECTION		
Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		109-110
FEDERAL FINANCIAL ASSISTANCE		
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		113-114
Schedule of Expenditures of Federal Awards	V	115
Schedule of Findings and Questioned Costs	VI	116-313
OTHER DISCLOSURES		314

STATE OF NEW MEXICO

Village of Ruidoso

Official Roster

June 30, 2010

<u>Name</u>	<u>Village Council</u>	<u>Title</u>
Gus Raymond Alborn		Mayor
Rafael "Rifle" Salas		Councilor
Michele P. Rebstock		Councilor
James A. Stoddard		Councilor
Denise E. Dean		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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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, 2010, 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, 2010 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, 2010, 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, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 10,928,872	\$ 1,005,884	\$ 11,934,756	\$ -
Investments	6,325,165	6,755,858	13,081,023	1,057,744
Receivables:				
Property taxes receivable	145,927	-	145,927	-
Other taxes receivable	548,454	161,280	709,734	-
Other receivables	575,866	33,067	608,933	-
Customer receivables, net of allowance	-	468,994	468,994	261,338
Prepays	7,098	-	7,098	-
Inventory	46,546	221,416	267,962	7,962
	<u>18,577,928</u>	<u>8,646,499</u>	<u>27,224,427</u>	<u>1,327,044</u>
Total current assets				
Noncurrent assets				
Restricted cash and cash equivalents	717,189	-	717,189	-
Capital assets	89,389,757	87,128,147	176,517,904	11,649,272
Less: accumulated depreciation	(46,308,055)	(48,172,192)	(94,480,247)	(7,189,698)
Bond issuance costs, net	117,411	89,280	206,691	-
	<u>43,916,302</u>	<u>39,045,235</u>	<u>82,961,537</u>	<u>4,459,574</u>
Total noncurrent assets				
Total assets	<u>\$ 62,494,230</u>	<u>\$ 47,691,734</u>	<u>\$ 110,185,964</u>	<u>\$ 5,786,618</u>

The accompanying notes are an integral part of these financial statements

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current liabilities				
Accounts payable	\$ 164,313	\$ 88,341	\$ 252,654	\$ 15,904
Accrued payroll expenses	292,993	91,823	384,816	932
Other accrued expenses	-	8,383	8,383	-
Accrued compensated absences	297,836	95,292	393,128	10,698
Accrued interest	179,213	-	179,213	-
Due to other funds	-	-	-	-
Deferred revenue	14,698	304	15,002	-
Meter deposits	-	432,494	432,494	-
Current portion of bonds and notes payable	1,127,315	608,985	1,736,300	356,596
Total current liabilities	<u>2,076,368</u>	<u>1,325,622</u>	<u>3,401,990</u>	<u>384,130</u>
Noncurrent liabilities				
Accrued compensated absences	54,383	17,080	71,463	1,917
Bond premiums, net	81,720	-	81,720	-
Bonds and notes payable	20,004,386	3,934,398	23,938,784	9,518,711
Total noncurrent liabilities	<u>20,140,489</u>	<u>3,951,478</u>	<u>24,091,967</u>	<u>9,520,628</u>
Total liabilities	<u>22,216,857</u>	<u>5,277,100</u>	<u>27,493,957</u>	<u>9,904,758</u>
Net Assets				
Invested in capital assets, net of related debt	21,950,001	34,412,572	56,362,573	(5,415,733)
Restricted for: (Note 17)				
Debt service	638,754	-	638,754	-
Capital projects and improvements	14,551,546	-	14,551,546	-
Other purposes	4,454,053	-	4,454,053	-
Unrestricted	(1,316,981)	8,002,062	6,685,081	1,297,593
Total net assets	<u>40,277,373</u>	<u>42,414,634</u>	<u>82,692,007</u>	<u>(4,118,140)</u>
Total liabilities and net assets	<u>\$ 62,494,230</u>	<u>\$ 47,691,734</u>	<u>\$ 110,185,964</u>	<u>\$ 5,786,618</u>

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, 2010

<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>
Primary Government				
Governmental Activities:				
General government	\$ 4,944,468	\$ 33,034	\$ 577,715	\$ -
Public safety	5,633,731	1,438	817,668	-
Public works	6,471,513	164,636	-	5,884,884
Culture and recreation	2,076,162	417,991	60,265	-
Health and welfare	2,750,992	6,810	36,343	2,137,910
Interest on long-term debt	308,323	-	-	-
<i>Total governmental activities</i>	<u>22,185,189</u>	<u>623,909</u>	<u>1,491,991</u>	<u>8,022,794</u>
Business-type Activities:				
Utility	7,298,040	4,264,052	-	-
Airport	1,914,585	1,135,192	201,497	-
Solid Waste	2,812,194	2,187,789	20,000	-
<i>Total business-type activities</i>	<u>12,024,819</u>	<u>7,587,033</u>	<u>221,497</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 34,210,008</u>	<u>\$ 8,210,942</u>	<u>\$ 1,713,488</u>	<u>\$ 8,022,794</u>
Component Unit				
Regional Wastewater Treatment Plant	<u>11,991,726</u>	<u>4,316,670</u>	<u>-</u>	<u>-</u>
General Revenues:				
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				
Transfers				
Total general revenues, extraordinary items, and transfers				
Change in net assets				
Net assets, beginning				
Restatement				
Net assets, beginning as restated				
Net assets, ending				

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$ (4,333,719)	\$ -	\$ (4,333,719)	
(4,814,625)	-	(4,814,625)	
(421,993)	-	(421,993)	
(1,597,906)	-	(1,597,906)	
(569,929)	-	(569,929)	
(308,323)	-	(308,323)	
<u>(12,046,495)</u>	<u>-</u>	<u>(12,046,495)</u>	
-	(3,033,988)	(3,033,988)	
-	(577,896)	(577,896)	
-	(604,405)	(604,405)	
<u>-</u>	<u>(4,216,289)</u>	<u>(4,216,289)</u>	
<u>(12,046,495)</u>	<u>(4,216,289)</u>	<u>(16,262,784)</u>	
<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (7,675,056)</u>
2,101,156	-	2,101,156	-
5,159,384	2,523,385	7,682,769	-
109,206	-	109,206	-
2,008,839	-	2,008,839	-
996,990	-	996,990	-
86,553	-	86,553	-
21,628	17,315	38,943	12,293
503,246	627,766	1,131,012	1,183
1,527,598	(1,080,914)	446,684	(446,684)
<u>12,514,600</u>	<u>2,087,552</u>	<u>14,602,152</u>	<u>(433,208)</u>
<u>468,105</u>	<u>(2,128,737)</u>	<u>(1,660,632)</u>	<u>(8,108,264)</u>
33,843,585	48,049,121	81,892,706	6,486,871
5,965,683	(3,505,750)	2,459,933	(2,496,747)
<u>39,809,268</u>	<u>44,543,371</u>	<u>84,352,639</u>	<u>3,990,124</u>
<u>\$ 40,277,373</u>	<u>\$ 42,414,634</u>	<u>\$ 82,692,007</u>	<u>\$ (4,118,140)</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, 2010

	<u>General Fund</u>	<u>Ruidoso Flood</u>	<u>GO Bond RWWTP</u>
<i>Assets</i>			
Cash and cash equivalents	\$ 277,492	\$ 234,948	\$ 8,674,433
Investments	2,410,196	2,496,747	-
Receivables:			
Property taxes	145,927	-	-
Other taxes receivable	334,465	-	-
Other receivables	69,679	-	500,000
Inventory	46,546	-	-
Prepaid expenses	7,098	-	-
	<hr/>	<hr/>	<hr/>
<i>Total assets</i>	<u>\$ 3,291,403</u>	<u>\$ 2,731,695</u>	<u>\$ 9,174,433</u>
<i>Liabilities and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 86,535	\$ 29,656	\$ 47,001
Accrued payroll expenses	261,515	-	-
Deferred property tax revenue	119,380	-	-
Other deferred revenue	2,736	-	-
	<hr/>	<hr/>	<hr/>
<i>Total liabilities</i>	<u>470,166</u>	<u>29,656</u>	<u>47,001</u>
<i>Fund balances</i>			
Reserved for:			
Debt service, repair and replacement	-	-	-
Prepaid expenses	7,098	-	-
Unreserved, reported in:			
General fund	2,814,139	-	-
Special revenue	-	2,702,039	-
Capital projects	-	-	9,127,432
	<hr/>	<hr/>	<hr/>
<i>Total fund balances</i>	<u>2,821,237</u>	<u>2,702,039</u>	<u>9,127,432</u>
	<hr/>	<hr/>	<hr/>
<i>Total liabilities and fund balances</i>	<u>\$ 3,291,403</u>	<u>\$ 2,731,695</u>	<u>\$ 9,174,433</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ 2,459,188	\$ 11,646,061
1,418,222	6,325,165
-	145,927
213,989	548,454
6,187	575,866
-	46,546
-	7,098
<u>\$ 4,097,586</u>	<u>\$ 19,295,117</u>
\$ 1,121	\$ 164,313
12,092	273,607
-	119,380
11,962	14,698
<u>25,175</u>	<u>571,998</u>
638,754	638,754
-	7,098
-	2,814,139
3,433,657	6,135,696
-	9,127,432
<u>4,072,411</u>	<u>18,723,119</u>
<u>\$ 4,097,586</u>	<u>\$ 19,295,117</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, 2010

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

Fund balances - total governmental funds	\$ 18,723,119
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	43,081,702
Less capital assets included in internal service funds	(88,235)
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.	68,849
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	119,380
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	(352,219)
Bonds and notes payable	<u>(21,131,701)</u>
Net assets of governmental activities	<u><u>\$ 40,277,373</u></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, 2010

	General	Ruidoso Flood	GO Bond RWWTWP
<i>Revenues:</i>			
Taxes:			
Property	\$ 2,092,838	\$ -	\$ -
Gross receipts	4,119,412	-	-
Gasoline and motor vehicle	37,800	-	-
Other	557,078	-	301,484
Intergovernmental			
Federal operating grants	-	-	-
Federal capital grants	-	1,702,589	994,647
State operating grants	300,857	-	-
State capital grants	-	435,321	4,890,237
Charges for services	147,412	-	-
Licenses and fees	574,387	-	-
Fines, forfeitures, and penalties	86,553	-	-
Investment income	9,661	-	5,561
Miscellaneous	202,612	-	2,400
<i>Total revenues</i>	8,128,610	2,137,910	6,194,329
<i>Expenditures:</i>			
Current:			
General government	1,845,773	-	-
Public safety	4,990,423	-	-
Public works	2,021,239	-	1,385,612
Culture and recreation	596,520	-	-
Health and welfare	-	2,704,440	-
Capital outlay	478,620	-	5,424,114
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	9,932,575	2,704,440	6,809,726
<i>Excess (deficiency) of revenues over expenditures</i>	(1,803,965)	(566,530)	(615,397)
<i>Other financing sources (uses)</i>			
Transfers in	2,368,073	-	-
Transfers out	(1,643,499)	-	-
Proceeds from debt issuance	-	-	-
<i>Total other financing sources (uses)</i>	724,574	-	-
<i>Net change in fund balance</i>	(1,079,391)	(566,530)	(615,397)
<i>Fund balance - beginning of year</i>	3,900,628	771,822	9,742,829
<i>Restatement</i>	-	2,496,747	-
<i>Fund balance - beginning of year as restated</i>	3,900,628	3,268,569	9,742,829
<i>Fund balance - end of year</i>	\$ 2,821,237	\$ 2,702,039	\$ 9,127,432

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ -	\$ 2,092,838
1,039,972	5,159,384
71,406	109,206
1,150,277	2,008,839
60,664	60,664
-	2,697,236
1,130,470	1,431,327
-	5,325,558
476,497	623,909
422,603	996,990
-	86,553
6,157	21,379
224,284	429,296
<u>4,582,330</u>	<u>21,043,179</u>
1,419,979	3,265,752
326,163	5,316,586
347,195	3,754,046
1,379,221	1,975,741
46,552	2,750,992
2,901,496	8,804,230
732,500	732,500
308,323	308,323
<u>7,461,429</u>	<u>26,908,170</u>
<u>(2,879,099)</u>	<u>(5,864,991)</u>
1,210,754	3,578,827
(1,330,159)	(2,973,658)
2,552,768	2,552,768
<u>2,433,363</u>	<u>3,157,937</u>
(445,736)	(2,707,054)
4,518,147	18,933,426
-	2,496,747
<u>4,518,147</u>	<u>21,430,173</u>
<u>\$ 4,072,411</u>	<u>\$ 18,723,119</u>

The accompanying notes are an integral part of these financial statements

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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, 2010

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	\$	(2,707,054)
--	----	-------------

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		8,804,230
Depreciation expense		(3,844,784)
Extraordinary loss		-

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		8,318
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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:

Decrease in accrued compensated absences		219,174
--	--	---------

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.

(191,511)

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:

Proceeds from the issuance of debt		(2,552,768)
Principal payments on bonds and notes payable		<u>732,500</u>

Change in net assets of governmental activities	\$	<u><u>468,105</u></u>
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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, 2010

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ 1,840,000	\$ 1,840,000	\$ 2,101,156	\$ 261,156
Gross receipts	5,275,000	5,275,000	4,590,840	(684,160)
Gasoline and motor vehicle	149,000	149,000	156,651	7,651
Other	579,000	579,000	566,605	(12,395)
Intergovernmental income:				
Federal operating grants	35,000	(10,000)	-	10,000
Federal capital grants	-	-	-	-
State operating grants	390,332	414,791	289,755	(125,036)
State capital grants	-	-	-	-
Charges for services	205,700	154,500	147,412	(7,088)
Licenses and fees	662,455	462,800	575,665	112,865
Fines, forfeitures and penalties	72,420	72,420	86,553	14,133
Investment income	35,000	5,000	9,661	4,661
Miscellaneous	114,850	229,750	144,085	(85,665)
<i>Total revenues</i>	<u>9,358,757</u>	<u>9,172,261</u>	<u>8,668,383</u>	<u>(503,878)</u>
<i>Expenditures:</i>				
Current:				
General government	1,878,727	1,862,806	1,940,833	(78,027)
Public safety	5,220,364	5,329,088	5,110,065	219,023
Public works	2,300,331	2,758,832	2,046,254	712,578
Culture and recreation	606,600	661,409	604,117	57,292
Health and welfare	-	-	-	-
Capital outlay	184,309	219,658	139,699	79,959
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>10,190,331</u>	<u>10,831,793</u>	<u>9,840,968</u>	<u>990,825</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(831,574)</u>	<u>(1,659,532)</u>	<u>(1,172,585)</u>	<u>486,947</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	596,390	1,424,348	-	(1,424,348)
Transfers in	2,714,212	2,714,212	2,368,073	(346,139)
Transfers out	(2,479,028)	(2,479,028)	(1,643,499)	835,529
<i>Total other financing sources (uses)</i>	<u>831,574</u>	<u>1,659,532</u>	<u>724,574</u>	<u>(934,958)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(448,011)</u>	<u>(448,011)</u>
<i>Fund balance - beginning of year</i>	-	-	3,136,319	3,136,319
<i>Fund balance - restatement</i>	-	-	(620)	(620)
<i>Fund balance - beginning as restated</i>	-	-	3,135,699	3,135,699
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,687,688</u>	<u>\$ 2,687,688</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (448,011)
Adjustments to revenues for receivables and deferred property tax revenue				(539,773)
Adjustments to expenditures for prepaid expenses, accounts payable and accrued payroll				(91,607)
Net change in fund balance (GAAP)				<u>\$ (1,079,391)</u>

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, 2010

	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	12,850,762	7,288,581	1,702,589	(5,585,992)
State operating grants	-	-	-	-
State capital grants	-	39,393	435,321	395,928
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>12,850,762</u>	<u>7,327,974</u>	<u>2,137,910</u>	<u>(5,190,064)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	12,932,030	5,093,434	2,981,681	2,111,753
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>12,932,030</u>	<u>5,093,434</u>	<u>2,981,681</u>	<u>2,111,753</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(81,268)</u>	<u>2,234,540</u>	<u>(843,771)</u>	<u>(3,078,311)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(755,888)	(3,071,696)	-	3,071,696
Transfers in	837,156	837,156	-	(837,156)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>81,268</u>	<u>(2,234,540)</u>	<u>-</u>	<u>2,234,540</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(843,771)</u>	<u>(843,771)</u>
<i>Fund balance - beginning of year</i>	-	-	1,078,719	1,078,719
<i>Fund balance - restatement</i>	-	-	2,496,747	2,496,747
<i>Fund balance - beginning as restated</i>	-	-	3,575,466	3,575,466
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,731,695</u>	<u>\$ 2,731,695</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (843,771)
No adjustments to revenues				-
Adjustments to expenditures for accounts payable				277,241
Net change in fund balance (GAAP)				<u>\$ (566,530)</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, 2010

	Utility	Airport	Solid Waste	Total	Internal Service Fund
<i>Assets</i>					
<i>Current assets</i>					
Cash and cash equivalents	\$ 842,242	\$ 200	\$ 163,442	\$ 1,005,884	\$ -
Investments	6,720,715	-	35,143	6,755,858	-
Receivables:					
Other taxes	-	-	161,280	161,280	-
Other receivables	-	33,067	-	33,067	-
Customer receivables, net of allowance	307,117	-	161,877	468,994	-
Prepays	-	-	-	-	-
Inventory	-	104,011	117,405	221,416	-
Due from other funds	-	-	-	-	-
<i>Total current assets</i>	<u>7,870,074</u>	<u>137,278</u>	<u>639,147</u>	<u>8,646,499</u>	<u>-</u>
<i>Noncurrent assets</i>					
Capital assets	59,089,319	23,380,206	4,658,622	87,128,147	115,745
Accumulated depreciation	(31,855,377)	(14,021,904)	(2,294,911)	(48,172,192)	(27,510)
Bond issuance costs, net	71,514	17,766	-	89,280	-
<i>Total noncurrent assets</i>	<u>27,305,456</u>	<u>9,376,068</u>	<u>2,363,711</u>	<u>39,045,235</u>	<u>88,235</u>
<i>Total Assets</i>	<u>\$ 35,175,530</u>	<u>\$ 9,513,346</u>	<u>\$ 3,002,858</u>	<u>\$ 47,691,734</u>	<u>\$ 88,235</u>
<i>Liabilities and Net Assets</i>					
<i>Liabilities</i>					
<i>Current liabilities</i>					
Accounts payable	\$ 86,316	\$ -	\$ 2,025	\$ 88,341	\$ -
Accrued payroll expenses	47,013	8,702	36,108	91,823	19,386
Other accrued expenses	-	-	8,383	8,383	-
Accrued compensated absences	44,088	11,094	40,110	95,292	-
Meter and other refundable deposits	432,494	-	-	432,494	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	304	-	304	-
Accrued interest payable	-	-	-	-	-
Current portion of notes payable	118,873	242,700	247,412	608,985	-
<i>Total current liabilities</i>	<u>728,784</u>	<u>262,800</u>	<u>334,038</u>	<u>1,325,622</u>	<u>19,386</u>
<i>Noncurrent liabilities</i>					
Accrued compensated absences	7,902	1,988	7,190	17,080	-
Notes payable	2,950,284	549,402	434,712	3,934,398	-
<i>Total noncurrent liabilities</i>	<u>2,958,186</u>	<u>551,390</u>	<u>441,902</u>	<u>3,951,478</u>	<u>-</u>
<i>Total liabilities</i>	<u>3,686,970</u>	<u>814,190</u>	<u>775,940</u>	<u>5,277,100</u>	<u>19,386</u>
<i>Net Assets</i>					
Invested in capital assets, net of related debt	24,164,785	8,566,200	1,681,587	34,412,572	88,235
Unrestricted net assets	7,323,775	132,956	545,331	8,002,062	(19,386)
<i>Total net assets</i>	<u>31,488,560</u>	<u>8,699,156</u>	<u>2,226,918</u>	<u>42,414,634</u>	<u>68,849</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 35,175,530</u>	<u>\$ 9,513,346</u>	<u>\$ 3,002,858</u>	<u>\$ 47,691,734</u>	<u>\$ 88,235</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, 2010

	Utility	Airport	Solid Waste	Total	Internal Service Fund
<i>Operating revenues:</i>					
Charges for services	\$ 4,264,052	\$ 1,135,192	\$ 2,187,789	\$ 7,587,033	\$ -
<i>Total operating revenues</i>	<u>4,264,052</u>	<u>1,135,192</u>	<u>2,187,789</u>	<u>7,587,033</u>	<u>-</u>
<i>Operating expenses:</i>					
General and administrative	102,355	427,624	709,977	1,239,956	-
Personnel services	2,965,328	329,928	1,483,213	4,778,469	700,083
Contractual services	256,980	2,992	-	259,972	-
Supplies and purchased power	886,373	62,965	(82,127)	867,211	-
Maintenance and materials	577,697	243,618	398,525	1,219,840	474,301
Utilities	369,501	21,437	48,728	439,666	-
Depreciation	1,960,359	861,370	148,512	2,970,241	13,755
<i>Total operating expenses</i>	<u>7,118,593</u>	<u>1,949,934</u>	<u>2,706,828</u>	<u>11,775,355</u>	<u>1,188,139</u>
<i>Operating income (loss)</i>	<u>(2,854,541)</u>	<u>(814,742)</u>	<u>(519,039)</u>	<u>(4,188,322)</u>	<u>(1,188,139)</u>
<i>Non-operating revenues (expenses):</i>					
Operating grants	-	201,497	20,000	221,497	-
Interest income	17,222	-	93	17,315	249
Interest expense	-	-	-	-	-
Gross receipts tax revenue	2,239,076	11,403	272,906	2,523,385	-
Gross receipts tax expense	(229,293)	(20,057)	(114)	(249,464)	-
Miscellaneous	28,951	2,074	596,741	627,766	73,950
<i>Total non-operating revenues (expenses)</i>	<u>2,055,956</u>	<u>194,917</u>	<u>889,626</u>	<u>3,140,499</u>	<u>74,199</u>
Transfers in	-	325,251	-	325,251	1,118,546
Transfers out	(1,110,447)	(107,053)	(188,665)	(1,406,165)	(196,117)
<i>Capital grants and net transfers</i>	<u>(1,110,447)</u>	<u>218,198</u>	<u>(188,665)</u>	<u>(1,080,914)</u>	<u>922,429</u>
<i>Change in net assets</i>	<u>(1,909,032)</u>	<u>(401,627)</u>	<u>181,922</u>	<u>(2,128,737)</u>	<u>(191,511)</u>
<i>Beginning net assets</i>	35,320,608	10,030,783	2,697,730	48,049,121	260,360
<i>Restatement</i>	(1,923,016)	(930,000)	(652,734)	(3,505,750)	-
<i>Beginning net assets, as restated</i>	<u>33,397,592</u>	<u>9,100,783</u>	<u>2,044,996</u>	<u>44,543,371</u>	<u>260,360</u>
<i>Net assets, end of year</i>	<u>\$ 31,488,560</u>	<u>\$ 8,699,156</u>	<u>\$ 2,226,918</u>	<u>\$ 42,414,634</u>	<u>\$ 68,849</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, 2010

	Utility	Airport	Solid Waste
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 4,865,206	\$ 1,135,496	\$ 2,275,522
Cash payments to employees for services	(2,913,411)	(318,905)	(1,435,865)
Cash payments to suppliers for goods and services	(2,185,369)	(898,308)	(1,408,545)
<i>Net cash provided (used) by operating activities</i>	<u>(233,574)</u>	<u>(81,717)</u>	<u>(568,888)</u>
<i>Cash flows from noncapital financing activities:</i>			
Operating grants	-	201,497	20,000
Net gross receipts taxes received	2,009,783	(8,654)	136,039
Net miscellaneous income and expenses	28,951	2,074	596,741
Change in other receivables	-	(33,067)	-
Change in noncurrent accrued compensated absences	(118,113)	(14,469)	(19,072)
Internal transfers and loans	(1,110,447)	218,198	(189,086)
<i>Net cash provided (used) by noncapital financing activities</i>	<u>810,174</u>	<u>365,579</u>	<u>544,622</u>
<i>Cash flows from capital and related financing activities:</i>			
Acquisition of capital assets	-	-	(763,477)
Principal paid on capital debt	(70,000)	(267,092)	(215,808)
Interest paid on capital debt	(21,793)	(16,770)	(16,674)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(91,793)</u>	<u>(283,862)</u>	<u>(995,959)</u>
<i>Cash flows from investing activities:</i>			
Interest on investments	17,222	-	93
Net acquisition/disposition of investments	(3,389)	-	469,712
<i>Net cash provided (used) by investing activities</i>	<u>13,833</u>	<u>-</u>	<u>469,805</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	498,640	-	(550,420)
<i>Cash and cash equivalents - beginning of year</i>	<u>343,602</u>	<u>200</u>	<u>713,862</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 842,242</u>	<u>\$ 200</u>	<u>\$ 163,442</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (2,854,541)	\$ (814,742)	\$ (519,039)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	1,960,359	861,370	148,512
Changes in assets and liabilities			
Receivables	601,154	-	87,733
Inventory	-	(104,011)	(117,405)
Accounts payable	7,537	(35,661)	(224,420)
Accrued payroll expenses	7,829	326	7,238
Other accrued expenses	-	-	8,383
Accrued compensated absences	44,088	10,697	40,110
Deferred revenue	-	304	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ (233,574)</u>	<u>\$ (81,717)</u>	<u>\$ (568,888)</u>

The accompanying notes are an integral part of these financial statements

<u>Total</u>	<u>Internal Service</u>
\$ 8,276,224	\$ -
(4,668,181)	(692,997)
(4,492,222)	(482,778)
<u>(884,179)</u>	<u>(1,175,775)</u>
221,497	-
2,137,168	-
627,766	73,950
(33,067)	-
(151,654)	(13,065)
<u>(1,081,335)</u>	<u>922,429</u>
<u>1,720,375</u>	<u>983,314</u>
(763,477)	-
(552,900)	-
<u>(55,237)</u>	<u>-</u>
<u>(1,371,614)</u>	<u>-</u>
17,315	249
466,323	94,038
<u>483,638</u>	<u>94,287</u>
(51,780)	(98,174)
<u>1,057,664</u>	<u>98,174</u>
<u>\$ 1,005,884</u>	<u>\$ -</u>
\$ (4,188,322)	\$ (1,188,139)
2,970,241	13,755
688,887	-
(221,416)	-
(252,544)	(8,477)
15,393	7,086
8,383	-
94,895	-
304	-
<u>(884,179)</u>	<u>(1,175,775)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit E-1

Village of Ruidoso

Statement of Fiduciary Assets and Liabilities - Agency Funds

June 30, 2010

Assets

Cash

\$ 9,160

Liabilities

Deposits held in trust for others

\$ 9,160

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Ruidoso
Notes to the Financial Statements
June 30, 2010

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 the Financial Statements
June 30, 2010

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, 2010.

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 the Financial Statements
June 30, 2010

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 the Financial Statements
June 30, 2010

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 the Financial Statements
June 30, 2010

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 *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 the Financial Statements
June 30, 2010

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 10th and April 10th 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 the Financial Statements
June 30, 2010

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, 2010, 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 the Financial Statements
June 30, 2010

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 the Financial Statements
June 30, 2010

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 the Financial Statements
June 30, 2010

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	Final
	Budget	Budget
Budgeted Funds:		
General Fund	\$ (831,574)	\$ (1,659,532)
Ruidoso Flood	(81,268)	2,234,540
GO Bond RWWTP	(8,123,645)	1,233,575
Other Governmental Funds	24,205	(202,740)
	Change in Net Assets	
Utility	\$ (9,291,660)	\$ (465,180)
Airport	-	(374,343)
Solid Waste	(746,910)	(861,574)
Merit Liability	-	-
Internal Service	198	169,428

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, 2010 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 the Financial Statements
June 30, 2010

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, 2010.

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, 2010, \$3,411,246 of the Village's bank balances of \$3,661,246 was exposed to custodial credit risk. \$3,411,246 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 the Financial Statements
June 30, 2010

NOTE 3. Deposits and Investments (continued)

	Wells Fargo Bank
Amount of deposits	\$ 3,661,246
FDIC coverage	250,000
Total uninsured public funds	3,411,246
Collateralized by securities held by pledging institutions or by its trust department or agenc in other than the Village's name	3,411,246
Uninsured and uncollateralized	\$ -
Collateral requirement (50% of uninsured funds)	\$ 1,633,858
(102% of repurchase agreements)	146,401
Pledged collateral	17,105,226
Over (under) collateralized	\$ 15,324,967

Investments

The Village's investments at June 30, 2010 include the following:

Investments	Rated	Weighted Average Maturity	Fair Value
Wells Fargo Securities	Unknown	Unknown	\$ 8,242,935
First National Bank	Unknown	Unknown	903,437
Pioneer Savings Bank	Unknown	Unknown	2,429,630
City Bank of New Mexico	Unknown	Unknown	1,505,021
			\$ 13,081,023

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 the Financial Statements
June 30, 2010

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Assets

Unrestricted cash and cash equivalents per Exhibit A-1	11,934,756
Restricted cash and cash equivalents per Exhibit A-1	717,189
Agency funds cash per Exhibit E-1	9,160
Less U.S. Treasury Money Market Mutual Funds	(717,189)
Plus outstanding checks	3,791,980
Less deposits in transit	(12,072,760)
Less petty cash	<u>(1,890)</u>
Bank balance of deposits	<u><u>\$ 3,661,246</u></u>

NOTE 4. Receivables

Governmental funds receivables as of June 30, 2010 are shown as follows:

	General	GO Bond RWWTP Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 145,927	\$ -	\$ -	\$ 145,927
Other taxes:				
Gross receipts taxes	328,606	-	111,672	440,278
Franchise taxes	-	-	-	-
Lodger's taxes	-	-	102,317	102,317
Other taxes	5,859	-	-	5,859
Other receivables:				
Intergovernmental grants:				
State	58,577	-	-	58,577
State	11,102	500,000	6,187	517,289
Licenses and fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals by category	<u><u>\$ 550,071</u></u>	<u><u>\$ 500,000</u></u>	<u><u>\$ 220,176</u></u>	<u><u>\$ 1,270,247</u></u>

Proprietary fund receivables are shown as follows:

	Utility	Airport	Solid Waste	Total
Other taxes:				
Gross receipts taxes	\$ -	\$ -	\$ -	\$ -
Franchise taxes	-	-	161,280	161,280
Other receivables:				
Licenses and fees	-	-	-	-
State grants	-	3,138	-	3,138
Federal grants	-	29,929	-	29,929
Customer receivables	322,447	-	178,675	501,122
Allowance for doubtful accounts	<u>(15,330)</u>	<u>-</u>	<u>(16,798)</u>	<u>(32,128)</u>
Totals by category	<u><u>\$ 307,117</u></u>	<u><u>\$ 33,067</u></u>	<u><u>\$ 323,157</u></u>	<u><u>\$ 663,341</u></u>

STATE OF NEW MEXICO
Village of Ruidoso
Notes to the Financial Statements
June 30, 2010

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:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Utility Fund	\$ 517,903
General Fund	Airport Fund	66,981
General Fund	1/2% Gross Receipts Tax Fund	847,377
General Fund	Parks and Recreation Fund	6,931
General Fund	1/8th Infrastructure Tax Fund	119,186
General Fund	Regional Wastewater Treatment Plant	446,684
General Fund	Solid Waste Fund	98,848
General Fund	Lodger's Tax Fund	10,000
General Fund	Convention Center Fund	2,814
General Fund	Internal Service Fund	7,505
General Fund	Merritt Liability Fund	188,612
General Fund	Cemetery Fund	55,232
Airport Fund	General Fund	36,632
Airport Fund	1/2% Gross Receipts Tax Fund	288,619
Parks and Recreation Fund	General Fund	921,410
Cemetery Fund	General Fund	7,174
Convention Center Fund	General Fund	235,329
RSVP Fund	General Fund	6,841
Arts Commission Fund	General Fund	40,000
Internal Service Fund	Utility Fund	592,544
Internal Service Fund	Airport Fund	40,072
Internal Service Fund	General Fund	396,113
Internal Service Fund	Solid Waste Fund	89,817
		<u>\$ 5,022,624</u>

STATE OF NEW MEXICO
Village of Ruidoso
Notes to the Financial Statements
June 30, 2010

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2010, including those changes pursuant to the implementation of GASB Statement No. 34, follow. Land, art, and construction in progress are not subject to depreciation.

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,273,160	\$ -	\$ -	\$ 3,273,160
Construction in progress	<u>3,575,606</u>	<u>5,424,114</u>	<u>-</u>	<u>8,999,720</u>
Total capital assets not being depreciated	<u>6,848,766</u>	<u>5,424,114</u>	<u>-</u>	<u>12,272,880</u>
Capital assets being depreciated:				
Buildings and improvements	17,444,821	-	-	17,444,821
Infrastructure	46,187,554	-	-	46,187,554
Equipment	<u>10,163,642</u>	<u>3,380,116</u>	<u>59,256</u>	<u>13,484,502</u>
Total capital assets being depreciated	<u>73,796,017</u>	<u>3,380,116</u>	<u>59,256</u>	<u>77,116,877</u>
Less accumulated depreciation:				
Buildings and improvements	6,948,110	406,564	-	7,354,674
Infrastructure	28,078,551	2,622,059	-	30,700,610
Equipment	<u>7,482,111</u>	<u>829,916</u>	<u>59,256</u>	<u>8,252,771</u>
Total accumulated depreciation	<u>42,508,772</u>	<u>3,858,539</u>	<u>59,256</u>	<u>46,308,055</u>
Total capital assets, net of depreciation	<u>\$ 38,136,011</u>	<u>\$ 4,945,691</u>	<u>\$ -</u>	<u>\$ 43,081,702</u>

Depreciation expense for the year ended June 30, 2010 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>\$ 3,858,539</u>

STATE OF NEW MEXICO
Village of Ruidoso
Notes to the Financial Statements
June 30, 2010

NOTE 6. Capital Assets (continued)

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 3,160,515	\$ -	\$ -	\$ 3,160,515
Water rights	4,423,779	-	-	4,423,779
Construction in progress	31,624	-	-	31,624
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	45,453,865	-	-	45,453,865
Airport infrastructure	1,398,184	-	-	1,398,184
Equipment	14,555,279	763,477	-	15,318,756
Total capital assets being depreciated	<u>78,748,752</u>	<u>763,477</u>	<u>-</u>	<u>79,512,229</u>
Less accumulated depreciation:				
Buildings and improvements	7,862,186	508,349	-	8,370,535
Utility distribution system	26,160,300	1,466,892	-	27,627,192
Airport infrastructure	318,767	82,047	-	400,814
Equipment	10,860,698	912,953	-	11,773,651
Total accumulated depreciation	<u>45,201,951</u>	<u>2,970,241</u>	<u>-</u>	<u>48,172,192</u>
Total capital assets, net of depreciation	<u>\$ 41,162,719</u>	<u>\$ (2,206,764)</u>	<u>\$ -</u>	<u>\$ 38,955,955</u>

Depreciation expense charged to business-type activities for the year ended June 30, 2010 was \$2,970,241.

STATE OF NEW MEXICO
Village of Ruidoso
Notes to the Financial Statements
June 30, 2010

NOTE 7. Long-term Debt

Governmental Activities

During the year ended June 30, 2010, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2009	Restatement	Restated Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010	Due Within One Year
Bonds	\$ 19,440,000	\$ (3,500,000)	\$ 15,940,000	\$ -	\$ 225,000	\$ 15,715,000	\$ 740,000
NMFA Loans	3,078,577	-	3,078,577	2,552,768	310,922	5,320,423	383,593
Notes Payable	100,000	-	100,000	-	3,722	96,278	3,722
Capital Leases	161,792	31,064	192,856	-	192,856	-	-
Compensated Absences	584,458	-	584,458	65,597	297,836	352,219	297,836
Total	\$ 23,364,827	\$ (3,468,936)	\$ 19,895,891	\$ 2,618,365	\$ 1,030,336	\$ 21,483,920	\$ 1,425,151

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:

Series	Original Issue	Final Maturity	Interest Rate	Outstanding
2006 Gross Receipts Tax Refunding and Improvement Bond	\$ 4,020,000	6/1/2026	3.50%-4.75%	\$ 3,115,000
2008 Ad Valorem Property Tax and Improvement Bond	12,600,000	4/16/2028	3.15%-4.74%	<u>12,600,000</u>
Total				<u>\$ 15,715,000</u>

STATE OF NEW MEXICO
Village of Ruidoso
Notes to the Financial Statements
June 30, 2010

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 September 4, 2009, the Village borrowed \$1,015,000 from the New Mexico Finance Authority for the purpose of acquiring a Fire Truck. Principal is paid annually with interest paid semiannually. The note is secured by and payable from the distributions of fire protection fund and revenues received by the Village from the State Treasurer.

On October 16, 2009, the Village borrowed \$1,537,768 from the New Mexico Finance Authority for the purpose of remodeling the Civic Center. Principal is paid annually with interest paid semiannually. The note is secured by and payable from revenues received by the Village from the State Treasurer.

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%	\$ 921,490
NMFA - Fire Pumper Truck	175,000	5/1/2014	0.88%-3.49%	77,467
NMFA - 2 Fire Pumper Trucks	589,992	5/1/2014	0.90%-3.27%	253,930
NMFA - 9 acres of land and improvements	1,295,471	5/1/2024	0.79%-4.38%	995,798
NMFA - Special Street Equipment	846,667	5/1/2016	3.02%-3.70%	549,734
NMFA - Fire Truck	1,015,000	5/1/2025	0.68%-4.41%	1,015,000
NMFA - Civic Center Remodel	1,537,768	5/1/2029	0.65%-4.65%	<u>1,507,004</u>
Total				<u>\$ 5,320,423</u>

STATE OF NEW MEXICO
Village of Ruidoso
Notes to the Financial Statements
June 30, 2010

NOTE 7. Long-term Debt (continued)

Governmental Activities (continued)

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 was 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 was paid in full in fiscal year 2010.

Debt Service Requirements

Debt service requirements on long-term debt for governmental activities at June 30, 2010 are as follows:

Bonds Payable:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2011	\$ 740,000	\$ 646,964	\$ 1,386,964
2012	660,000	621,133	1,281,133
2013	685,000	598,077	1,283,077
2014	705,000	573,645	1,278,645
2015	730,000	548,063	1,278,063
2016-2020	4,105,000	2,278,258	6,383,258
2021-2025	5,035,000	1,314,927	6,349,927
2026-2030	3,055,000	213,170	3,268,170
	<u>\$ 15,715,000</u>	<u>\$ 6,794,237</u>	<u>\$ 22,509,237</u>

New Mexico Finance Authority Loans:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2011	\$ 383,593	\$ 224,523	\$ 608,116
2012	422,313	193,183	615,496
2013	435,725	179,987	615,712
2014	450,424	165,519	615,943
2015	376,433	153,781	530,214
2016-2020	1,671,782	541,950	2,213,732
2021-2025	1,168,188	240,100	1,408,288
2026-2030	411,965	48,201	460,166
	<u>\$ 5,320,423</u>	<u>\$ 1,747,244</u>	<u>\$ 7,067,667</u>

STATE OF NEW MEXICO
Village of Ruidoso
Notes to the Financial Statements
June 30, 2010

NOTE 7. Long-term Debt (continued)

Governmental Activities (continued)

Debt Service Requirements (continued)

Notes Payable:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2011	\$ 3,722	\$ 2,888	\$ 6,610
2012	3,948	2,773	6,721
2013	4,067	2,655	6,722
2014	4,189	2,533	6,722
2015	4,314	2,407	6,721
2016-2020	23,592	10,015	33,607
2021-2025	27,350	6,258	33,608
2026-2030	25,096	1,902	26,998
	<u>\$ 96,278</u>	<u>\$ 31,431</u>	<u>\$ 127,709</u>

Business-Type Activities

During the year ended June 30, 2010, the following changes occurred in the liabilities reported in the proprietary funds statement of net assets:

	Balance June 30, 2009	Restatement	Restated Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010	Due Within One Year
Bonds	\$ -	\$ 3,500,000	\$ 3,500,000	\$ -	\$ 280,000	\$ 3,220,000	\$ 295,000
NMFA Loans	847,953	-	847,953	-	200,969	646,984	208,020
Notes Payable	613,386	-	613,386	-	44,229	569,157	48,873
Capital Leases	129,194	5,750	134,944	-	27,702	107,242	57,092
Compensated Absences	169,131	-	169,131	38,533	95,292	112,372	95,292
Total	<u>\$ 1,759,664</u>	<u>\$ 3,505,750</u>	<u>\$ 5,265,414</u>	<u>\$ 38,533</u>	<u>\$ 648,192</u>	<u>\$ 4,655,755</u>	<u>\$ 704,277</u>

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

STATE OF NEW MEXICO
Village of Ruidoso
Notes to the Financial Statements
June 30, 2010

NOTE 7. Long-term Debt (continued)

Business-Type Activities (continued)

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:

<u>Series</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
1993 Municipal Sales Tax Refunding Bonds	\$ 2,985,000	8/1/2012	3.15%-6.625%	\$ 720,000
2001 Supplemental Gross Receipts Refunding Bonds	2,865,000	6/1/1931	3.75%-5.200%	<u>2,500,000</u>
Total				<u><u>\$ 3,220,000</u></u>

NMFA Loans and 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%	\$ 646,984
Village of Capitan - Water Rights	894,161	5/26/2018	10.50%	<u>569,157</u>
Total				<u><u>\$ 1,216,141</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.

STATE OF NEW MEXICO
Village of Ruidoso
Notes to the Financial Statements
June 30, 2010

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, 2010 are as follows:

Bonds:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2011	\$ 295,000	\$ 167,179	\$ 462,179
2012	315,000	148,591	463,591
2013	330,000	128,841	458,841
2014	80,000	116,888	196,888
2015	85,000	113,205	198,205
2016-2020	500,000	501,066	1,001,066
2021-2025	630,000	367,236	997,236
2026-2030	800,000	196,375	996,375
2031-2035	185,000	18,980	203,980
	<u>\$ 3,220,000</u>	<u>\$ 1,758,361</u>	<u>\$ 4,978,361</u>

New Mexico Finance Authority Loans:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2011	\$ 208,020	\$ 23,801	\$ 231,821
2012	215,507	16,333	231,840
2013	223,457	8,402	231,859
	<u>\$ 646,984</u>	<u>\$ 48,536</u>	<u>\$ 695,520</u>

Notes Payable:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	72,865	35,770	108,635
2016-2020	267,798	58,106	325,904
	<u>\$ 569,157</u>	<u>\$ 299,919</u>	<u>\$ 869,076</u>

STATE OF NEW MEXICO
Village of Ruidoso
Notes to the Financial Statements
June 30, 2010

NOTE 7. Long-term Debt (continued)

Business-type Activities (continued)

Debt Service Requirements (continued)

Capital Leases:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2011	\$ 57,092	\$ -	\$ 57,092
2012	17,700	-	17,700
2013	17,700	-	17,700
2014	14,750	-	14,750
	<u>\$ 107,242</u>	<u>\$ -</u>	<u>\$ 107,242</u>

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, 2010.

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, 2010, 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.

STATE OF NEW MEXICO
Village of Ruidoso
Notes to the Financial Statements
June 30, 2010

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.

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, 2010, 2009, and 2008 were \$909,766, \$900,320, and \$756,583, respectively.

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 \$2,046,112 in questioned costs and \$77,861 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.

STATE OF NEW MEXICO
Village of Ruidoso
Notes to the Financial Statements
June 30, 2010

NOTE 14. 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, 2010:

Parks and Recreation	\$ 17,876
Convention Center	<u>6,482</u>
 Total	 <u><u>\$ 24,358</u></u>

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, 2010:

GO Bond RWWTP	\$ 1,314,194
State Fire	282,905
RSVP	<u>649</u>
 Total	 <u><u>\$ 1,597,748</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, 2010:

	<u>Designated Cash</u>	<u>Beginning Year Cash & A/R Available</u>	<u>Cash Appropriations in Excess of Available</u>
State Fire	\$ 53,000	\$ -	\$ 53,000
Utility	9,291,660	1,251,873	8,039,787

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.

STATE OF NEW MEXICO
Village of Ruidoso
Notes to the Financial Statements
June 30, 2010

NOTE 15. Restatement

The Village has restated budgetary fund balances due to errors in the presentation of the prior year financial statements. These restatements are as follows:

Fund Name	Restatement
General Fund	\$ (620)
Ruidoso Flood	2,496,747
Parks and Recreation	(604)
Cemetery	50,049
1/8th Infrastructure Tax	151,468
State Fire	96,145
Emergency Medical Services	44,628
Traffic Safety Fees	14,224
Correction Fees	74,954
Lodger's Tax	959,929
Special Donations	3,182
Convention Center	(5,248)
Impact Fee	1,873,891
RSVP	(7,476)
Forestry Operations	64,395
DWI Grant	245
GO Bond RWWTP	9,864,948
Required Bond Reserves	638,754
	<u>\$ 16,319,611</u>

The government-wide statement of activities also reports a restatement of net assets of \$5,965,683 that consists of restating investment and long-term debt balances of \$2,496,747 and \$3,468,936, respectively. The business-type statement of activities reports a restatement of \$(3,505,750) to restate long-term debt balances.

STATE OF NEW MEXICO
Village of Ruidoso
Notes to the Financial Statements
June 30, 2010

NOTE 16. 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 17. Restricted Net Assets

The government-wide statement of net assets reports \$19,644,353 of restricted net assets of which, \$638,754 is restricted by enabling legislation for debt service, \$14,551,546 is restricted for capital projects and \$4,454,053 is restricted by enabling legislation referred to in the special revenue fund descriptions on pages 34 and 59 to 60.

NOTE 18. Commitments

The following is a summary of construction in progress as of June 30, 2010:

<u>Description</u>	<u>Contractor</u>	<u>Commitments</u>	<u>Contract Date</u>
RWWTP Phase 1B	RMCI	\$ 10,787,926	7/15/2009
Ruidoso Convention Center	Jack Wayte	591,681	10/9/2009

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Village of Ruidoso
Nonmajor Governmental Fund Descriptions
June 30, 2010

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.

1/8th 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.

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.

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.

STATE OF NEW MEXICO
Village of Ruidoso
Nonmajor Governmental Fund Descriptions
June 30, 2010

SPECIAL REVENUE FUNDS (continued)

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.

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.

DEBT SERVICE FUNDS

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
Combining Balance Sheet
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue			
	1/2% Gross Receipts Tax	Parks and Recreation	Cemetery	1/8th Infrastructure Tax
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 100,827
Investments	-	-	-	-
Receivables:				
Property taxes	-	-	-	-
Other taxes	81,656	-	-	30,016
Other receivables	-	-	-	-
Inventory	-	-	-	-
Prepaid insurance	-	-	-	-
Interfund note receivable	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 81,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,843</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll expenses	-	5,914	-	-
Other accrued expenses	-	-	-	-
Accrued compensated absences	-	-	-	-
Deferred property tax revenue	-	-	-	-
Other deferred revenue	-	11,962	-	-
Meter and other refundable deposits	-	-	-	-
Interfund note payable	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>17,876</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Reserved for:				
Debt service, repair and replacement	-	-	-	-
Prepaid expenses	-	-	-	-
Unreserved, reported in:				
Special revenue	81,656	(17,876)	-	130,843
Capital projects	-	-	-	-
<i>Total fund balances</i>	<u>81,656</u>	<u>(17,876)</u>	<u>-</u>	<u>130,843</u>
<i>Total liabilities and fund balances</i>	<u>\$ 81,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,843</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

State Fire	Emergency Medical Services	Law Enforcement Protection	Traffic Safety Fees	Correction Fees	Lodger's Tax
\$ 95,381	\$ 7,745	\$ 1,538	\$ 17,951	\$ 108,844	\$ 166,042
-	-	-	-	-	660,114
-	-	-	-	-	-
-	-	-	-	-	102,317
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 95,381</u>	<u>\$ 7,745</u>	<u>\$ 1,538</u>	<u>\$ 17,951</u>	<u>\$ 108,844</u>	<u>\$ 928,473</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
95,381	7,745	1,538	17,951	108,844	928,473
-	-	-	-	-	-
<u>95,381</u>	<u>7,745</u>	<u>1,538</u>	<u>17,951</u>	<u>108,844</u>	<u>928,473</u>
<u>\$ 95,381</u>	<u>\$ 7,745</u>	<u>\$ 1,538</u>	<u>\$ 17,951</u>	<u>\$ 108,844</u>	<u>\$ 928,473</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Ruidoso
Combining Balance Sheet
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

Special Revenue

	Special Donations	Special Street	Convention Center	Impact Fee
<i>Assets</i>				
Cash and cash equivalents	\$ 1,241	\$ 65,407	\$ 30	\$ 1,178,421
Investments	-	-	-	758,108
Receivables:				
Property taxes	-	-	-	-
Other taxes receivable	-	-	-	-
Other receivables	-	-	-	-
Inventory	-	-	-	-
Prepaid insurance	-	-	-	-
Interfund note receivable	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 1,241</u>	<u>\$ 65,407</u>	<u>\$ 30</u>	<u>\$ 1,936,529</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ 876	\$ -
Accrued payroll expenses	-	-	5,636	-
Other accrued expenses	-	-	-	-
Accrued compensated absences	-	-	-	-
Deferred property tax revenue	-	-	-	-
Other deferred revenue	-	-	-	-
Meter and other refundable deposits	-	-	-	-
Interfund note payable	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>6,512</u>	<u>-</u>
<i>Fund balances</i>				
Reserved for:				
Debt service, repair and replacement	-	-	-	-
Prepaid expenses	-	-	-	-
Unreserved, reported in:				
Special revenue	1,241	65,407	(6,482)	1,936,529
Capital projects	-	-	-	-
<i>Total fund balances</i>	<u>1,241</u>	<u>65,407</u>	<u>(6,482)</u>	<u>1,936,529</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,241</u>	<u>\$ 65,407</u>	<u>\$ 30</u>	<u>\$ 1,936,529</u>

The accompanying notes are an integral part of these financial statements

Special Revenue				Debt Service	Total Nonmajor Governmental Funds
RSVP	Arts Commission	Forestry Operations	DWI Grant	Required Bond Reserves	
\$ -	\$ -	\$ 72,459	\$ 4,548	\$ 638,754	\$ 2,459,188
-	-	-	-	-	1,418,222
-	-	-	-	-	-
-	-	-	-	-	213,989
6,187	-	-	-	-	6,187
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 6,187</u>	<u>\$ -</u>	<u>\$ 72,459</u>	<u>\$ 4,548</u>	<u>\$ 638,754</u>	<u>\$ 4,097,586</u>
\$ -	\$ -	\$ -	\$ 245	\$ -	\$ 1,121
542	-	-	-	-	12,092
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	11,962
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>542</u>	<u>-</u>	<u>-</u>	<u>245</u>	<u>-</u>	<u>25,175</u>
-	-	-	-	638,754	638,754
-	-	-	-	-	-
5,645	-	72,459	4,303	-	3,433,657
-	-	-	-	-	-
<u>5,645</u>	<u>-</u>	<u>72,459</u>	<u>4,303</u>	<u>638,754</u>	<u>4,072,411</u>
<u>\$ 6,187</u>	<u>\$ -</u>	<u>\$ 72,459</u>	<u>\$ 4,548</u>	<u>\$ 638,754</u>	<u>\$ 4,097,586</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Ruidoso
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue			
	1/2% Gross Receipts Tax	Parks and Recreation	Cemetery	1/8th Infrastructure Tax
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ 1,018,945	\$ -	\$ -	\$ 21,027
Gasoline and motor vehicle	-	-	-	-
Other	-	6,405	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	10,429	-	-
State capital grants	-	-	-	-
Charges for services	-	149,591	6,810	-
Licenses and fees	-	-	-	-
Investment income	62	-	148	-
Miscellaneous	-	13,593	460	-
<i>Total revenues</i>	1,019,007	180,018	7,418	21,027
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	946,185	-	-
Health and welfare	-	-	9,409	-
Capital outlay	-	140,266	-	-
Debt service:				
Principal	-	7,779	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	1,094,230	9,409	-
<i>Excess (deficiency) of revenues over expenditures</i>	1,019,007	(914,212)	(1,991)	21,027
<i>Other financing sources (uses)</i>				
Transfers in	-	921,410	7,174	-
Transfers out	(1,135,996)	(6,931)	(55,232)	(119,186)
Proceeds from debt issuance	-	-	-	-
<i>Total other financing sources (uses)</i>	(1,135,996)	914,479	(48,058)	(119,186)
<i>Net change in fund balances</i>	(116,989)	267	(50,049)	(98,159)
<i>Fund balances - beginning of year</i>	198,645	(18,143)	50,049	229,002
<i>Fund balances - end of year</i>	\$ 81,656	\$ (17,876)	\$ -	\$ 130,843

The accompanying notes are an integral part of these financial statements

Special Revenue

State Fire	Emergency Medical Services	Law Enforcement Protection	Traffic Safety Fees	Correction Fees	Lodger's Tax
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	1,143,872
-	-	-	-	-	-
-	-	-	-	-	-
551,187	15,951	35,600	-	-	19,600
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	7,235	48,515	-
278	-	-	-	-	2,682
209,007	-	-	-	-	1,079
<u>760,472</u>	<u>15,951</u>	<u>35,600</u>	<u>7,235</u>	<u>48,515</u>	<u>1,167,233</u>
-	-	-	-	-	1,419,979
108,565	23,610	27,637	-	13,185	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,023,693	29,224	6,425	3,508	-	1,537,856
454,705	-	-	-	-	182,105
191,160	-	-	-	-	80,164
<u>1,778,123</u>	<u>52,834</u>	<u>34,062</u>	<u>3,508</u>	<u>13,185</u>	<u>3,220,104</u>
<u>(1,017,651)</u>	<u>(36,883)</u>	<u>1,538</u>	<u>3,727</u>	<u>35,330</u>	<u>(2,052,871)</u>
-	-	-	-	-	-
-	-	-	-	-	(10,000)
1,015,000	-	-	-	-	1,537,768
<u>1,015,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,527,768</u>
(2,651)	(36,883)	1,538	3,727	35,330	(525,103)
98,032	44,628	-	14,224	73,514	1,453,576
<u>\$ 95,381</u>	<u>\$ 7,745</u>	<u>\$ 1,538</u>	<u>\$ 17,951</u>	<u>\$ 108,844</u>	<u>\$ 928,473</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Ruidoso
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue			
	Special Donations	Special Street	Convention Center	Impact Fee
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	71,406	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	164,636	155,460	-
Licenses and fees	-	-	375	366,478
Investment income	-	-	185	2,802
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>236,042</u>	<u>156,020</u>	<u>369,280</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	51,200	-	-
Culture and recreation	1,941	-	391,095	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	147,779
Debt service:				
Principal	-	87,911	-	-
Interest	-	36,999	-	-
<i>Total expenditures</i>	<u>1,941</u>	<u>176,110</u>	<u>391,095</u>	<u>147,779</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,941)</u>	<u>59,932</u>	<u>(235,075)</u>	<u>221,501</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	235,329	-
Transfers out	-	-	(2,814)	-
Proceeds from debt issuance	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>232,515</u>	<u>-</u>
<i>Net change in fund balances</i>	(1,941)	59,932	(2,560)	221,501
<i>Fund balances - beginning of year</i>	<u>3,182</u>	<u>5,475</u>	<u>(3,922)</u>	<u>1,715,028</u>
<i>Fund balances - end of year</i>	<u>\$ 1,241</u>	<u>\$ 65,407</u>	<u>\$ (6,482)</u>	<u>\$ 1,936,529</u>

The accompanying notes are an integral part of these financial statements

Special Revenue				Debt Service	Total Nonmajor Governmental Funds
RSVP	Arts Commission	Forestry Operations	DWI Grant	Required Bond Reserves	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,039,972
-	-	-	-	-	71,406
-	-	-	-	-	1,150,277
-	-	60,664	-	-	60,664
-	-	-	-	-	-
36,343	-	291,291	170,069	-	1,130,470
-	-	-	-	-	-
-	-	-	-	-	476,497
-	-	-	-	-	422,603
-	-	-	-	-	6,157
-	-	-	145	-	224,284
<u>36,343</u>	<u>-</u>	<u>351,955</u>	<u>170,214</u>	<u>-</u>	<u>4,582,330</u>
-	-	-	-	-	1,419,979
-	-	-	153,166	-	326,163
-	-	295,995	-	-	347,195
-	40,000	-	-	-	1,379,221
37,143	-	-	-	-	46,552
-	-	-	12,745	-	2,901,496
-	-	-	-	-	732,500
-	-	-	-	-	308,323
<u>37,143</u>	<u>40,000</u>	<u>295,995</u>	<u>165,911</u>	<u>-</u>	<u>7,461,429</u>
<u>(800)</u>	<u>(40,000)</u>	<u>55,960</u>	<u>4,303</u>	<u>-</u>	<u>(2,879,099)</u>
6,841	40,000	-	-	-	1,210,754
-	-	-	-	-	(1,330,159)
-	-	-	-	-	2,552,768
<u>6,841</u>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,433,363</u>
6,041	-	55,960	4,303	-	(445,736)
(396)	-	16,499	-	638,754	4,518,147
<u>\$ 5,645</u>	<u>\$ -</u>	<u>\$ 72,459</u>	<u>\$ 4,303</u>	<u>\$ 638,754</u>	<u>\$ 4,072,411</u>

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, 2010

Statement B-1

	Merit Liability	Internal Service	Total
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	-	-	-
Prepays	-	-	-
<i>Total current assets</i>	-	-	-
<i>Noncurrent assets</i>			
Capital assets	-	115,745	115,745
Accumulated depreciation	-	(27,510)	(27,510)
<i>Total noncurrent assets</i>	-	88,235	88,235
<i>Total Assets</i>	\$ -	\$ 88,235	\$ 88,235
<i>Liabilities and Net Assets</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll expenses	-	19,386	19,386
Accrued compensated absences current portion	-	-	-
<i>Total current liabilities</i>	-	19,386	19,386
<i>Noncurrent liabilities</i>			
Accrued compensated absences	-	-	-
<i>Total noncurrent liabilities</i>	-	-	-
<i>Total liabilities</i>	-	19,386	19,386
<i>Net Assets:</i>			
Invested in capital assets, net of related debt	-	88,235	88,235
Unrestricted net assets	-	(19,386)	(19,386)
<i>Total net assets</i>	-	68,849	68,849
<i>Total Liabilities and Net Assets</i>	\$ -	\$ 88,235	\$ 88,235

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, 2010

	<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	-	700,083	700,083
Maintenance and materials	-	474,301	474,301
Depreciation	-	13,755	13,755
<i>Total operating expenses</i>	<u>-</u>	<u>1,188,139</u>	<u>1,188,139</u>
<i>Operating income (loss)</i>	<u>-</u>	<u>(1,188,139)</u>	<u>(1,188,139)</u>
<i>Non-operating revenues (expenses):</i>			
Interest income	249	-	249
Miscellaneous	-	73,950	73,950
<i>Total non-operating revenues (expenses)</i>	<u>249</u>	<u>73,950</u>	<u>74,199</u>
Transfers in	-	1,118,546	1,118,546
Transfers out	(188,612)	(7,505)	(196,117)
<i>Capital grants and net transfers</i>	<u>(188,612)</u>	<u>1,111,041</u>	<u>922,429</u>
<i>Change in net assets</i>	<u>(188,363)</u>	<u>(3,148)</u>	<u>(191,511)</u>
<i>Net assets, beginning of year</i>	<u>188,363</u>	<u>71,997</u>	<u>260,360</u>
<i>Net assets, end of year</i>	<u>\$ -</u>	<u>\$ 68,849</u>	<u>\$ 68,849</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, 2010

	Merit Liability	Internal Service	Total
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ -	\$ -	\$ -
Cash payments to employees for services	-	(692,997)	(692,997)
Cash payments to suppliers for goods and services	-	(482,778)	(482,778)
<i>Net cash provided (used) by operating activities</i>	<u>-</u>	<u>(1,175,775)</u>	<u>(1,175,775)</u>
<i>Cash flows from noncapital financing activities:</i>			
Operating grants	-	-	-
Other taxes received	-	-	-
Miscellaneous income	-	73,950	73,950
Change in noncurrent accrued compensated absences	-	(13,065)	(13,065)
Internal transfers and loans	(188,612)	1,111,041	922,429
<i>Net cash provided (used) by noncapital financing activities:</i>	<u>(188,612)</u>	<u>1,171,926</u>	<u>983,314</u>
<i>Cash flows from capital and related financing activities:</i>			
Capital grants	-	-	-
Acquisition 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	249	-	249
Net acquisition/disposition of investments	90,189	3,849	94,038
<i>Net cash provided (used) by investing activities</i>	<u>90,438</u>	<u>3,849</u>	<u>94,287</u>
<i>Net increase in cash and cash equivalents</i>	(98,174)	-	(98,174)
<i>Cash and cash equivalents - beginning of year</i>	<u>98,174</u>	<u>-</u>	<u>98,174</u>
<i>Cash and cash equivalents - end of year</i>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	-	(1,188,139)	(1,188,139)
<i>Adjustments to reconcile operating (loss) to net cash (used) by operating activities:</i>			
Depreciation	-	13,755	13,755
<i>Changes in assets and liabilities</i>			
Inventory	-	-	-
Accounts payable	-	(8,477)	(8,477)
Accrued payroll expenses	-	7,086	7,086
Current accrued compensated absences	-	-	-
Deferred revenue	-	-	-
<i>Net cash (used) by operating activities</i>	<u><u>\$ -</u></u>	<u><u>\$ (1,175,775)</u></u>	<u><u>\$ (1,175,775)</u></u>

The accompanying notes are an integral part of these financial statements

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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, 2010

Statement C-1

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	1,315,000	1,315,000	1,135,934	(179,066)
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	-	-	62	62
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,315,000</u>	<u>1,315,000</u>	<u>1,135,996</u>	<u>(179,004)</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>1,315,000</u>	<u>1,315,000</u>	<u>1,135,996</u>	<u>(179,004)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(1,315,000)	(1,315,000)	(1,135,996)	179,004
<i>Total other financing sources (uses)</i>	<u>(1,315,000)</u>	<u>(1,315,000)</u>	<u>(1,135,996)</u>	<u>179,004</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)				\$ -
Adjustments to revenues for other taxes receivable				(116,989)
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ (116,989)</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, 2010

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	13,000	13,000	6,405	(6,595)
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	25,000	13,000	10,429	(2,571)
State capital grants	-	-	-	-
Charges for services	136,800	121,395	149,591	28,196
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	9,765	13,593	3,828
	<u>174,800</u>	<u>157,160</u>	<u>180,018</u>	<u>22,858</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	925,128	1,021,935	945,848	76,087
Health and welfare	-	-	-	-
Capital outlay	141,179	141,179	140,266	913
Debt service:				
Principal	9,250	9,250	7,779	1,471
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,075,557</u>	<u>1,172,364</u>	<u>1,093,893</u>	<u>78,471</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(900,757)</u>	<u>(1,015,204)</u>	<u>(913,875)</u>	<u>101,329</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(1)	114,446	-	(114,446)
Loan proceeds	-	-	-	-
Transfers in	905,605	905,605	921,410	15,805
Transfers out	(4,847)	(4,847)	(6,931)	(2,084)
<i>Total other financing sources (uses)</i>	<u>900,757</u>	<u>1,015,204</u>	<u>914,479</u>	<u>(100,725)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>604</u>	<u>604</u>
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - restatement</i>	-	-	(604)	(604)
<i>Fund balance - beginning as restated</i>	-	-	(604)	(604)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 604
No adjustments to revenues				-
Adjustments to expenditures for accounts payable and accrued payroll				(337)
Net change in fund balance (GAAP)				<u>\$ 267</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, 2010

	Budgeted Amounts		Actual	Variations
	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	10,000	5,745	6,810	1,065
Licenses and fees	-	-	-	-
Investment income	700	700	148	(552)
Miscellaneous	-	1,000	460	(540)
<i>Total revenues</i>	<u>10,700</u>	<u>7,445</u>	<u>7,418</u>	<u>(27)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	22,775	22,775	9,409	13,366
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>22,775</u>	<u>22,775</u>	<u>9,409</u>	<u>13,366</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(12,075)</u>	<u>(15,330)</u>	<u>(1,991)</u>	<u>13,339</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	3,255	-	(3,255)
Loan proceeds	-	-	-	-
Transfers in	29,403	29,403	7,174	(22,229)
Transfers out	(17,328)	(17,328)	(55,232)	(37,904)
<i>Total other financing sources (uses)</i>	<u>12,075</u>	<u>15,330</u>	<u>(48,058)</u>	<u>(63,388)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(50,049)</u>	<u>(50,049)</u>
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - restatement</i>	-	-	50,049	50,049
<i>Fund balance - beginning as restated</i>	-	-	50,049	50,049
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (50,049)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ (50,049)</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, 2010

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	648,000	648,000	68,545	(579,455)
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>648,000</u>	<u>648,000</u>	<u>68,545</u>	<u>(579,455)</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>648,000</u>	<u>648,000</u>	<u>68,545</u>	<u>(579,455)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(648,000)	(648,000)	(119,186)	528,814
<i>Total other financing sources (uses)</i>	<u>(648,000)</u>	<u>(648,000)</u>	<u>(119,186)</u>	<u>528,814</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(50,641)</u>	<u>(50,641)</u>
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - restatement</i>	-	-	151,468	151,468
<i>Fund balance - beginning as restated</i>	-	-	151,468	151,468
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,827</u>	<u>\$ 100,827</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (50,641)
Adjustments to revenues for other taxes receivable				(47,518)
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ (98,159)</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, 2010

	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	195,000	340,856	340,856	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	278	278
Miscellaneous	10,000	10,000	209,007	199,007
<i>Total revenues</i>	<u>205,000</u>	<u>350,856</u>	<u>550,141</u>	<u>199,285</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	108,000	118,000	102,621	15,379
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	60,000	60,000	8,693	51,307
Debt service:				
Principal	90,000	90,000	439,591	(349,591)
Interest	-	-	-	-
<i>Total expenditures</i>	<u>258,000</u>	<u>268,000</u>	<u>550,905</u>	<u>(282,905)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(53,000)</u>	<u>82,856</u>	<u>(764)</u>	<u>(83,620)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	53,000	(82,856)	-	82,856
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>53,000</u>	<u>(82,856)</u>	<u>-</u>	<u>82,856</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(764)</u>	<u>(764)</u>
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - restatement</i>	-	-	96,145	96,145
<i>Fund balance - beginning as restated</i>	-	-	96,145	96,145
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,381</u>	<u>\$ 95,381</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (764)
Adjustments to revenues for loan proceeds				1,225,331
Adjustments to expenditures for prepaid expenses and debt service				(1,227,218)
Net change in fund balance (GAAP)				<u>\$ (2,651)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-6

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, 2010

	Budgeted Amounts		Actual	Variations
	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	12,000	15,951	15,951	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>12,000</u>	<u>15,951</u>	<u>15,951</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	16,200	24,200	23,610	590
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	30,000	30,000	29,224	776
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>46,200</u>	<u>54,200</u>	<u>52,834</u>	<u>1,366</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(34,200)</u>	<u>(38,249)</u>	<u>(36,883)</u>	<u>1,366</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	34,200	38,249	-	(38,249)
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>34,200</u>	<u>38,249</u>	<u>-</u>	<u>(38,249)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(36,883)</u>	<u>(36,883)</u>
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - restatement</i>	-	-	44,628	44,628
<i>Fund balance - beginning as restated</i>	-	-	44,628	44,628
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,745</u>	<u>\$ 7,745</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (36,883)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ (36,883)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-7

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, 2010

	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	35,600	35,600	35,600	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>35,600</u>	<u>35,600</u>	<u>35,600</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	35,600	27,824	27,637	187
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	7,776	6,425	1,351
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>35,600</u>	<u>35,600</u>	<u>34,062</u>	<u>1,538</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>1,538</u>	<u>1,538</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>	<u>-</u>	<u>-</u>	<u>1,538</u>	<u>1,538</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>\$ 1,538</u>	<u>\$ 1,538</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 1,538
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ 1,538</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-8

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, 2010

	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	5,000	5,000	7,235	2,235
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>5,000</u>	<u>5,000</u>	<u>7,235</u>	<u>2,235</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	5,000	5,000	3,508	1,492
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>5,000</u>	<u>5,000</u>	<u>3,508</u>	<u>1,492</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	<u>3,727</u>	<u>3,727</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>	<u>-</u>	<u>-</u>	<u>3,727</u>	<u>3,727</u>
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - restatement</i>	-	-	14,224	14,224
<i>Fund balance - beginning as restated</i>	-	-	14,224	14,224
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,951</u>	<u>\$ 17,951</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 3,727
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ 3,727</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-9

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, 2010

	Budgeted Amounts		Actual	Variations
	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	48,515	23,215
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>25,300</u>	<u>25,300</u>	<u>48,515</u>	<u>23,215</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	25,300	25,300	14,625	10,675
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>14,625</u>	<u>10,675</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	33,890	33,890
<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>	<u>-</u>	<u>-</u>	<u>33,890</u>	<u>33,890</u>
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - restatement</i>	-	-	74,954	74,954
<i>Fund balance - beginning as restated</i>	-	-	74,954	74,954
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,844</u>	<u>\$ 108,844</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 33,890
No adjustments to revenues				-
Adjustments to expenditures for accounts payable				1,440
Net change in fund balance (GAAP)				<u>\$ 35,330</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-10

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, 2010

	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	1,058,000	1,058,000	1,193,300	135,300
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	9,600	24,600	15,000
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	2,000	2,000	2,682	682
Miscellaneous	-	1,000	1,079	79
<i>Total revenues</i>	<u>1,060,000</u>	<u>1,070,600</u>	<u>1,221,661</u>	<u>151,061</u>
<i>Expenditures:</i>				
Current:				
General government	1,653,204	1,601,170	1,509,728	91,442
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	200	200	88	112
Debt service:				
Principal	96,000	174,413	182,105	(7,692)
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,749,404</u>	<u>1,775,783</u>	<u>1,691,921</u>	<u>83,862</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(689,404)</u>	<u>(705,183)</u>	<u>(470,260)</u>	<u>234,923</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	699,404	715,183	-	(715,183)
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(10,000)	(10,000)	(10,000)	-
<i>Total other financing sources (uses)</i>	<u>689,404</u>	<u>705,183</u>	<u>(10,000)</u>	<u>(715,183)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(480,260)</u>	<u>(480,260)</u>
<i>Fund balance - beginning of year</i>	-	-	346,487	346,487
<i>Fund balance - restatement</i>	-	-	959,929	959,929
<i>Fund balance - beginning as restated</i>	-	-	1,306,416	1,306,416
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 826,156</u>	<u>\$ 826,156</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (480,260)
Adjustments to revenues for taxes receivable				(54,428)
Adjustments to expenditures for accounts payable				(1,528,183)
Net change in fund balance (GAAP)				<u>\$ (2,062,871)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-11

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, 2010

	Budgeted Amounts		Actual	Variations
	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	-	1,941	1,941	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>1,941</u>	<u>1,941</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(1,941)</u>	<u>(1,941)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	1,941	-	(1,941)
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>1,941</u>	<u>-</u>	<u>(1,941)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(1,941)</u>	<u>(1,941)</u>
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - restatement</i>	-	-	3,182	3,182
<i>Fund balance - beginning as restated</i>	-	-	3,182	3,182
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,241</u>	<u>\$ 1,241</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (1,941)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ (1,941)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-12

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, 2010

	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	155,000	155,000	76,881	(78,119)
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	127,637	127,637
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>155,000</u>	<u>155,000</u>	<u>204,518</u>	<u>49,518</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	51,200	51,200	51,200	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	103,800	103,800	87,911	15,889
Interest	-	-	-	-
<i>Total expenditures</i>	<u>155,000</u>	<u>155,000</u>	<u>139,111</u>	<u>15,889</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>65,407</u>	<u>65,407</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>	<u>-</u>	<u>-</u>	<u>65,407</u>	<u>65,407</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>\$ 65,407</u>	<u>\$ 65,407</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 65,407
Adjustments to revenues for other taxes receivable				31,524
Adjustments to expenditures for debt service				(36,999)
Net change in fund balance (GAAP)				<u>\$ 59,932</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-13

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, 2010

	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	167,777	167,777	156,080	(11,697)
Licenses and fees	-	-	375	375
Investment income	-	-	185	185
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>167,777</u>	<u>167,777</u>	<u>156,640</u>	<u>(11,137)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	393,574	402,974	380,369	22,605
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>393,574</u>	<u>402,974</u>	<u>380,369</u>	<u>22,605</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(225,797)</u>	<u>(235,197)</u>	<u>(223,729)</u>	<u>11,468</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	9,400	-	(9,400)
Loan proceeds	-	-	-	-
Transfers in	231,231	231,231	235,329	4,098
Transfers out	(5,434)	(5,434)	(2,814)	2,620
<i>Total other financing sources (uses)</i>	<u>225,797</u>	<u>235,197</u>	<u>232,515</u>	<u>(2,682)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>8,786</u>	<u>8,786</u>
<i>Fund balance - beginning of year</i>	-	-	(3,508)	(3,508)
<i>Fund balance - restatement</i>	-	-	(5,248)	(5,248)
<i>Fund balance - beginning as restated</i>	-	-	(8,756)	(8,756)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ 30</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 8,786
Adjustments to revenues for other receivables				(620)
Adjustments to expenditures for accrued payroll				(10,726)
Net change in fund balance (GAAP)				<u>\$ (2,560)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-14

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, 2010

	Budgeted Amounts		Actual	Variations
	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	212,000	212,000	366,477	154,477
Investment income	-	-	2,802	2,802
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>212,000</u>	<u>212,000</u>	<u>369,279</u>	<u>157,279</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	196,100	196,100	147,779	48,321
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>196,100</u>	<u>196,100</u>	<u>147,779</u>	<u>48,321</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>15,900</u>	<u>15,900</u>	<u>221,500</u>	<u>205,600</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(15,900)	(15,900)	-	15,900
<i>Total other financing sources (uses)</i>	<u>(15,900)</u>	<u>(15,900)</u>	<u>-</u>	<u>15,900</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>221,500</u>	<u>221,500</u>
<i>Fund balance - beginning of year</i>	-	-	(158,862)	(158,862)
<i>Fund balance - restatement</i>	-	-	1,873,891	1,873,891
<i>Fund balance - beginning as restated</i>	-	-	1,715,029	1,715,029
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,936,529</u>	<u>\$ 1,936,529</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 221,500
Adjustments to revenues for other receivables				1
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ 221,501</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-15

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, 2010

	Budgeted Amounts		Actual	Variations
	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	36,343	37,627	1,284
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>37,085</u>	<u>36,343</u>	<u>37,627</u>	<u>1,284</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	36,604	36,343	36,992	(649)
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>36,604</u>	<u>36,343</u>	<u>36,992</u>	<u>(649)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>481</u>	<u>-</u>	<u>635</u>	<u>635</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(481)	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	6,841	6,841
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(481)</u>	<u>-</u>	<u>6,841</u>	<u>6,841</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>7,476</u>	<u>7,476</u>
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - restatement</i>	-	-	(7,476)	(7,476)
<i>Fund balance - beginning as restated</i>	-	-	(7,476)	(7,476)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 7,476
Adjustments to revenues for other receivables				(1,284)
Adjustments to expenditures for accrued payroll				(151)
Net change in fund balance (GAAP)				<u>\$ 6,041</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-16

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, 2010

	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	40,000	40,000	40,000	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	40,000	40,000	40,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>40,000</u>	<u>40,000</u>	<u>40,000</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 C-17

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, 2010

	Budgeted Amounts		Actual	Variations
	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	40,683	530,205	478,280	(51,925)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>40,683</u>	<u>530,205</u>	<u>478,280</u>	<u>(51,925)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	40,627	731,553	295,995	435,558
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>40,627</u>	<u>731,553</u>	<u>295,995</u>	<u>435,558</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>56</u>	<u>(201,348)</u>	<u>182,285</u>	<u>383,633</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(56)	201,348	-	(201,348)
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(56)</u>	<u>201,348</u>	<u>-</u>	<u>(201,348)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>182,285</u>	<u>182,285</u>
<i>Fund balance - beginning of year</i>	-	-	(174,221)	(174,221)
<i>Fund balance - restatement</i>	-	-	64,395	64,395
<i>Fund balance - beginning as restated</i>	-	-	(109,826)	(109,826)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,459</u>	<u>\$ 72,459</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 182,285
Adjustments to revenues for receivables				(126,325)
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ 55,960</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-18

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, 2010

	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	163,601	163,601	170,069	6,468
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	(6,436)	145	6,581
<i>Total revenues</i>	<u>163,601</u>	<u>157,165</u>	<u>170,214</u>	<u>13,049</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	162,600	156,434	153,166	3,268
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	1,000	12,775	12,745	30
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>163,600</u>	<u>169,209</u>	<u>165,911</u>	<u>3,298</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1</u>	<u>(12,044)</u>	<u>4,303</u>	<u>16,347</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(1)	12,044	-	(12,044)
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(1)</u>	<u>12,044</u>	<u>-</u>	<u>(12,044)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>4,303</u>	<u>4,303</u>
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - restatement</i>	-	-	245	245
<i>Fund balance - beginning as restated</i>	-	-	245	245
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,548</u>	<u>\$ 4,548</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 4,303
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				<u>\$ 4,303</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-19

Village of Ruidoso

GO Bond RWWTP 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, 2010

	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	-	-	301,484	301,484
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	3,758,585	1,182,000	994,647	(187,353)
State operating grants	-	-	-	-
State capital grants	4,400,000	5,612,825	4,390,237	(1,222,588)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	20,000	7,000	5,561	(1,439)
Miscellaneous	-	2,400	2,400	-
<i>Total revenues</i>	<u>8,178,585</u>	<u>6,804,225</u>	<u>5,694,329</u>	<u>(1,109,896)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	732,320	1,460,730	(728,410)
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	15,935,000	4,317,600	5,424,114	(1,106,514)
Debt service:				
Principal	367,230	520,730	-	520,730
Interest	-	-	-	-
<i>Total expenditures</i>	<u>16,302,230</u>	<u>5,570,650</u>	<u>6,884,844</u>	<u>(1,314,194)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(8,123,645)</u>	<u>1,233,575</u>	<u>(1,190,515)</u>	<u>(2,424,090)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	8,503,377	(853,843)	-	853,843
Transfers in	-	-	-	-
Transfers out	(379,732)	(379,732)	-	379,732
<i>Total other financing sources (uses)</i>	<u>8,123,645</u>	<u>(1,233,575)</u>	<u>-</u>	<u>1,233,575</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(1,190,515)</u>	<u>(1,190,515)</u>
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - restatement</i>	-	-	9,864,948	9,864,948
<i>Fund balance - beginning as restated</i>	-	-	9,864,948	9,864,948
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,674,433</u>	<u>\$ 8,674,433</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (1,190,515)
Adjustments to revenues for other receivables				500,000
Adjustments to expenditures for accounts payable				75,118
Net change in fund balance (GAAP)				<u>\$ (615,397)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-20

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, 2010

	Budgeted Amounts		Actual	Variations
	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>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - restatement</i>	-	-	638,754	638,754
<i>Fund balance - beginning as restated</i>	-	-	638,754	638,754
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 638,754</u>	<u>\$ 638,754</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, 2010

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable)
<i>Operating revenues:</i>				
Charges for services	\$ 4,340,400	\$ 4,340,400	\$ 4,264,052	\$ (76,348)
<i>Total operating revenues</i>	<u>4,340,400</u>	<u>4,340,400</u>	<u>4,264,052</u>	<u>(76,348)</u>
<i>Operating expenses:</i>				
General and administrative	1,787,264	1,794,824	102,355	1,692,469
Personnel services	2,037,256	2,045,056	2,965,328	(920,272)
Contractual services	335,000	728,529	256,980	471,549
Supplies and purchased power	17,093,500	5,983,950	886,373	5,097,577
Maintenance and materials	457,020	798,998	577,697	221,301
Utilities	298,700	381,700	369,501	12,199
Miscellaneous	-	-	-	-
<i>Total operating expenses</i>	<u>22,008,740</u>	<u>11,733,057</u>	<u>5,158,234</u>	<u>6,574,823</u>
<i>Operating income (loss)</i>	<u>(17,668,340)</u>	<u>(7,392,657)</u>	<u>(894,182)</u>	<u>6,498,475</u>
<i>Non-operating revenues (expenses):</i>				
Operating grants	-	-	-	-
Interest income	33,250	20,250	17,222	(3,028)
Interest expense	(563,566)	(828,675)	-	828,675
Gross receipts tax revenue	2,600,000	2,960,000	2,239,076	(720,924)
Gross receipts tax expense	-	(209,734)	(229,293)	(19,559)
Miscellaneous	2,850	45,250	28,951	(16,299)
Landfill closure/postclosure care costs	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>2,072,534</u>	<u>1,987,091</u>	<u>2,055,956</u>	<u>68,865</u>
Capital grants	8,158,585	6,794,825	-	(6,794,825)
Transfers in	(684,457)	(684,457)	-	684,457
Transfers out	<u>(1,169,982)</u>	<u>(1,169,982)</u>	<u>(1,110,447)</u>	<u>59,535</u>
<i>Capital grants and net transfers</i>	<u>6,304,146</u>	<u>4,940,386</u>	<u>(1,110,447)</u>	<u>(6,050,833)</u>
<i>Change in net assets</i>	<u>(9,291,660)</u>	<u>(465,180)</u>	<u>51,327</u>	<u>516,507</u>
Designated cash	9,291,660	465,180	-	(465,180)
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>7,249,288</u>	<u>7,249,288</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,300,615</u>	<u>\$ 7,300,615</u>
<i>Change in net assets, above</i>			\$ 51,327	
Depreciation			<u>(1,960,359)</u>	
<i>Change in net assets, Exhibit D-2</i>			<u>\$ (1,909,032)</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, 2010

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable)
<i>Operating revenues:</i>				
Charges for services	\$ 922,000	\$ 907,000	\$ 1,135,192	\$ 228,192
<i>Total operating revenues</i>	<u>922,000</u>	<u>907,000</u>	<u>1,135,192</u>	<u>228,192</u>
<i>Operating expenses:</i>				
General and administrative	647,219	648,370	427,624	220,746
Personnel services	542,826	542,826	329,928	212,898
Contractual services	44,500	5,818	2,992	2,826
Supplies and purchased power	14,400	224,094	62,965	161,129
Maintenance and materials	61,213	64,013	243,618	(179,605)
Utilities	47,200	47,200	21,437	25,763
Miscellaneous	-	-	-	-
<i>Total operating expenses</i>	<u>1,357,358</u>	<u>1,532,321</u>	<u>1,088,564</u>	<u>443,757</u>
<i>Operating income (loss)</i>	<u>(435,358)</u>	<u>(625,321)</u>	<u>46,628</u>	<u>671,949</u>
<i>Non-operating revenues (expenses):</i>				
Operating grants	550,760	390,680	201,497	(189,183)
Interest income	-	-	-	-
Interest expense	(263,822)	(263,822)	-	263,822
Gross receipts tax revenue	-	-	11,403	11,403
Gross receipts tax expense	-	(27,200)	(20,057)	7,143
Miscellaneous	1,000	3,900	2,074	(1,826)
<i>Total non-operating revenues (expenses)</i>	<u>287,938</u>	<u>103,558</u>	<u>194,917</u>	<u>91,359</u>
Capital grants	-	-	-	-
Transfers in	288,619	288,619	325,251	36,632
Transfers out	(141,199)	(141,199)	(107,053)	34,146
<i>Capital grants and net transfers</i>	<u>147,420</u>	<u>147,420</u>	<u>218,198</u>	<u>70,778</u>
<i>Change in net assets</i>	-	(374,343)	459,743	834,086
Designated cash	-	374,343	-	(374,343)
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>(18,925)</u>	<u>(18,925)</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 440,818</u>	<u>\$ 440,818</u>
<i>Change in net assets, above</i>			\$ 459,743	
Depreciation			(861,370)	
<i>Change in net assets, Exhibit D-2</i>			<u>\$ (401,627)</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, 2010

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable)
<i>Operating revenues:</i>				
Charges for services	\$ 2,577,458	\$ 2,577,458	\$ 2,187,789	\$ (389,669)
<i>Total operating revenues</i>	<u>2,577,458</u>	<u>2,577,458</u>	<u>2,187,789</u>	<u>(389,669)</u>
<i>Operating expenses:</i>				
General and administrative	853,661	1,033,661	709,977	323,684
Personnel services	1,024,955	1,024,955	1,483,213	(458,258)
Contractual services	100,000	100,000	0	100,000
Supplies and purchased power	969,500	1,187,926	(82,127)	1,270,053
Maintenance and materials	510,000	642,263	398,525	243,738
Utilities	32,000	32,000	48,728	(16,728)
Miscellaneous	-	-	-	-
<i>Total operating expenses</i>	<u>3,490,116</u>	<u>4,020,805</u>	<u>2,558,316</u>	<u>1,462,489</u>
<i>Operating income (loss)</i>	<u>(912,658)</u>	<u>(1,443,347)</u>	<u>(370,527)</u>	<u>1,072,820</u>
<i>Non-operating revenues (expenses):</i>				
Operating grants	-	20,000	20,000	-
Interest income	6,000	6,000	93	(5,907)
Interest expense	(231,804)	(231,804)	-	231,804
Gross receipts tax revenue	163,000	163,000	272,906	109,906
Gross receipts tax expense	-	-	(114)	(114)
Miscellaneous	578,000	974,025	596,741	(377,284)
<i>Total non-operating revenues (expenses)</i>	<u>515,196</u>	<u>931,221</u>	<u>889,626</u>	<u>(41,595)</u>
Capital grants	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(349,448)	(349,448)	(188,665)	160,783
<i>Capital grants and net transfers</i>	<u>(349,448)</u>	<u>(349,448)</u>	<u>(188,665)</u>	<u>160,783</u>
<i>Change in net assets</i>	<u>(746,910)</u>	<u>(861,574)</u>	<u>330,434</u>	<u>1,192,008</u>
Designated cash	746,910	861,574	-	(861,574)
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,043,430</u>	<u>1,043,430</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,373,864</u>	<u>\$ 1,373,864</u>
<i>Change in net assets, above</i>			\$ 330,434	
Depreciation			(148,512)	
<i>Change in net assets, Exhibit D-2</i>			<u>\$ 181,922</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement E-1

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, 2010

	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	-	-	-	-
Contractual services	-	-	-	-
Supplies and purchased power	-	-	-	-
Maintenance and materials	-	-	-	-
Utilities	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total operating expenses</i>	-	-	-	-
<i>Operating income (loss)</i>	-	-	-	-
<i>Non-operating revenues (expenses):</i>				
Operating grants	-	-	-	-
Interest income	-	-	249	249
Interest expense	-	-	-	-
Gross receipts tax revenue	-	-	-	-
Gross receipts tax expense	-	-	-	-
Miscellaneous	-	-	-	-
Landfill closure/postclosure care costs	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	-	-	249	249
Capital grants	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(90,438)	(90,438)
<i>Capital grants and net transfers</i>	-	-	(90,438)	(90,438)
<i>Change in net assets</i>	-	-	(90,189)	(90,189)
Designated cash	-	-	-	-
<i>Total net assets, beginning of year</i>	-	-	90,189	90,189
<i>Total net assets, end of year</i>	\$ -	\$ -	\$ -	\$ -
<i>Change in net assets, above</i>			\$ (90,189)	
Adjustment to transfers			(98,174)	
<i>Change in net assets, Statement B-2</i>			\$ (188,363)	

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, 2010

	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	1,085,280	922,050	461,600	460,450
Personnel services	681,103	684,103	704,139	(20,036)
Contractual services	9,000	-	-	-
Supplies and purchased power	14,000	14,000	12,701	1,299
Maintenance and materials	-	-	-	-
Utilities	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total operating expenses</i>	<u>1,789,383</u>	<u>1,620,153</u>	<u>1,178,440</u>	<u>441,713</u>
<i>Operating income (loss)</i>	<u>(1,789,383)</u>	<u>(1,620,153)</u>	<u>(1,178,440)</u>	<u>441,713</u>
<i>Non-operating revenues (expenses):</i>				
Operating grants	-	-	-	-
Interest income	-	-	-	-
Interest expense	-	-	-	-
Gross receipts tax revenue	-	-	-	-
Gross receipts tax expense	-	-	-	-
Miscellaneous	100,000	100,000	73,950	(26,050)
<i>Total non-operating revenues (expenses)</i>	<u>100,000</u>	<u>100,000</u>	<u>73,950</u>	<u>(26,050)</u>
Capital grants	-	-	-	-
Transfers in	1,620,811	1,620,811	1,118,546	(502,265)
Transfers out	68,770	68,770	(7,505)	(76,275)
<i>Capital grants and net transfers</i>	<u>1,689,581</u>	<u>1,689,581</u>	<u>1,111,041</u>	<u>(578,540)</u>
<i>Change in net assets</i>	198	169,428	6,551	(162,877)
Designated cash	(198)	(169,428)	-	169,428
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>(7,967)</u>	<u>(7,967)</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,416)</u>	<u>\$ (1,416)</u>
<i>Change in net assets, above</i>			\$ 6,551	
Adjustments for depreciation and accrued payroll			(9,699)	
<i>Change in net assets, Exhibit D-2</i>			<u>\$ (3,148)</u>	

The accompanying notes are an integral part of these financial statements

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Village of Ruidoso
Schedule of Deposit and Investment Accounts
For the Year Ended June 30, 2010

Bank Account Type/Name	Deposits		Investments	
	Wells Fargo Bank	NMFA*	Wells Fargo Securities	
Operating - Checking	\$ 143,530	\$ -	\$ -	-
Water Meter Trust - Checking	71,187	-	-	-
Impact Fees - Checking	446,529	-	-	-
WWTP - Checking	3,000,000	-	-	-
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	-	-	8,242,935	-
Investments	-	-	-	-
Investments	-	-	-	-
Investments	-	-	-	-
Total on deposit	3,661,246	717,189	8,242,935	
Reconciling items	8,280,780	-	-	
Reconciled balance	\$ 11,942,026	\$ 717,189	\$ 8,242,935	

*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

See accompanying independent auditors' report

Investments			
First National Bank	Pioneer Savings Bank	City Bank of New Mexico	Totals
\$ -	\$ -	\$ -	\$ 143,530
-	-	-	71,187
-	-	-	446,529
-	-	-	3,000,000
-	-	-	51,900
-	-	-	201
-	-	-	1,416
-	-	-	1,562
-	-	-	21,299
-	-	-	2,057
-	-	-	265,247
-	-	-	175,000
-	-	-	198,507
-	-	-	8,242,935
903,437	-	-	903,437
-	2,429,630	-	2,429,630
-	-	1,505,021	1,505,021
903,437	2,429,630	1,505,021	17,459,458
-	-	-	8,280,780
<u>\$ 903,437</u>	<u>\$ 2,429,630</u>	<u>\$ 1,505,021</u>	25,740,238

1,890
<u>\$ 25,742,128</u>
\$ 11,934,756
13,081,023
717,189
9,160
<u>\$ 25,742,128</u>

See accompanying independent auditors' report

STATE OF NEW MEXICO
 Village of Ruidoso
 Schedule of Collateral Pledged By Depository
 For Public Funds
 June 30, 2010

Schedule II

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2010	Location of Safekeeper
Wells Fargo Bank					
	FGH00887	06/01/37	3128MS6Y1	\$ 115,683	San Francisco, California
	FGH00930	06/01/37	3128MTA73	578,201	San Francisco, California
	FNMA #953910	11/01/37	31413SGT5	4,378,457	San Francisco, California
	FNMA #256152	03/01/36	31371MQD2	1,569,924	San Francisco, California
	FNMA #868293	04/01/36	31409DUS0	448,820	San Francisco, California
	FNMA #869705	04/01/36	31409FGN2	545,861	San Francisco, California
	FNMA #925656	09/01/37	31412HMD8	3,935,655	San Francisco, California
	FNCL #960239	10/01/37	31414AHQ8	1,827,883	San Francisco, California
	FNCL #966579	02/01/38	31414HJY4	3,704,742	San Francisco, California
	Total Wells Fargo Bank			<u>17,105,226</u>	
	Total Pledged Collateral			<u><u>\$ 17,105,226</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, 2010

Schedule III

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<i>Crime Lab Test Fund</i>				
Assets				
Cash and cash equivalents	\$ 200	\$ 22,353	\$ 19,806	\$ 2,747
<i>Total assets</i>	<u>200</u>	<u>22,353</u>	<u>19,806</u>	<u>2,747</u>
Liabilities				
Deposits held and due to others	200	22,353	19,806	2,747
<i>Total liabilities</i>	<u>\$ 200</u>	<u>\$ 22,353</u>	<u>\$ 19,806</u>	<u>\$ 2,747</u>
<i>Bail Bond Trust Fund</i>				
Assets				
Cash and cash equivalents	\$ 5,686	\$ 727	\$ -	\$ 6,413
<i>Total assets</i>	<u>5,686</u>	<u>727</u>	<u>-</u>	<u>6,413</u>
Liabilities				
Deposits held and due to others	5,686	727	-	6,413
<i>Total liabilities</i>	<u>\$ 5,686</u>	<u>\$ 727</u>	<u>\$ -</u>	<u>\$ 6,413</u>
<i>Taxes Payable Fund</i>				
Assets				
Cash and cash equivalents	\$ -	\$ 561,584	\$ 561,584	\$ -
<i>Total assets</i>	<u>-</u>	<u>561,584</u>	<u>561,584</u>	<u>-</u>
Liabilities				
Deposits held and due to others	-	561,584	561,584	-
<i>Total liabilities</i>	<u>\$ -</u>	<u>\$ 561,584</u>	<u>\$ 561,584</u>	<u>\$ -</u>
<i>Total Agency Funds</i>				
Assets				
Cash and cash equivalents	\$ 5,886	\$ 584,664	\$ 581,390	\$ 9,160
<i>Total assets</i>	<u>5,886</u>	<u>584,664</u>	<u>581,390</u>	<u>9,160</u>
Liabilities				
Deposits held and due to others	5,886	584,664	581,390	9,160
<i>Total liabilities</i>	<u>\$ 5,886</u>	<u>\$ 584,664</u>	<u>\$ 581,390</u>	<u>\$ 9,160</u>

See accompanying independent auditors' report

State of New Mexico
Village of Ruidoso
Schedule of Joint Powers Agreements and
Memorandums of Understanding
June 30, 2010

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 and Lincoln County	Both	To provide mutual aid fire response
Village of Ruidoso Police Department and New Mexico Law Enforcement Professional Standards Council	Both	To assist in the agency toward the goal of accredited status through compliance with the standards adopted by said council
Village of Ruidoso and New Mexico Department of Public Safety	Both	To provide police services for Village inhabitants and have Police officers with powers to enforce state laws and act with the same authority as sheriffs and constables
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 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 & Exp</u>
7/1/2009	6/30/2010	Unknown	Unknown	None	None	Both
1/11/2010	1/30/2011	Unknown	Unknown	None	None	Both
2/23/2010	Indefinitely	Unknown	Unknown	None	None	Both
10/1/2009	Until Complete	Unknown	Unknown	None	None	Both
7/1/2009	6/30/2010	Unknown	Unknown	Both	None	Both
5/8/2006	5/8/2011	Unknown	Unknown	None	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, 2010, 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, 2010 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, FS2006-4, FS2007-3, FS2007-7, FS2007-9, FS2007-10, FS2007-11, FS2008-1, FS2008-2, FS2008-3, FS2008-4, FS2009-1 through FS2009-132, inclusive, and FS2010-1 through FS2010-8, 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, 2010. 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, 2010.

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 FA2009-31, inclusive, FA2009-35 through FA2009-38, inclusive, and FA2010-1 through FA2010-3, 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, 2010

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>			
U.S. Department of Transportation			
Airport Improvement Program	20.106	3350052192009	\$ 190,500
U.S. Environmental Protection Agency			
Congressionally Mandated Projects - RWWTP Construction	66.202	XP976307017	* 1,576,909
U.S. Department of Agriculture			
Cooperative Forestry Assistance	10.664		294,503
Emergency Watershed Protection Program	10.923		* 1,342,434
Total U.S. Department of Agriculture			<u>1,636,937</u>
U.S. Department of Justice			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007F7471NMDJ	<u>27,421</u>
U.S. Department of Homeland Security			
Disaster Grants - Public Assistance - FEMA	97.036		* <u>976,673</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,408,440</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, 2010

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
10.923	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, 2010.

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, 2010, to the New Mexico State Auditor was December 1, 2010. 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 1st. 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)

FS2006-4 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)

FS2007-3 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 input with receipt numbers into QuickBooks to correspond with daily deposits and transactions.

- A monthly report is 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 FY11.
- 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, 2010.

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:

GO Bond RWWTP	\$ 1,314,194
State Fire	282,905
RSVP	<u>649</u>
Total	<u>\$ 1,597,748</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)

FS2009-1 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 2 instances out of 5 when the Village did not have a completed purchase order before the purchase was made.

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;

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 2010 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, in 4 out of the 5 bids tested, 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 \$589.38, 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 \$909,766 per the PERA reports, but the general ledger indicated that \$1,284,977 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, 2010, 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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.

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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 2010 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.

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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 2010 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 2010 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.

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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 2010 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.

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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 2010 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.

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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 2010 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.

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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 2010 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.

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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.

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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 2010 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.

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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.

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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 2010 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.

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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.

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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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 3rd 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 2010 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 2010 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 2010 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 3rd 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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)

FS2009-83 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 2010 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)

FS2009-84 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 2010 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 2010 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 2010 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 2010 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 2010 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.

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 2010 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 3rd 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 2010 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 2010 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 2010 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 2010 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.

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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 2010 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.

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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 2010 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.

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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 2010 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.

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Cause: For the fiscal year 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 8 out of 20 samples no purchase order was included in the backup documentation.
- In 2 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 4 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 2010 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 \$23,834 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 2010 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 2010 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 2010 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, 2010 in the following funds:

	Designated Cash	Beginning Year Cash & A/R Available	Cash Appropriations in Excess of Available
State Fire	\$ 53,000	\$ -	\$ 53,000
Utility	9,291,660	1,251,873	8,039,787

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)

A. Financial Statement Findings (continued)

FS2010-1 Deficiencies in Internal Control Structure Design, Operation and Oversight – Voided Checks

Condition: While performing cash testwork, we found that 5 of 74 voided checks during fiscal year 2010 cleared the bank even though they were voided totaling \$66,690 out of \$170,506 in voided checks.

Criteria: Per the SAS 112 Appendix, failure to perform reconciliations of significant accounts in a timely and accurate manner is a failure in the operations of internal control.

Effect: The unnecessary outstanding items in the bank reconciliations are very confusing and increase the risk of errors or irregularities in the area of cash.

Cause: The Village was not reconciling bank statements to their general ledger in a timely manner and not marking cleared checks in their system. This made it difficult to determine which checks actually cleared the bank.

Auditors' Recommendation: We recommend that the Village implement a monthly review of bank reconciliations and eliminate all unnecessary reconciling items timely to prevent errors and confusing information.

Agency Response: The event noted above was due to the fact that the employee responsible for processing stop payments in the bank was not performing that function. Therefore some checks were voided in the software system but not reported to the bank. That employee is no longer working in the Finance Department. The procedure implemented now prevents this from occurring. Accounts payable processes voiding the check in the software system and inputs a stop payment in the on-line banking. Staff Accountant then verifies these steps have been completed and signs off. The voided check is filed.

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)

FS2010-2 Lack of Internal Controls – Cash Receipts

Condition: During the year ended June 30, 2010, there were four out of five receipts tested that could not be traced to the deposits reports totaling \$407.95.

Criteria: Good internal controls and sound business practices require that the Village provide adequate support for receipts and ensure that receipts are correctly recorded in deposit books and the general ledger.

Effect: There is no way to verify if the receipt was deposited creating a high risk in the area of cash receipts.

Cause: The Village was not keeping good records. Supporting documentation for the receipts was missing and we had no way to verify that the receipt was deposited.

Auditors' Recommendation: We recommend that the Village implement a process to ensure that supporting documentation for all receipts and deposits is retained and readily available.

Agency Response: The finding here was a direct result of bank reconciliations not being kept current. All bank accounts are reconciled the beginning of each month. All cash receipts are reconciled against bank deposits, if receipts do not match the Staff Accountant researches and corrects.

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)

FS2010-3 Lack of Internal Controls – Cash Receipts

Condition: During our review of subsequent receipts for the year ended June 30, 2010, there were two out of twenty-five receipts tested that could not be traced to the deposits reports totaling \$600,098.37. We were unable to determine if these receipts related to fiscal year 2010 or 2011.

Criteria: Good internal controls and sound business practices require that the Village provide adequate support for receipts and ensure that receipts are correctly recorded in deposit books and the general ledger.

Effect: There is no way to verify if the receipt was deposited or which fiscal year it related to creating a high risk in the area of cash receipts and the possibility for a material misstatement.

Cause: The Village was not keeping good records. Supporting documentation for the receipts was missing and we had no way to verify that the receipt was deposited or which fiscal year it related to.

Auditors' Recommendation: We recommend that the Village implement a process to ensure that supporting documentation for all receipts and deposits is retained and readily available.

Agency Response: The finding here was a direct result of bank reconciliations not being kept current. All bank accounts are reconciled the beginning of each month. All cash receipts are reconciled against bank deposits, if receipts do not match the Staff Accountant researches and corrects.

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)

FS2010-4 Inventory – Tracking

Condition: The Village does not track inventory amounts and as a result 25 out of 103 inventory counts had discrepancies between the client's count sheets and our counts performed on June 30, 2010.

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: Procedures have been put in place. Personnel responsible for this task have been given full knowledge and trained on end of year inventory counts.

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)

FS2010-5 Inventory – Airport

Condition: The Village does not have controls in place to prevent the theft of fuel at the airport.

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: Management at the airport should be keeping physical controls over inventory.

Agency Response: Currently the Airport is tracking a monthly inventory on an excel spreadsheet. 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 in 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)

FS2010-6 Inventory – Street Department

Condition: The Street Department does not have proper coverage when the office manager goes on vacation and this could result in theft or mistakes in the fuel amounts.

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: There should be another employee in the Street Department that can help with inventory controls when the office manager is out.

Agency Response: This finding was brought to our attention earlier and we immediately implemented procedures to correct. When the office manager is out of the office on vacation the Street Director or Street Supervisor will do inventory control. The office manager will send them inventory logs and the daily inventory can be tracked and reviewed without interruption.

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)

FS2010-7 Inventory – Obsolete Inventory

Condition: The Village does not have a procedure to identify obsolete inventory.

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: Obsolete inventory should be identified at least annually, and should be removed from the books and disposed of.

Agency Response: The Village is in the process of completing an inventory/fixed asset policy and the procedures to identify obsolete inventory is defined.

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)

FS2010-8 Inventory – Recording Inventory

Condition: The Village does not record inventory on their books.

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: The Village should be adjusting inventory in their general ledger at year end to properly reflect the actual inventory on hand.

Agency Response: The Village has now set in place the procedures for recording consumable inventory in all departments this pertains to. The Finance Department will then record the consumable inventory in the General Ledger at year end.

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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

Condition: During FY 2010, 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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/01/2002-2/01/2010

Funding Agency: U.S Dept. of Agriculture

Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

Funding Agency: U.S. Dept. of Homeland
Security

Title: Disaster Grants
CFDA Number: 97.036
Award Number: 1783-DR-NM
Award Period: 8/14/2008-6/30/2010

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 2010 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

FA2009-35 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: 8/14/2008-12/31/2009

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: \$77,861

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: U.S Dept. of Agriculture
Title: Emergency Watershed Protection
CFDA Number: 10.923
Award Number: 69-8630-08-0013
Award Period: 8/14/2008-12/31/2009

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: \$508,142

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: 8/14/2008-6/30/2010

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: \$976,673

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

FA 2009-38 Purchase Requisition Dated after Invoice

Federal Program Information:

Funding Agency: U.S. Dept. of Agriculture

Title: Emergency Watershed Protection Program

CFDA Number: 10.923

Award Number: 69-8630-08-0013

Award Period: 8/14/2008-12/31/2009

Condition: We noted four 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: \$127,349

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

FA2010-1 Purchase Requisition Not for Project Paid by Check

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: 8/14/2008-12/31/2009

Condition: The purchase requisition included in the backup documentation was not for the project paid by the check.

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: \$1,200

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

FA2010-2 Purchase Requisition Not Approved by Project Manager

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: 8/14/2008-12/31/2009

Condition: The purchase requisition included in the backup documentation was not approved by the project manager.

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: \$39,681

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

FA2010-3 Missing Documentation

Federal Program Information:

Funding Agency: Environment Protection Agency
Title: Congressionally Mandated Projects
CFDA Number: 66.202
Award Number: XP976307017
Award Period: 8/14/2008-12/31/2009

Condition: The Village did not have the 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: \$393,068

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.

STATE OF NEW MEXICO
 Village of Ruidoso
 Schedule of Findings and Questioned Costs
 June 30, 2010

Section III - Schedule of Prior Year Audit Findings

FS 2005-1	Information System Disaster Recovery Policy	Revised and Repeated
FS 2005-2	Accounting Policies and Procedures Manual	Revised and Repeated
FS 2005-7	Regional Wastewater Treatment Plant	Revised and Repeated
FS 2005-11	Audit Report Submission to the New Mexico State Auditor and A-133 Data Collection Form	Revised and Repeated
FS 2006-2	Untimely Deposits	Resolved
FS 2006-4	Airport Outstanding Receivables	Revised and Repeated
FS 2007-1	Airport Inventory and Sales	Resolved
FS 2007-3	Utility Meter Deposits	Revised and Repeated
FS 2007-7	Monitoring Grants	Revised and Repeated
FS 2007-9	Airport Fuel Sales	Revised and Repeated
FS 2007-10	Airport Fuel Sales and Purchases	Revised and Repeated
FS 2007-11	Auditor Prepared Financial Statements	Revised and Repeated
FS 2008-1	Airport Contract Fuel Program	Revised and Repeated
FS 2008-2	Bank Reconciliations	Revised and Repeated
FS 2008-3	Inventories	Revised and Repeated
FS 2008-4	Expenditures in Excess of Budget	Revised and Repeated
FS 2009-1	Lack of Adequate Documentation for Expenditures	Revised and Repeated
FS 2009-2	Segregation of Duties – Cash Disbursements	Revised and Repeated
FS 2009-3	Deficiencies in Internal Control Structure Design, Operation and Oversight - Cash Disbursements	Revised and Repeated
FS 2009-4	Segregation of Duties – Cash Receipts	Revised and Repeated
FS 2009-5	Deficiencies in Internal Control Structure Design, Operation and Oversight - Cash Receipts	Revised and Repeated
FS 2009-6	Noncompliance with the Procurement Code	Revised and Repeated
FS 2009-7	Lack of Adequate Documentation for Credit Card Expenditures	Revised and Repeated
FS 2009-8	PERA Reports and General Ledger	Revised and Repeated
FS 2009-9	Capital Assets	Revised and Repeated
FS 2009-10	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-11	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-12	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-13	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-14	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-15	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-16	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-17	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-18	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-19	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-20	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-21	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-22	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-23	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-24	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-25	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-26	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-27	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-28	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-29	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-30	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-31	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-32	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated

STATE OF NEW MEXICO
Village of Ruidoso
Schedule of Findings and Responses
June 30, 2010

Section III - Schedule of Prior Year Audit Findings (continued)

FS 2009-129	Deficiencies in Internal Control Structure Design, Operation and Oversight – Airport Financial Management	Revised and Repeated
FS 2009-130	Deficiencies in Internal Control Structure Design, Operation and Oversight – Airport Hangar Lease Management	Revised and Repeated
FS 2009-131	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-132	Designated Cash Appropriations Exceeded Prior Year Available Balances	Revised and Repeated
FA 2009-1	Deficiencies in Internal Control Structure Design, Operation and Oversight – Preparing and Reviewing Financial Reports	Revised and Repeated
FA 2009-2	Deficiencies in Internal Control Structure Design, Operation and Oversight – Identifying Federal, State, and Other Awards	Revised and Repeated
FA 2009-3	Deficiencies in Internal Control Structure Design, Operation and Oversight – Identifying and Separately Recording Receipts and Expenditures for Federal Awards	Revised and Repeated
FA 2009-4	Deficiencies in Internal Control Structure Design, Operation and Oversight – Notification to Employee’s of Grant Provisions and Regulations	Revised and Repeated
FA 2009-5	Deficiencies in Internal Control Structure Design, Operation and Oversight – Reconciliation of Grant Financial Report with Supporting Accounting Records	Revised and Repeated
FA 2009-6	Deficiencies in Internal Control Structure Design, Operation and Oversight – Procedures Minimizing the Time between Transfer of Funds from the Grantor	Revised and Repeated
FA 2009-7	Deficiencies in Internal Control Structure Design, Operation and Oversight – Approval of Requests for Advancement or Reimbursement	Revised and Repeated
FA 2009-8	Deficiencies in Internal Control Structure Design, Operation and Oversight – Controls to Preclude Charging Federal Award Programs with Unallowable Costs and Expenditures	Revised and Repeated
FA 2009-9	Deficiencies in Internal Control Structure Design, Operation and Oversight – Tracking Property and Equipment Purchased with Federal Award Funds	Revised and Repeated
FA 2009-10	Deficiencies in Internal Control Structure Design, Operation and Oversight – Monitoring of Matching Activities	Revised and Repeated
FA 2009-11	Deficiencies in Internal Control Structure Design, Operation and Oversight – Documented Schedule for Filing Financial Reports	Revised and Repeated
FA 2009-12	Deficiencies in Internal Control Structure Design, Operation and Oversight – Providing Personnel Approving Expenditures with a List of Allowable and Unallowable Expenditures	Revised and Repeated
FA 2009-13	Deficiencies in Internal Control Structure Design, Operation and Oversight – Key Managers Understanding of Staff, Processes, and Control	Revised and Repeated
FA 2009-14	Deficiencies in Internal Control Structure Design, Operation and Oversight – Accountability Provided for Charges and Costs between Federal and Nonfederal Activities	Revised and Repeated
FA 2009-15	Deficiencies in Internal Control Structure Design, Operation and Oversight – Processes for Timely Updating of Procedures for Changes in Activities Allowed and Cost Principles	Revised and Repeated
FA 2009-16	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	Revised and Repeated
FA 2009-17	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	Revised and Repeated

STATE OF NEW MEXICO
Village of Ruidoso
Schedule of Findings and Responses
June 30, 2010

Section III - Schedule of Prior Year Audit Findings (continued)

FA 2009-18	Deficiencies in Internal Control Structure Design, Operation and Oversight – Management Review of Supporting Documentation of Allowable Cost Information	Revised and Repeated
FA 2009-19	Deficiencies in Internal Control Structure Design, Operation and Oversight – Budget Process Addresses Adequate Resources to Meet Matching Goals	Revised and Repeated
FA 2009-20	Deficiencies in Internal Control Structure Design, Operation and Oversight – Written Policy Concerning Matching Requirements	Revised and Repeated
FA 2009-21	Deficiencies in Internal Control Structure Design, Operation and Oversight – Processes and Controls to Ensure that Matching Contributions are from Nonfederal Sources	Revised and Repeated
FA 2009-22	Deficiencies in Internal Control Structure Design, Operation and Oversight – Accounting System Capable of Tracking Matching Costs	Revised and Repeated
FA 2009-23	Deficiencies in Internal Control Structure Design, Operation and Oversight – Supervisory Review of Matching Activities	Revised and Repeated
FA 2009-24	Deficiencies in Internal Control Structure Design, Operation and Oversight – Procurement Manual that Incorporates Federal Requirements	Revised and Repeated
FA 2009-25	Deficiencies in Internal Control Structure Design, Operation and Oversight – Clear Assignment of Authority for Issuing Purchase Orders and Contracting for Goods and Services	Revised and Repeated
FA 2009-26	Deficiencies in Internal Control Structure Design, Operation and Oversight – Procurement Risk Assessment	Revised and Repeated
FA 2009-27	Deficiencies in Internal Control Structure Design, Operation and Oversight – Contractor’s Performance is Monitored	Revised and Repeated
FA 2009-28	Deficiencies in Internal Control Structure Design, Operation and Oversight – Periodic Review of Procurement and Contracting Activities	Revised and Repeated
FA 2009-29	Deficiencies in Internal Control Structure Design, Operation and Oversight – Competency of Personnel Preparing Reports	Revised and Repeated
FA 2009-30	Deficiencies in Internal Control Structure Design, Operation and Oversight – Mechanisms to Identify Risks of Faulty Reporting	Revised and Repeated
FA 2009-31	Deficiencies in Internal Control Structure Design, Operation and Oversight – Written Policy Concerning Reporting	Revised and Repeated
FA 2009-32	Improper Use of Emergency Purchase Orders	Resolved
FA 2009-33	Purchases Exceeding Amount of the Purchase Orders	Resolved
FA 2009-34	Administrative Costs Used for In-kind Contribution(Matching)	Resolved
FA 2009-35	In-kind Contribution(Matching) Costs Miscalculated	Revised and Repeated
FA 2009-36	Backup Documentation Missing	Revised and Repeated
FA 2009-37	Insufficient Accounting for Projects	Revised and Repeated
FA 2009-38	Purchase Requisition Dated after Invoice	Revised and Repeated
FA 2009-39	Late Reports	Resolved

STATE OF NEW MEXICO

Village of Ruidoso

Other Disclosures

June 30, 2010

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.