Village of Ruidoso

State of New Mexico

Annual Financial Report

June 30, 2011

STATE OF NEW MEXICO

VILLAGE OF RUIDOSO

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

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STATE OF NEW MEXICO
Village of Ruidoso
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STATE OF NEW MEXICO
Village of Ruidoso
Official Roster
June 30, 2011

Village Council

Name	Title
Gus Raymond Alborn	Mayor
Rafael "Rifle" Salas	Councilor
Gloria A. Sayers	Councilor
Donald A. Williams	Councilor
Denise E. Dean	Councilor
James A. Stoddard	Councilor
Angel C. Shaw	Councilor

Administration

Debi Lee	Village Manager
Nancy Klingman	Director of Finance

FINANCIAL SECTION

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Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the budgetary comparisons for the general fund, and the aggregate remaining fund information of the Village of Ruidoso, New Mexico (Village) as of and for the year ended June 30, 2011, 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, 2011 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC. 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 is continuing the process of designing and implementing 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. For the year ended June 30, 2010 the severity and pervasiveness of the material weaknesses in the Village's system of internal control over financial reporting caused significant doubt that all possible material misstatements could be detected by our audit procedures. While the Village's internal controls over financial reporting have improved, the level of material weaknesses present continue to be severe enough to cause 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 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, 2011, as listed in the table of contents.

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 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 basis 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
November 30, 2011

BASIC
FINANCIAL STATEMENTS

STATE OF NEW MEXICO
Village of Ruidoso
Statement of Net Assets
June 30, 2011

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Current assets				
Cash and cash equivalents	$ 11,243,863	$ 1,655,776	$ 12,899,639	$ 337,215
Investments	3,645,313	6,344,056	9,989,369	1,057,744
Receivables:				
Property taxes receivable	178,340	-	178,340	-
Other taxes receivable	1,394,457	214,297	1,608,754	-
Other receivables	13,874	-	13,874	57,492
Customer receivables, net of allowance	-	746,130	746,130	168,157
Prepaids	7,321	3,755	11,076	-
Inventory	326,797	361,602	688,399	-
Total current assets	16,809,965	9,325,616	26,135,581	1,620,608
Noncurrent assets				
Capital assets	103,842,095	88,571,254	192,413,349	11,649,272
Less: accumulated depreciation	(50,152,839)	(51,142,433)	(101,295,272)	(7,571,079)
Bond issuance costs, net	103,984	72,610	176,594	-
Total noncurrent assets	53,793,240	37,501,431	91,294,671	4,078,193
Total assets	$ 70,603,205	$ 46,827,047	$ 117,430,252	$ 5,698,801

The accompanying notes are an integral part of these financial statements

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Liabilities				
Current liabilities				
Accounts payable	$ 193,831	$ 37,206	$ 231,037	$ 22,276
Accrued payroll expenses	249,298	90,660	339,958	17,507
Accrued compensated absences	360,494	142,786	503,280	8,805
Accrued interest	217,509	17,648	235,157	258,062
Meter deposits	-	432,494	432,494	-
Current portion of bonds and notes payable	1,025,269	487,212	1,512,481	374,051
Total current liabilities	2,046,401	1,208,006	3,254,407	680,701
Noncurrent liabilities				
Accrued compensated absences	207,939	38,176	246,115	-
Bond premiums, net	71,815	-	71,815	-
Bonds and notes payable	18,644,574	3,077,186	21,721,760	9,242,047
Total noncurrent liabilities	18,924,328	3,115,362	22,039,690	9,242,047
Total liabilities	20,970,729	4,323,368	25,294,097	9,922,748
Net Assets				
Invested in capital assets, net of related debt	34,019,413	33,864,423	67,883,836	-
Restricted for: (Note 17)				
Debt service	867,274	-	867,274	-
Capital projects and improvements	21,683,295	-	21,683,295	-
Other purposes	4,942,639	-	4,942,639	-
Unrestricted	(11,880,145)	8,639,256	(3,240,889)	(4,223,947)
Total net assets	49,632,476	42,503,679	92,136,155	(4,223,947)
Total liabilities and net assets	$ 70,603,205	$ 46,827,047	$ 117,430,252	$ 5,698,801

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, 2011

Functions/Programs		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	$ 3,574,062	$ 141,705	$ 745,184	$ -
Public safety	5,300,851	56,228	461,786	-
Public works	6,284,704	12,661	358,271	2,266,033
Culture and recreation	2,056,842	357,000	52,273	-
Health and welfare	647,284	-	33,609	584,648
Interest on long-term debt	911,704	-	-	-
Total governmental activities	18,775,447	567,594	1,651,123	2,850,681
Business-type Activities:				
Utility	6,250,066	4,035,760	-	-
Airport	2,188,989	913,262	50,990	-
Solid Waste	2,270,780	2,492,206	-	-
Total business-type activities	10,709,835	7,441,228	50,990	-
Total primary government	$ 29,485,282	$ 8,008,822	$ 1,702,113	$ 2,850,681
Component Unit				
Regional Wastewater Treatment Plant	$ 2,298,692	$ 3,518,287	$ -	$ -

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
Gain on sale of capital assets
Transfers in (out)

Total general revenues, extraordinary items, and transfers

Change in net assets

Net assets, beginning
Restatement (Note 15)
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
$ (2,687,173)	$ -	$ (2,687,173)	
(4,782,837)	-	(4,782,837)	
(3,647,739)	-	(3,647,739)	
(1,647,569)	-	(1,647,569)	
(29,027)	-	(29,027)	
(911,704)	-	(911,704)	
(13,706,049)	-	(13,706,049)	
-	(2,214,306)	(2,214,306)	
-	(1,224,737)	(1,224,737)	
-	221,426	221,426	
-	(3,217,617)	(3,217,617)	
(13,706,049)	(3,217,617)	(16,923,666)	
-	-	-	$ 1,219,595
2,294,592	-	2,294,592	-
7,983,376	2,587,241	10,570,617	-
245,233	-	245,233	-
2,239,604	-	2,239,604	-
636,681	-	636,681	-
114,834	-	114,834	-
20,510	14,050	34,560	1,251
121,199	72,294	193,493	3,619
-	57,193	57,193	-
1,432,456	(203,335)	1,229,121	(1,229,121)
15,088,485	2,527,443	17,615,928	(1,224,251)
1,382,436	(690,174)	692,262	(4,656)
40,277,373	42,414,634	82,692,007	(4,118,140)
7,972,667	779,219	8,751,886	(101,151)
48,250,040	43,193,853	91,443,893	(4,219,291)
$ 49,632,476	$ 42,503,679	$ 92,136,155	$ (4,223,947)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit B-1

Village of Ruidoso
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	GO Bond RWWTP	Other Governmental Funds	Total
Assets				
Cash and cash equivalents	$ 1,048,761	$ 7,035,424	$ 3,159,678	$ 11,243,863
Investments	2,226,321	-	1,418,992	3,645,313
Receivables:				
Property taxes	178,340	-	-	178,340
Other taxes receivable	835,707	223,843	334,907	1,394,457
Other receivables	-	3,580	10,294	13,874
Inventory	326,797	-	-	326,797
Prepaid expenses	7,321	-	-	7,321
Total assets	$ 4,623,247	$ 7,262,847	$ 4,923,871	$ 16,809,965
Liabilities and fund balances				
Liabilities				
Accounts payable	$ 27,099	$ 31,890	$ 134,842	$ 193,831
Accrued payroll expenses	240,785	-	8,513	249,298
Deferred property tax revenue	147,696	-	-	147,696
Total liabilities	415,580	31,890	143,355	590,825
Fund balances				
Nonspendable	334,118	-	-	334,118
Spendable				
Restricted	-	7,230,957	4,780,516	12,011,473
Unassigned	3,873,549	-	-	3,873,549
Total fund balances	4,207,667	7,230,957	4,780,516	16,219,140
Total liabilities and fund balances	$ 4,623,247	$ 7,262,847	$ 4,923,871	$ 16,809,965

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Village of Ruidoso
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2011

Amounts reported for governmental activities in the statement of net assets are different because:		
Fund balances - total governmental funds	$	16,219,140
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		53,689,256
Bond issuance costs used in governmental activities are not financial resources and, therefore, are not reported in the funds		103,984
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		147,696
Other revenues not collected within sixty days after year end are not considered "available" revenues and are deferred revenues in the fund financial statements		
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		(217,509)
Bond premiums		(71,815)
Accrued compensated absences		(568,433)
Bonds and notes payable		(19,669,843)
Net assets of governmental activities	$	49,632,476

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Exhibit B-2

Village of Ruidoso

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ending June 30, 2011

	General	GO Bond RWWTP	Other Governmental Funds	Total
Revenues:				
Taxes:				
Property	$ 2,146,896	$ -	$ -	$ 2,146,896
Gross receipts	4,946,803	1,208,144	1,828,429	7,983,376
Gasoline and motor vehicle	66,985	-	178,248	245,233
Other	1,078,974	-	1,160,630	2,239,604
Intergovernmental				
Federal operating grants	303,990	-	177,302	481,292
Federal capital grants	-	2,266,033	584,648	2,850,681
State operating grants	370,642	-	799,189	1,169,831
Charges for services	379,019	12,661	175,914	567,594
Licenses and fees	378,471	-	258,210	636,681
Fines, forfeitures, and penalties	114,834	-	-	114,834
Investment income	10,684	6,330	3,496	20,510
Miscellaneous	37,472	360	83,367	121,199
Total revenues	9,834,770	3,493,528	5,249,433	18,577,731
Expenditures:				
Current:				
General government	1,940,741	-	961,020	2,901,761
Public safety	4,645,349	-	295,100	4,940,449
Public works	2,371,555	660,944	450,130	3,482,629
Culture and recreation	1,440,954	-	386,146	1,827,100
Health and welfare	-	-	647,284	647,284
Capital outlay	994,240	13,336,116	121,982	14,452,338
Debt service:				
Principal	1,426,490	-	562,693	1,989,183
Interest	546,111	-	327,297	873,408
Total expenditures	13,365,440	13,997,060	3,751,652	31,114,152
Excess (deficiency) of revenues over expenditures	(3,530,670)	(10,503,532)	1,497,781	(12,536,421)
Other financing sources (uses)				
Transfers in	4,356,270	-	232,258	4,588,528
Transfers out	(497,505)	(980,852)	(1,677,715)	(3,156,072)
Proceeds from debt issuance	955,000	-	-	955,000
Total other financing sources (uses)	4,813,765	(980,852)	(1,445,457)	2,387,456
Net change in fund balance	1,283,095	(11,484,384)	52,324	(10,148,965)
Fund balance - beginning of year	2,821,237	9,127,432	6,774,450	18,723,119
Restatement (Note 15)	103,335	9,587,909	(2,046,258)	7,644,986
Fund balances - beginning of year, restated	2,924,572	18,715,341	4,728,192	26,368,105
Fund balance - end of year	$ 4,207,667	$ 7,230,957	$ 4,780,516	$ 16,219,140

The accompanying notes are an integral part of these financial statements

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, 2011

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	(10,148,965)
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		14,452,338
Depreciation expense		(3,844,784)
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		147,696
Expenses reported in the statement of activities that do require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Increase in accrued compensated absences		(216,214)
Increase in accrued interest		(38,296)
The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
Amortization of bond issuance costs		(8,475)
Accretion of bond premiums		4,953
Proceeds from the issuance of debt		(955,000)
Principal payments on bonds and notes payable		1,989,183
Change in net assets of governmental activities	$	1,382,436

The accompanying notes are an integral part of these financial statements

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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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
Taxes				
Property	$ 2,146,232	$ 1,846,232	$ 2,142,799	$ 296,567
Gross receipts	4,800,000	4,800,000	4,491,065	(308,935)
Gasoline and motor vehicle	142,000	56,000	66,168	10,168
Other	849,537	849,537	1,034,287	184,750
Intergovernmental income:				
Federal operating grants	220,600	401,351	303,990	(97,361)
Federal capital grants	-	-	-	-
State operating grants	535,600	952,603	381,744	(570,859)
State capital grants	-	-	-	-
Charges for services	409,265	378,103	379,019	916
Licenses and fees	579,100	349,100	378,471	29,371
Fines, forfeitures and penalties	123,000	123,000	114,834	(8,166)
Investment income	3,300	3,300	10,684	7,384
Miscellaneous	61,730	58,189	95,999	37,810
Total revenues	9,870,364	9,817,415	9,399,060	(418,355)
Expenditures:				
Current:				
General government	2,283,367	2,364,946	2,214,599	150,347
Public safety	4,310,696	4,246,717	4,795,723	(549,006)
Public works	2,661,740	2,804,960	2,290,297	514,663
Culture and recreation	1,529,843	1,531,112	1,401,808	129,304
Health and welfare	-	-	-	-
Capital outlay	694,015	1,651,396	947,694	703,702
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	11,479,661	12,599,131	11,650,121	949,010
Excess (deficiency) of revenues over expenditures	(1,609,297)	(2,781,716)	(2,251,061)	530,655
Other financing sources (uses)				
Designated cash (budgeted cash increase)	(851,996)	390,423	-	(390,423)
Transfers in	2,678,469	2,608,469	3,338,669	730,200
Transfers out	(217,176)	(217,176)	(497,505)	(280,329)
Total other financing sources (uses)	1,609,297	2,781,716	2,841,164	59,448
Net change in fund balance	-	-	590,103	590,103
Fund balance - beginning of year	-	-	2,687,688	2,687,688
Fund balance - restatement (Note 15)	-	-	(4,065)	(4,065)
Fund balance - beginning as restated	-	-	2,683,623	2,683,623
Fund balance - end of year	$ -	$ -	$ 3,273,726	$ 3,273,726

Net change in fund balance (non-GAAP budgetary basis)	$ 590,103
Adjustments to revenues for receivables, deferred property tax revenue and debt proceeds	2,408,311
Adjustments to expenditures for prepaid expenses, accounts payable and accrued payroll	(1,715,319)
Net change in fund balance (GAAP)	$ 1,283,095

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, 2011

	Utility	Airport	Solid Waste	Total	Internal Service Fund
Assets					
Current assets					
Cash and cash equivalents	$ 976,949	$ 95,369	$ 583,458	$ 1,655,776	$ -
Investments	6,344,056	-	-	6,344,056	-
Receivables:					
Other taxes	-	-	214,297	214,297	-
Customer receivables, net of allowance	553,296	-	192,834	746,130	-
Prepaids	-	3,755	-	3,755	-
Inventory	188,137	89,530	83,935	361,602	-
Total current assets	8,062,438	188,654	1,074,524	9,325,616	-
Noncurrent assets					
Capital assets	60,470,040	23,442,592	4,658,622	88,571,254	-
Accumulated depreciation	(33,815,736)	(14,883,274)	(2,443,423)	(51,142,433)	-
Bond issuance costs, net	64,996	7,614	-	72,610	-
Total noncurrent assets	26,719,300	8,566,932	2,215,199	37,501,431	-
Total Assets	$ 34,781,738	$ 8,755,586	$ 3,289,723	$ 46,827,047	$ -
Liabilities and Net Assets					
Liabilities					
Current liabilities					
Accounts payable	$ 23,196	$ 7,571	$ 6,439	$ 37,206	$ -
Accrued payroll expenses	56,014	8,865	25,781	90,660	-
Accrued compensated absences	83,722	16,215	42,849	142,786	-
Meter deposits	432,494	-	-	432,494	-
Accrued interest payable	14,731	195	2,722	17,648	-
Current portion of notes payable	129,005	142,700	215,507	487,212	-
Total current liabilities	739,162	175,546	293,298	1,208,006	-
Noncurrent liabilities					
Accrued compensated absences	-	-	38,176	38,176	-
Notes payable	2,821,279	32,450	223,457	3,077,186	-
Total noncurrent liabilities	2,821,279	32,450	261,633	3,115,362	-
Total liabilities	3,560,441	207,996	554,931	4,323,368	-
Net Assets					
Invested in capital assets, net of related debt	23,704,020	8,384,168	1,776,235	33,864,423	-
Unrestricted net assets	7,517,277	163,422	958,557	8,639,256	-
Total net assets	31,221,297	8,547,590	2,734,792	42,503,679	-
Total Liabilities and Net Assets	$ 34,781,738	$ 8,755,586	$ 3,289,723	$ 46,827,047	$ -

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Exhibit D-2

Village of Ruidoso

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

For the Year Ended June 30, 2011

	Utility	Airport	Solid Waste	Total	Internal Service Fund
Operating revenues:					
Charges for services	$ 4,035,760	$ 913,262	$ 2,492,206	$ 7,441,228	$ -
Total operating revenues	4,035,760	913,262	2,492,206	7,441,228	-
Operating expenses:					
General and administrative	582,198	869,726	832,431	2,284,355	-
Personnel services	1,927,662	330,836	1,053,408	3,311,906	-
Contractual services	486,406	-	-	486,406	-
Supplies and purchased power	169,101	10,264	15,926	195,291	-
Maintenance and materials	499,112	28,901	153,287	681,300	-
Utilities	418,860	51,298	40,693	510,851	-
Depreciation	1,966,877	871,522	148,512	2,986,911	-
Total operating expenses	6,050,216	2,162,547	2,244,257	10,457,020	-
Operating income (loss)	(2,014,456)	(1,249,285)	247,949	(3,015,792)	-
Non-operating revenues (expenses):					
Operating grants	-	50,990	-	50,990	-
Interest income	14,041	-	9	14,050	-
Interest expense	(199,850)	(26,442)	(26,523)	(252,815)	-
Gross receipts tax revenue	2,406,000	-	181,241	2,587,241	-
Miscellaneous	7,727	64,300	267	72,294	-
Total non-operating revenues (expenses)	2,227,918	88,848	154,994	2,471,760	-
Gain on sale of capital assets	57,193	-	-	57,193	-
Transfers in	-	1,379,414	-	1,379,414	-
Transfers out	(918,421)	(365,665)	(298,663)	(1,582,749)	-
Proceeds from sales and net transfers	(861,228)	1,013,749	(298,663)	(146,142)	-
Change in net assets	(647,766)	(146,688)	104,280	(690,174)	-
Beginning net assets	31,488,560	8,699,156	2,226,918	42,414,634	68,849
Restatement	380,503	(4,878)	403,594	779,219	(68,849)
Beginning net assets, as restated	31,869,063	8,694,278	2,630,512	43,193,853	-
Net assets, end of year	$ 31,221,297	$ 8,547,590	$ 2,734,792	$ 42,503,679	$ -

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, 2011

	Utility	Airport	Solid Waste
Cash flows from operating activities:			
Cash received from user charges	$ 3,789,581	$ 912,958	$ 2,461,249
Cash payments to employees for services	(1,879,027)	(325,552)	(1,060,996)
Cash payments to suppliers for goods and services	(2,406,934)	(941,892)	(1,012,836)
Net cash provided (used) by operating activities	(496,380)	(354,486)	387,417
Cash flows from noncapital financing activities:			
Operating grants	-	50,990	-
Gross receipts taxes received	2,406,000	-	208,241
Change in taxes receivable	-	-	(80,017)
Miscellaneous income	7,727	64,300	267
Change in state and federal grants receivable	-	33,067	-
Change in noncurrent accrued compensated absences	(7,902)	(1,988)	30,986
Internal transfers and loans	(918,421)	1,013,749	(298,663)
Net cash provided (used) by noncapital financing activities	1,487,404	1,160,118	(139,186)
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,380,721)	(62,386)	-
Proceeds from sale of capital assets	57,193	-	-
Principal paid on capital debt	(118,873)	(616,952)	(243,160)
Interest paid on capital debt	(185,119)	(26,247)	(23,801)
Net cash provided (used) by capital and related financing activities	(1,627,520)	(705,585)	(266,961)
Cash flows from investing activities:			
Interest on investments	14,041	-	9
Disposition of investments	(376,659)	-	(35,143)
Net cash provided (used) by investing activities	(362,618)	-	(35,134)
Net increase (decrease) in cash and cash equivalents	(999,114)	100,047	(53,864)
Cash and cash equivalents - beginning of year	842,242	200	163,442
Cash restatement (Note 15)	1,133,821	(4,878)	473,880
Cash and cash equivalents - beginning of year, restated	1,976,063	(4,678)	637,322
Cash and cash equivalents - end of year	$ 976,949	$ 95,369	$ 583,458
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (2,014,456)	$ (1,249,285)	$ 247,949
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	1,966,877	871,522	148,512
Changes in assets and liabilities			
Receivables	(246,179)	-	(30,957)
Inventory	(188,137)	14,481	33,470
Prepaid expenses	-	(3,755)	-
Accounts payable	(63,120)	7,571	4,414
Accrued payroll expenses	9,001	163	(10,327)
Other accrued expenses	-	-	(8,383)
Accrued compensated absences	39,634	5,121	2,739
Deferred revenue	-	(304)	-
Net cash provided (used) by operating activities	$ (496,380)	$ (354,486)	$ 387,417

The accompanying notes are an integral part of these financial statements

Total	Internal Service
$ 7,163,788	$ -
(3,265,575)	-
(4,361,662)	-
(463,449)	-
50,990	-
2,614,241	-
(80,017)	
72,294	-
33,067	-
21,096	-
(203,335)	-
2,508,336	-
(1,443,107)	-
57,193	-
(978,985)	-
(235,167)	-
(2,600,066)	-
14,050	-
(411,802)	-
(397,752)	-
(952,931)	-
1,005,884	-
1,602,823	-
2,608,707	-
$ 1,655,776	$ -
$ (3,015,792)	$ -
2,986,911	-
(277,136)	-
(140,186)	-
(3,755)	-
(51,135)	-
(1,163)	-
(8,383)	-
47,494	-
(304)	-
$ (463,449)	$ -

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, 2011

Assets	
Cash	$ 406
Liabilities	
Deposits held in trust for others	$ 406

The accompanying notes are an integral part of these financial statements

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.

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, 2011.

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.

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.

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 G*eneral 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 *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.

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.

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).

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 *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.

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.

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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:

Assets	Years
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.

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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:

Employment Duration	Regular Employees	Fire Employees
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:

Employment Duration	Vesting %	Maximum Hours Payable
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.

Fund Balance Classification Policies and Procedures: For committed fund balance the Village's highest level of decision-making authority is the Village Council. The formal action that is required to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council at a Village Council meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made.

NOTE 1. Summary of Significant Accounting Policies (continued)

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

For assigned fund balance, the Village Council has approved the Village Manager as an authorized official to assign fund balance to a specific purpose.

When multiple categories of fund balance are available for expenditures, the Village will start with the most restricted category and spend those funds first before moving down to the next category of available funds.

Nonspendable Fund Balance: At June 30, 2011, the nonspendable fund balance in the general fund is made up of prepaid expenses in the amount of $7,321 and inventory in the amount of $326,797 that is not in spendable form.

Restricted Fund Balance: At June 30, 2011, the restricted fund balance on the governmental fund balance sheet of $11,999,316 is restricted for the designated purpose of each fund.

Minimum Fund Balance Policy: It is the policy of the Village to achieve and maintain an Unassigned Fund Balance in the General Fund equal to 8.33% or 1/12th of budgeted expenditures. The Village considers a balance of less that 8.33% or 1/12th to be cause for concern, barring unusual or deliberate circumstances. The Village has set a goal to achieve 25% or 3/12th of budgeted expenditures as the Unassigned Fund Balance.

In the event that the Undesignated Fund Balance in the General Fund is calculated to be less than the policy requires, the Village shall plan to control operating expenditures and use budget surpluses in subsequent fiscal years to restore the balance. The minimum Unassigned Fund Balance shall be restored within one to three fiscal years, as economic conditions allow. Except in extraordinary circumstances, the minimum Undesignated Fund Balance should not be used to fund any portion of the ongoing and routine year-to-year operating expenditures of the Village. It should be used primarily to insure adequate designated reserves, to respond to unforeseen emergencies, to provide cash flow, and to provide overall financial stability.

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.

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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.

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

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
Governmental Funds:		
General Fund	$ (831,574)	$ (1,659,532)
GO Bond RWWTP	(8,123,645)	1,233,575
Other Governmental Funds	24,205	(202,740)

	Change in Net Assets	
	Original Budget	Final Budget
Proprietary Funds:		
Utility	$ (9,291,660)	$ (465,180)
Airport	-	(374,343)
Solid Waste	(746,910)	(861,574)
Internal Service	198	169,428

NOTE 2. Stewardship, Compliance and Accountability (continued)

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.

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, 2011.

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. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state were insured up to $250,000 in aggregate and separate from the $250,000 coverage for public unit demand deposits at the same institution. The TAGP program expired on December 31, 2010. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest- bearing transaction accounts at all FDIC-insured depository institutions. The separate coverage on noninterest-bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From December 31, 2010 to July 20, 2011 accounts held by an official custodian for a government unit are insured as follows:

- Up to $250,000 for the combined total of all time and saving sdeposits (including NOW accounts), and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts.

Through July 20, 2011, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

NOTE 3. Deposits and Investments (continued)

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, 2011, $9,968,943 of the Village's bank balances of $13,407,544 was exposed to custodial credit risk. $9,968,943 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. See Schedule I on pages 90-91.

The Village of Ruidoso and the Village of Ruidoso Regional Wastewater Treatment Plant have their cash comingled at Wells Fargo Bank. The cash balance for the Village was determined based on the Village's allocation at June 30, 2011. The Village and the Plant were over collateralized at Wells Fargo Bank for the year ended June 30, 2011 as a whole and the amount of pledged collateral allocated to each entity was based on the allocation of cash at year end.

Investments

The Village's investments at June 30, 2011 include the following:

Investments	Rated	Weighted Average Maturity	Fair Value
New MexiGROW LGIP	AAAm	36 days	$ 68,842
Reserve Contingency Fund	Unrated	Does not earn interest	9,593
			$ 78,435

The New MexiGrow Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per section 6-10-10(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. As of June 30, 2011, the University's investment in the State Treasurer Local Government Investment Pool was rated AAAm by Standard & Poor's.

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).

NOTE 4. Receivables

Governmental funds receivables as of June 30, 2011 are shown as follows:

	General	GO Bond RWWTP Fund	Nonmajor Governmental Funds	Total
Property taxes	$ 178,340	$ -	$ -	$ 178,340
Other taxes:				
Gross receipts taxes	784,344	182,332	277,017	1,243,693
Franchise taxes	45,303	-	-	45,303
Lodger's taxes	-	-	45,029	45,029
Other taxes	6,060	41,511	12,861	60,432
Other receivables:				
State	-	-	10,294	10,294
Licenses and fees	-	3,580	-	3,580
Totals by category	$ 1,014,047	$ 227,423	$ 345,201	$ 1,586,671

Proprietary fund receivables as of June 30, 2011 are shown as follows:

	Utility	Airport	Solid Waste	Total
Other taxes:				
Gross receipts taxes	$ -	$ -	$ 214,297	$ 214,297
Customer Receivables	572,539	-	208,419	780,958
Allowance for doubtful accounts	(19,243)	-	(15,585)	(34,828)
Totals by category	$ 553,296	$ -	$ 407,131	$ 960,427

NOTE 5. Interfund Receivables, Payables, and Transfers

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

Transfers In	Transfers Out	Amount
General Fund	Airport Fund	$ 365,665
General Fund	1/8th Infrastructure Tax Fund	157,620
General Fund	Regional Wastewater Treatment Plant	211,520
General Fund	Solid Waste Fund	298,663
General Fund	Lodger's Tax Fund	10,000
General Fund	Utility Fund	918,421
General Fund	RWWTP Capital Project	980,852
General Fund	Regional Wastewater Treatment Plant	1,017,601
General Fund	Ruidoso Flood Fund	395,928
Airport Fund	General Fund	265,247
Airport Fund	1/2% Gross Receipts Tax Fund	1,114,167
Parks and Recreation Fund	General Fund	14,191
Convention Center Fund	General Fund	218,067
		$ 5,967,942

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2011, including those changes pursuant to the implementation of GASB Statement No. 34, follow. Land and construction in progress are not subject to depreciation.

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 3,273,160	$ -	$ -	$ 3,273,160
Construction in progress	8,999,720	13,336,116	-	22,335,836
Total capital assets not being depreciated	12,272,880	13,336,116	-	25,608,996
Capital assets being depreciated:				
Buildings and improvements	17,444,821	-	-	17,444,821
Infrastructure	46,187,554	-	-	46,187,554
Equipment	13,484,502	1,116,222	-	14,600,724
Total capital assets being depreciated	77,116,877	1,116,222	-	78,233,099
Total capital assets	89,389,757	14,452,338	-	103,842,095
Less accumulated depreciation:				
Buildings and improvements	7,354,674	406,564	-	7,761,238
Infrastructure	30,700,610	2,622,059	-	33,322,669
Equipment	8,252,771	816,161	-	9,068,932
Total accumulated depreciation	46,308,055	3,844,784	-	50,152,839
Total capital assets, net of depreciation	$ 43,081,702	$ 10,607,554	$ -	$ 53,689,256

Depreciation expense for the year ended June 30, 2011 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
Total depreciation expense, governmental activities	$ 3,844,784

NOTE 6. Capital Assets (continued)

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
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	1,380,721	-	1,412,345
Total capital assets not being depreciated	7,615,918	1,380,721	-	8,996,639
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	15,318,756	62,386	-	15,381,142
Total capital assets being depreciated	79,512,229	62,386	-	79,574,615
Total capital assets	87,128,147	1,443,107	-	88,571,254
Less accumulated depreciation:				
Buildings and improvements	8,370,535	508,349	-	8,878,884
Utility distribution system	27,627,192	1,466,892	-	29,094,084
Airport infrastructure	400,814	82,047	-	482,861
Equipment	11,773,651	912,953	-	12,686,604
Total accumulated depreciation	48,172,192	2,970,241	-	51,142,433
Total capital assets, net of depreciation	$ 38,955,955	$ (1,527,134)	$ -	$ 37,428,821

Depreciation expense charged to business-type activities for the year ended June 30, 2011 was $2,970,241.

NOTE 7. Long-term Debt

Governmental Activities

During the year ended June 30, 2011, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

Govermental:	Balance June 30, 2010	Restatement	Restated Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
Bonds	$ 15,715,000	$ -	$ 15,715,000	$ -	$ 740,000	$ 14,975,000	$ 660,000
NMFA Loans	5,320,423	(331,397)	4,989,026	955,000	1,249,183	4,694,843	365,269
Notes Payable	96,278	(96,278)	-	-	-	-	-
Compensated Absences	352,219	-	352,219	576,708	360,494	568,433	360,494
Total	$ 21,483,920	$ (427,675)	$ 21,056,245	$ 1,531,708	$ 2,349,677	$ 20,238,276	$ 1,385,763

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	Issue	Maturity	Rate	Outstanding
2006 Gross Receipts Tax Refunding and Improvement Bond	$ 4,020,000	6/1/2026	3.50%-4.75%	$ 2,880,000
2008 Ad Valorem Property Tax and Improvement Bond	12,600,000	4/16/2028	3.15%-4.74%	12,095,000
Total				$ 14,975,000

NOTE 7. Long-term Debt (continued)

Governmental Activities (continued)

NMFA Loans and Notes Payable

On February 28, 2011, the Village borrowed $955,000 from the New Mexico Finance Authority for the purpose of refinancing an existing debt on the 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 Municipal Gross Receipts Tax and Municipal Infrastructure Gross Receipts Tax.

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:

Series	Issue	Maturity	Rate	Outstanding
NMFA - Police Building	$ 955,000	5/1/2019	0.63%-3.24%	$ 860,000
NMFA - 9 acres of land and improvements	1,295,471	5/1/2024	0.79%-4.38%	940,135
NMFA - Special Street Equipment	846,667	5/1/2016	3.02%-3.70%	466,252
NMFA - Fire Truck	1,015,000	5/1/2025	0.68%-4.41%	982,166
NMFA - Civic Center Remodel	1,537,768	5/1/2029	0.65%-4.65%	1,446,290
Total				$ 4,694,843

NOTE 7. Long-term Debt (continued)

Governmental Activities (continued)

Debt Service Requirements

Debt service requirements on long-term debt for governmental activities at June 30, 2011 are as follows:

Bonds Payable:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	760,000	519,840	1,279,840
2017-2021	4,265,000	2,106,427	6,371,427
2022-2026	5,260,000	1,088,747	6,348,747
2027-2031	1,910,000	91,342	2,001,342
	$ 14,975,000	$ 6,147,274	$ 21,122,274

New Mexico Finance Authority Loans:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	$ 365,269	$ 276,479	$ 641,748
2013	377,030	273,020	650,050
2014	384,592	262,846	647,438
2015	392,931	251,161	644,092
2016	402,127	237,929	640,056
2017-2021	1,425,505	800,306	2,225,811
2022-2026	1,031,755	190,793	1,222,548
2027-2031	315,634	29,490	345,124
	$ 4,694,843	$ 2,322,024	$ 7,016,867

NOTE 7. Long-term Debt (continued)

Business-Type Activities

During the year ended June 30, 2011, the following changes occurred in the liabilities reported in the proprietary funds statement of net assets:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
Bonds	$ 3,220,000	$ -	$ 790,000	$ 2,430,000	$ 200,000
NMFA Loans	646,984	255,000	338,020	563,964	215,507
Notes Payable	569,157	-	48,873	520,284	54,005
Capital Leases	107,242	-	57,092	50,150	17,700
Compensated Absences	112,372	220,923	152,333	180,962	142,786
Total	$ 4,655,755	$ 475,923	$ 1,386,318	$ 3,745,360	$ 629,998

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

Revenue Bonds

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

Series	Original Issue	Final Maturity	Interest Rate	Outstanding
2001 Supplemental Gross Receipts Refunding Bonds	$ 2,865,000	6/1/1931	3.75%-5.200%	$ 2,430,000

NMFA Loans

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.

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 February 28, 2011, the Village borrowed $255,000 from the New Mexico Finance Authority for the purpose of refinancing New Mexico Municipal Sales Tax Refunding and Improvement Revenue Bonds, Series January 1, 1993. Principal is paid annually with interest paid semiannually. The note is secured by and payable from the revenues derived from the Municipal Gross Receipts Tax and Municipal Infrastructure Gross Receipts Tax.

NOTE 7. Long-term Debt (continued)

Business-Type Activities (continued)

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

Series	Original Issue	Final Maturity	Interest Rate	Outstanding
NMFA - Solid Waste System	$ 1,377,778	5/1/2013	3.02%-3.51%	$ 438,964
NMFA - Refinancing	255,000	5/1/2019	0.63%-3.24%	125,000
Village of Capitan - Water Rights	894,161	5/26/2018	10.50%	520,284
Total				$ 1,084,248

Capital Leases

On April 1, 2009 the Village negotiated a lease purchase agreement with AvFuel Corporation for a CCC 3000 Gallon Jet Truck in the amount of $138,993 with no interest. The lease calls for monthly payments of $1,475 and will be paid in full April 1, 2014.

Debt Service Requirements

Debt service requirements on long-term debt for business-type activities at June 30, 2011 are as follows:

Bonds Payable:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	$ 75,000	$ 122,138	$ 197,138
2013	75,000	118,650	193,650
2014	80,000	115,125	195,125
2015	85,000	111,285	196,285
2016	90,000	107,163	197,163
2017-2021	525,000	464,743	989,743
2022-2026	660,000	320,650	980,650
2027-2031	840,000	135,460	975,460
	$ 2,430,000	$ 1,495,214	$ 3,925,214

NOTE 7. Long-term Debt (continued)

Business-type Activities (continued)

Debt Service Requirements (continued)

New Mexico Finance Authority Loans:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	$ 340,507	$ 142,503	$ 483,010
2013	223,457	8,402	231,859
	$ 563,964	$ 150,905	$ 714,869

Notes Payable:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	80,516	28,119	108,635
2017-2021	187,282	29,987	217,269
	$ 520,284	$ 240,158	$ 760,442

Capital Leases:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	$ 17,700	$ -	$ 17,700
2013	17,700	-	17,700
2014	14,750	-	14,750
	$ 50,150	$ -	$ 50,150

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, 2011.

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, 2011, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the Village of Ruidoso.

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

NOTE 9. PERA Pension Plan

Plan Description. Substantially all of the Village of Ruidoso's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article11, 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, 2011, 2010, and 2009 were $1,185,781, $909,766, and $900,320, 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.

NOTE 13. Federal and State Grants

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

NOTE 14. 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 fund reflected a deficit fund balance as of June 30, 2011:

Convention Center	$ 9,558

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, 2011:

Parks and Recreation	$ 2,413
1/8th Infrastructure Tax	121
Special Street	17
RSVP	1,471
Police Grant	25,096
Total	$ 29,118

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.

NOTE 14. Other Required Individual Fund Disclosures (continued)

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, 2011:

	Designated Cash	Beginning Year Cash & A/R Available	Cash Appropriations in Excess of Available
Utility	$ 16,516,687	$ 1,149,359	$ 15,367,328

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

NOTE 15. Restatements

The Village has restated budgetary, modified accrual fund balances and government wide net assets due to the correction of errors in the presentation of the prior year financial statements consisting primarily of the following items:

1. The prior year financial statements consisted of several errors to cash balances.
2. The prior year financial statements consisted of several expenditures/expense posting errors.
3. The prior year financial statements had several long-term debt adjustments due to errors in prior year outstanding balances.

Budgetary fund balance restatements are as follows:

Fund Name	Budgetary Fund Balance June 30, 2010	Restatement to Cash	Restated Budgetary Fund Balance June 30, 2010
General Fund	$ 2,687,688	$ (4,065)	$ 2,683,623
Parks and Recreation	-	(13,077)	(13,077)
Lodger's Tax	826,156	454,275	1,280,431
Ruidoso Flood	2,702,039	(1,836,511)	865,528
Special Donations	1,241	(1,241)	-
Convention Center	30	5,218	5,248
Impact Fee	1,936,529	(15,693)	1,920,836
RSVP	-	(25)	(25)
DWI Grant	4,548	(245)	4,303
Required Bond Reserves	638,754	(638,754)	-
GO Bond RWWTP	8,674,433	832,909	9,507,342
Utility Fund	7,300,615	786,297	8,086,912
Airport Fund	440,818	(441,307)	(489)
Solid Waste Fund	1,373,864	(327,257)	1,046,607
	$ 26,586,715	$ (1,199,476)	$ 25,387,239

NOTE 15. Restatements (continued)

Modified accrual fund balance and net asset restatements are as follows:

Fund Name	Net Assets/Fund Balance June 30, 2010	Budgetary Restatement to Cash	Prior Year Accounts Payable	Long Term Debt	Restated Net Assets/Fund Balance June 30, 2010
Governmental Activities	$ 40,277,373	$ -	$ -	$ 7,972,667	$ 48,250,040
Business-type Activities	42,414,634	17,733	761,486	-	43,193,853
Governmental Funds:					
General Fund	2,821,237	(4,065)	107,400	-	2,924,572
Parks and Recreation	(17,876)	(13,077)	(779)	-	(31,732)
Lodger's Tax	928,473	454,275	-	-	1,382,748
Ruidoso Flood	2,702,039	(1,836,511)	-	-	865,528
Special Donations	1,241	(1,241)	-	-	-
Convention Center	(6,482)	5,218	304	-	(960)
Impact Fee	1,936,529	(15,693)	-	-	1,920,836
Required Bond Reserves	638,754	(638,754)	-	-	-
GO Bond RWWTP	9,127,432	832,909	-	8,755,000	18,715,341
Proprietary Funds:					
Utility Fund	31,488,560	786,297	(405,794)	-	31,869,063
Airport Fund	8,699,156	(441,307)	436,429	-	8,694,278
Solid Waste Fund	2,226,918	(327,257)	730,851	-	2,630,512
Total	$ 143,237,988	$ (1,181,473)	$ 1,629,897	$ 16,727,667	$ 160,414,079

NOTE 16. Subsequent Pronouncements

In November 2010 the Governmental Accounting Standards Board (GASB) issued GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangement,* effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The Village is analyzing the effects that this pronouncement will have on their financial statements.

In December 2010 the Governmental Accounting Standards Board (GASB) issued GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations,

2. Accounting Principles Board Opinions, and

3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

The Village is analyzing the effects that this pronouncement will have on their financial statements.

In June 2011 the Governmental Accounting Standards Board (GASB) issued GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* effective for periods beginning after December 15, 2011. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

In April 2011 the Financial Accounting Standards Board (FASB) issued FASB Codification Accounting Standards Update No. 2011-03, *Reconsideration of Effective Control for Repurchase Agreements,* effective for periods beginning on or after December 15, 2011. The main objective of this Update is to improve the accounting for repurchase agreements (repos) and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The amendments in this Update remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion.

NOTE 17. Restricted Net Assets

The government-wide statement of net assets reports $27,493,208 of restricted net assets of which, $867,274 is restricted by enabling legislation for debt service, $21,683,295 is restricted for capital projects and $4,942,639 is restricted by enabling legislation referred to in the special revenue fund descriptions on pages 57 to 58.

NOTE 18. Commitments

The following is a summary of construction in progress as of June 30, 2011:

Description	Contractor	Commitments	Contract Date
Convention Center Remodel	Jack Wayne Construction	$ 134,083	7/15/2009
RWWTP	RMCI	387,943	10/9/2009

NOTE 19. Concentrations

The Village depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the University is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and federal and State appropriations.

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SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
Village of Ruidoso
Nonmajor Governmental Fund Descriptions
June 30, 2011

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.

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.

SPECIAL REVENUE FUNDS (continued)

Ruidoso Flood

To account for 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.

Special Donations

To account for donation revenues generated by various hosting events at legislative and community functions. Authority for the 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.

Forestry Operations

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

Police Grants

To account for grants received from the State of New Mexico that are to be used for police equipment and training. 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 FUND

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.

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STATE OF NEW MEXICO
Village of Ruidoso
Combining Balance Sheet
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	Special Revenue			
	1/2% Gross Receipts Tax	Parks and Recreation	1/8th Infrastructure Tax	State Fire
Assets				
Cash and cash equivalents	$ -	$ 3,629	$ -	$ 141,631
Investments	-	-	-	-
Receivables:				
Other taxes	116,726	-	160,292	-
Other receivables	-	-	-	-
Inventory	-	-	-	-
Total assets	$ 116,726	$ 3,629	$ 160,292	$ 141,631
Liabilities				
Accounts payable	$ -	$ -	$ -	$ -
Accrued payroll expenses	-	-	-	-
Total liabilities	-	-	-	-
Fund balances				
Spendable				
Restricted	116,726	3,629	160,292	141,631
Total fund balances	116,726	3,629	160,292	141,631
Total liabilities and fund balances	$ 116,726	$ 3,629	$ 160,292	$ 141,631

Special Revenue					
Emergency Medical Services	Law Enforcement Protection	Traffic Safety Fees	Correction Fees	Lodger's Tax	Ruidoso Flood
$ 8,796	$ 2,297	$ 10,272	$ 114,868	$ 679,533	$ 559,240
-	-	-	-	660,516	-
-	-	-	-	45,029	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 8,796	$ 2,297	$ 10,272	$ 114,868	$ 1,385,078	$ 559,240
$ -	$ -	$ -	$ -	$ 15,845	$ 117,123
-	-	-	-	-	-
-	-	-	-	15,845	117,123
8,796	2,297	10,272	114,868	1,369,233	442,117
8,796	2,297	10,272	114,868	1,369,233	442,117
$ 8,796	$ 2,297	$ 10,272	$ 114,868	$ 1,385,078	$ 559,240

STATE OF NEW MEXICO
Village of Ruidoso
Combining Balance Sheet
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	Special Revenue			
	Special Donations	Special Street	Convention Center	Impact Fee
Assets				
Cash and cash equivalents	$ -	$ 125,956	$ 1	$ 1,365,262
Investments	-	-	-	758,476
Receivables:				
Other taxes receivable	-	12,860	-	-
Other receivables	-	-	-	-
Inventory	-	-	-	-
Total assets	$ -	$ 138,816	$ 1	$ 2,123,738
Liabilities				
Accounts payable	$ -	$ -	$ 1,629	$ -
Accrued payroll expenses	-	-	7,930	-
Total liabilities	-	-	9,559	-
Fund balances				
Spendable				
Restricted	-	138,816	(9,558)	2,123,738
Total fund balances	-	138,816	(9,558)	2,123,738
Total liabilities and fund balances	$ -	$ 138,816	$ 1	$ 2,123,738

The accompanying notes are an integral part of these financial statements

Special Revenue				Debt Service	
RSVP	Forestry Operations	Police Grants	DWI Grant	Required Bond Reserves	Total Nonmajor Governmental Funds
$ 3,603	$ 98,642	$ 44,140	$ 1,808	$ -	$ 3,159,678
-	-	-	-	-	1,418,992
-	-	-	-	-	334,907
1,081	-	9,213	-	-	10,294
-	-	-	-	-	-
$ 4,684	$ 98,642	$ 53,353	$ 1,808	$ -	$ 4,923,871
$ -	$ -	$ -	$ 245	$ -	$ 134,842
583	-	-	-	-	8,513
583	-	-	245	-	143,355
4,101	98,642	53,353	1,563	-	4,780,516
4,101	98,642	53,353	1,563	-	4,780,516
$ 4,684	$ 98,642	$ 53,353	$ 1,808	$ -	$ 4,923,871

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, 2011

	Special Revenue			
	1/2% Gross Receipts Tax	Parks and Recreation	1/8th Infrastructure Tax	State Fire
Revenues:				
Taxes:				
Gross receipts	$ 1,149,237	$ -	$ 679,192	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	246,353
Charges for services	-	18,985	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	4,598	-	-
Total revenues	1,149,237	23,583	679,192	246,353
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	51,516
Public works	-	-	-	-
Culture and recreation	-	2,413	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	65,692
Debt service:				
Principal	-	-	330,000	32,834
Interest	-	-	162,123	50,061
Total expenditures	-	2,413	492,123	200,103
Excess (deficiency) of revenues over expenditures	1,149,237	21,170	187,069	46,250
Other financing sources (uses)				
Transfers in	-	14,191	-	-
Transfers out	(1,114,167)	-	(157,620)	-
Total other financing sources (uses)	(1,114,167)	14,191	(157,620)	-
Net change in fund balances	35,070	35,361	29,449	46,250
Fund balances - beginning of year	81,656	(17,876)	130,843	95,381
Restatement	-	(13,856)	-	-
Fund balances - beginning of year, restated	81,656	(31,732)	130,843	95,381
Fund balances - end of year	$ 116,726	$ 3,629	$ 160,292	$ 141,631

The accompanying notes are an integral part of these financial statements

Special Revenue					
Emergency Medical Services	Law Enforcement Protection	Traffic Safety Fees	Correction Fees	Lodger's Tax	Ruidoso Flood
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	1,160,630	-
-	-	-	-	-	-
-	-	-	-	-	584,648
10,716	33,800	-	-	5,300	-
-	-	-	-	-	-
-	-	7,460	49,300	-	-
-	-	-	-	2,020	-
-	-	-	-	205	-
10,716	33,800	7,460	49,300	1,168,155	584,648
-	-	-	-	961,020	-
9,665	16,986	-	43,276	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	612,131
-	16,055	15,139	-	-	-
-	-	-	-	116,377	-
-	-	-	-	94,273	-
9,665	33,041	15,139	43,276	1,171,670	612,131
1,051	759	(7,679)	6,024	(3,515)	(27,483)
-	-	-	-	-	-
-	-	-	-	(10,000)	(395,928)
-	-	-	-	(10,000)	(395,928)
1,051	759	(7,679)	6,024	(13,515)	(423,411)
7,745	1,538	17,951	108,844	928,473	2,702,039
-	-	-	-	454,275	(1,836,511)
7,745	1,538	17,951	108,844	1,382,748	865,528
$ 8,796	$ 2,297	$ 10,272	$ 114,868	$ 1,369,233	$ 442,117

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, 2011

	Special Revenue			
	Special Donations	Special Street	Convention Center	Impact Fee
Revenues:				
Taxes:				
Gross receipts	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	178,248	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
Charges for services	-	-	156,929	-
Licenses and fees	-	-	24	201,426
Investment income	-	-	-	1,476
Miscellaneous	-	-	115	-
Total revenues	-	178,248	157,068	202,902
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	517	-	-
Culture and recreation	-	-	383,733	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	83,482	-	-
Interest	-	20,840	-	-
Total expenditures	-	104,839	383,733	-
Excess (deficiency) of revenues over expenditures	-	73,409	(226,665)	202,902
Other financing sources (uses)				
Transfers in	-	-	218,067	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	218,067	-
Net change in fund balances	-	73,409	(8,598)	202,902
Fund balances - beginning of year	1,241	65,407	(6,482)	1,936,529
Restatement	(1,241)	-	5,522	(15,693)
Fund balances - beginning of year, restated	-	65,407	(960)	1,920,836
Fund balances - end of year	$ -	$ 138,816	$ (9,558)	$ 2,123,738

The accompanying notes are an integral part of these financial statements

Special Revenue				Debt Service	
RSVP	Forestry Operations	Police Grants	DWI Grant	Required Bond Reserves	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 1,828,429
-	-	-	-	-	178,248
-	-	-	-	-	1,160,630
-	177,302	-	-	-	177,302
-	-	-	-	-	584,648
33,609	298,494	-	170,917	-	799,189
-	-	-	-	-	175,914
-	-	-	-	-	258,210
-	-	-	-	-	3,496
-	-	78,449	-	-	83,367
33,609	475,796	78,449	170,917	-	5,249,433
-	-	-	-	-	961,020
-	-	-	173,657	-	295,100
-	449,613	-	-	-	450,130
-	-	-	-	-	386,146
35,153	-	-	-	-	647,284
-	-	25,096	-	-	121,982
-	-	-	-	-	562,693
-	-	-	-	-	327,297
35,153	449,613	25,096	173,657	-	3,751,652
(1,544)	26,183	53,353	(2,740)	-	1,497,781
-	-	-	-	-	232,258
-	-	-	-	-	(1,677,715)
-	-	-	-	-	(1,445,457)
(1,544)	26,183	53,353	(2,740)	-	52,324
5,645	72,459	-	4,303	638,754	6,774,450
-	-	-	-	(638,754)	(2,046,258)
5,645	72,459	-	4,303	-	4,728,192
$ 4,101	$ 98,642	$ 53,353	$ 1,563	$ -	$ 4,780,516

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-1

Village of Ruidoso

1/2% Gross Receipts Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
Taxes:				
Property	$ -	$ -	$ -	$ -
Gross receipts	1,083,000	1,083,000	1,114,167	31,167
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	-	-	-	-
Total revenues	1,083,000	1,083,000	1,114,167	31,167
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	1,083,000	1,083,000	1,114,167	31,167
Other financing sources (uses)				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(1,083,000)	(1,083,000)	(1,114,167)	(31,167)
Total other financing sources (uses)	(1,083,000)	(1,083,000)	(1,114,167)	(31,167)
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	$ -	$ -	$ -	$ -
Net change in fund balance (non-GAAP budgetary basis)				$ -
Adjustments to revenues for other taxes receivable				35,070
No adjustments to expenditures				-
Net change in fund balance (GAAP)				$ 35,070

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
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	-	-	330	330
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	385	4,598	4,213
	-	385	4,928	4,543
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	2,413	(2,413)
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	2,413	(2,413)
Excess (deficiency) of revenues over expenditures	-	385	2,515	2,130
Other financing sources (uses)				
Designated cash (budgeted cash increase)	-	(385)	-	385
Loan proceeds	-	-	-	-
Transfers in	-	-	14,191	14,191
Transfers out	-	-	-	-
Total other financing sources (uses)	-	(385)	14,191	14,576
Net change in fund balance	-	-	16,706	16,706
Fund balance - beginning of year	-	-	-	-
Fund balance - restatement (Note 15)	-	-	(13,077)	(13,077)
Fund balance - beginning as restated	-	-	(13,077)	(13,077)
Fund balance - end of year	$ -	$ -	$ 3,629	$ 3,629

Net change in fund balance (non-GAAP budgetary basis)	$ 16,706
Adjustments to revenues for other receivables	18,655
No adjustments to expenditures	-
Net change in fund balance (GAAP)	$ 35,361

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-3

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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
Taxes:				
Property	$ -	$ -	$ -	$ -
Gross receipts	541,378	541,378	548,916	7,538
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	-	-	-	-
Total revenues	541,378	541,378	548,916	7,538
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	387,602	492,002	492,123	(121)
Interest	-	-	-	-
Total expenditures	387,602	492,002	492,123	(121)
Excess (deficiency) of revenues over expenditures	153,776	49,376	56,793	7,417
Other financing sources (uses)				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(153,776)	(49,376)	(157,620)	(108,244)
Total other financing sources (uses)	(153,776)	(49,376)	(157,620)	(108,244)
Net change in fund balance	-	-	(100,827)	(100,827)
Fund balance - beginning of year	-	-	100,827	100,827
Fund balance - restatement	-	-	-	-
Fund balance - beginning as restated	-	-	100,827	100,827
Fund balance - end of year	$ -	$ -	$ -	$ -

Net change in fund balance (non-GAAP budgetary basis)	$ (100,827)
Adjustments to revenues for other taxes receivable	130,276
No adjustments to expenditures	-
Net change in fund balance (GAAP)	$ 29,449

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-4

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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
Taxes:				
Property	$ -	$ -	$ -	$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	163,458	246,353	246,353	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	251,935	116,935	-	(116,935)
Total revenues	415,393	363,288	246,353	(116,935)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	67,928	67,928	51,516	16,412
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	264,065	211,960	65,692	146,268
Debt service:				
Principal	83,400	83,400	82,895	505
Interest	-	-	-	-
Total expenditures	415,393	363,288	200,103	163,185
Excess (deficiency) of revenues over expenditures	-	-	46,250	46,250
Other financing sources (uses)				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	46,250	46,250
Fund balance - beginning of year	-	-	95,381	95,381
Fund balance - restatement	-	-	-	-
Fund balance - beginning as restated	-	-	95,381	95,381
Fund balance - end of year	$ -	$ -	$ 141,631	$ 141,631
Net change in fund balance (non-GAAP budgetary basis)				$ 46,250
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				$ 46,250

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-5

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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
Taxes:				
Property	$ -	$ -	$ -	$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	11,495	11,495	10,716	(779)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	11,495	11,495	10,716	(779)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	10,000	10,000	9,665	335
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	10,000	10,000	9,665	335
Excess (deficiency) of revenues over expenditures	1,495	1,495	1,051	(444)
Other financing sources (uses)				
Designated cash (budgeted cash increase)	(1,495)	(1,495)	-	1,495
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	(1,495)	(1,495)	-	1,495
Net change in fund balance	-	-	1,051	1,051
Fund balance - beginning of year	-	-	7,745	7,745
Fund balance - restatement	-	-	-	-
Fund balance - beginning as restated	-	-	7,745	7,745
Fund balance - end of year	$ -	$ -	$ 8,796	$ 8,796
Net change in fund balance (non-GAAP budgetary basis)				$ 1,051
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				$ 1,051

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-6

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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
Taxes:				
Property	$ -	$ -	$ -	$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	33,600	33,800	33,800	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	33,600	33,800	33,800	-
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	23,600	17,300	16,986	314
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	10,000	16,500	16,055	445
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	33,600	33,800	33,041	759
Excess (deficiency) of revenues over expenditures	-	-	759	759
Other financing sources (uses)				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	759	759
Fund balance - beginning of year	-	-	1,538	1,538
Fund balance - end of year	$ -	$ -	$ 2,297	$ 2,297
Net change in fund balance (non-GAAP budgetary basis)				$ 759
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				$ 759

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-7

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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
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	7,000	7,000	7,460	460
Investment income	-	-	-	-
Miscellaneous	-	14,000	-	(14,000)
Total revenues	7,000	21,000	7,460	(13,540)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	21,000	15,139	5,861
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	21,000	15,139	5,861
Excess (deficiency) of revenues over expenditures	7,000	-	(7,679)	(7,679)
Other financing sources (uses)				
Designated cash (budgeted cash increase)	(7,000)	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	(7,000)	-	-	-
Net change in fund balance	-	-	(7,679)	(7,679)
Fund balance - beginning of year	-	-	17,951	17,951
Fund balance - restatement	-	-	-	-
Fund balance - beginning as restated	-	-	17,951	17,951
Fund balance - end of year	$ -	$ -	$ 10,272	$ 10,272
Net change in fund balance (non-GAAP budgetary basis)				$ (7,679)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				$ (7,679)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
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	41,000	41,000	49,300	8,300
Investment income	-	-	-	-
Miscellaneous	-	20,319	-	(20,319)
Total revenues	41,000	61,319	49,300	(12,019)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	41,000	61,319	43,276	18,043
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	41,000	61,319	43,276	18,043
Excess (deficiency) of revenues over expenditures	-	-	6,024	6,024
Other financing sources (uses)				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	6,024	6,024
Fund balance - beginning of year	-	-	108,844	108,844
Fund balance - restatement	-	-	-	-
Fund balance - beginning as restated	-	-	108,844	108,844
Fund balance - end of year	$ -	$ -	$ 114,868	$ 114,868
Net change in fund balance (non-GAAP budgetary basis)				$ 6,024
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				$ 6,024

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-9

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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
Taxes:				
Property	$ -	$ -	$ -	$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	1,158,000	1,158,000	1,217,918	59,918
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	5,000	5,000	5,300	300
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	2,000	2,000	2,020	20
Miscellaneous	540,000	540,000	205	(539,795)
Total revenues	1,705,000	1,705,000	1,225,443	(479,557)
Expenditures:				
Current:				
General government	1,479,000	1,479,000	945,407	533,593
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	216,000	216,000	210,418	5,582
Interest	-	-	-	-
Total expenditures	1,695,000	1,695,000	1,155,825	539,175
Excess (deficiency) of revenues over expenditures	10,000	10,000	69,618	59,618
Other financing sources (uses)				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(10,000)	(10,000)	(10,000)	-
Total other financing sources (uses)	(10,000)	(10,000)	(10,000)	-
Net change in fund balance	-	-	59,618	59,618
Fund balance - beginning of year	-	-	826,156	826,156
Fund balance - restatement (Note 15)	-	-	454,275	454,275
Fund balance - beginning as restated	-	-	1,280,431	1,280,431
Fund balance - end of year	$ -	$ -	$ 1,340,049	$ 1,340,049

Net change in fund balance (non-GAAP budgetary basis)	$ 59,618
Adjustments to revenues for taxes receivable	(57,288)
Adjustments to expenditures for accounts payable	(15,845)
Net change in fund balance (GAAP)	$ (13,515)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-10

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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
Taxes:				
Property	$ -	$ -	$ -	$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	5,962,500	5,962,500	584,648	(5,377,852)
State operating grants	-	-	-	-
State capital grants	1,431,000	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	7,393,500	5,962,500	584,648	(5,377,852)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	7,325,000	7,325,000	524,664	6,800,336
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	7,325,000	7,325,000	524,664	6,800,336
Excess (deficiency) of revenues over expenditures	68,500	(1,362,500)	59,984	1,422,484
Other financing sources (uses)				
Designated cash (budgeted cash increase)	(68,500)	1,758,428	-	(1,758,428)
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(395,928)	(395,928)	-
Total other financing sources (uses)	(68,500)	1,362,500	(395,928)	(1,758,428)
Net change in fund balance	-	-	(335,944)	(335,944)
Fund balance - beginning of year	-	-	2,702,039	2,702,039
Fund balance - restatement (Note 15)	-	-	(1,836,511)	(1,836,511)
Fund balance - beginning as restated	-	-	865,528	865,528
Fund balance - end of year	$ -	$ -	$ 529,584	$ 529,584
Net change in fund balance (non-GAAP budgetary basis)				$ (335,944)
No adjustments to revenues				-
Adjustments to expenditures for accounts payable				(87,467)
Net change in fund balance (GAAP)				$ (423,411)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
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	-	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	1,241	1,241
Fund balance - restatement (Note 15)	-	-	(1,241)	(1,241)
Fund balance - beginning as restated	-	-	-	-
Fund balance - end of year	$ -	$ -	$ -	$ -
Net change in fund balance (non-GAAP budgetary basis)				$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				$ -

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
Taxes:				
Property	$ -	$ -	$ -	$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	62,000	164,000	165,388	1,388
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	6,160	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	36,162	36,162	-	(36,162)
Total revenues	104,322	200,162	165,388	(34,774)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	500	475	25
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	104,322	104,322	104,364	(42)
Interest	-	-	-	-
Total expenditures	104,322	104,822	104,839	(17)
Excess (deficiency) of revenues over expenditures	-	95,340	60,549	(34,791)
Other financing sources (uses)				
Designated cash (budgeted cash increase)	-	(95,340)	-	95,340
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	(95,340)	-	95,340
Net change in fund balance	-	-	60,549	60,549
Fund balance - beginning of year	-	-	65,407	65,407
Fund balance - end of year	$ -	$ -	$ 125,956	$ 125,956
Net change in fund balance (non-GAAP budgetary basis)				$ 60,549
Adjustments to revenues for taxes receivable				12,860
No adjustments to expenditures				-
Net change in fund balance (GAAP)				$ 73,409

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
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	174,507	163,730	156,929	(6,801)
Licenses and fees	375	375	24	(351)
Investment income	-	-	-	-
Miscellaneous	-	-	115	115
Total revenues	174,882	164,105	157,068	(7,037)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	392,058	392,058	381,181	10,877
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	392,058	392,058	381,181	10,877
Excess (deficiency) of revenues over expenditures	(217,176)	(227,953)	(224,113)	3,840
Other financing sources (uses)				
Designated cash (budgeted cash increase)	-	10,777	-	(10,777)
Loan proceeds	-	-	-	-
Transfers in	-	217,176	218,067	891
Transfers out	217,176	-	-	-
Total other financing sources (uses)	217,176	227,953	218,067	(9,886)
Net change in fund balance	-	-	(6,046)	(6,046)
Fund balance - beginning of year	-	-	30	30
Fund balance - restatement (Note 15)	-	-	5,218	5,218
Fund balance - beginning as restated	-	-	5,248	5,248
Fund balance - end of year	$ -	$ -	$ (798)	$ (798)
Net change in fund balance (non-GAAP budgetary basis)				$ (6,046)
No adjustments to revenues				-
Adjustments to expenditures for accrued payroll				(2,552)
Net change in fund balance (GAAP)				$ (8,598)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
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	200,000	179,000	201,426	22,426
Investment income	1,984	1,984	1,476	(508)
Miscellaneous	1,000,000	1,000,000	-	(1,000,000)
Total revenues	1,201,984	1,180,984	202,902	(978,082)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	1,000,000	1,000,000	-	1,000,000
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	1,000,000	1,000,000	-	1,000,000
Excess (deficiency) of revenues over expenditures	201,984	180,984	202,902	21,918
Other financing sources (uses)				
Designated cash (budgeted cash increase)	(101,984)	(150,984)	-	150,984
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(100,000)	(30,000)	-	30,000
Total other financing sources (uses)	(201,984)	(180,984)	-	180,984
Net change in fund balance	-	-	202,902	202,902
Fund balance - beginning of year	-	-	1,936,529	1,936,529
Fund balance - restatement (Note 15)	-	-	(15,693)	(15,693)
Fund balance - beginning as restated	-	-	1,920,836	1,920,836
Fund balance - end of year	$ -	$ -	$ 2,123,738	$ 2,123,738
Net change in fund balance (non-GAAP budgetary basis)				$ 202,902
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				$ 202,902

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
Taxes:				
Property	$ -	$ -	$ -	$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	33,616	33,616	38,715	5,099
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	33,616	33,616	38,715	5,099
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	33,616	33,616	35,087	(1,471)
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	33,616	33,616	35,087	(1,471)
Excess (deficiency) of revenues over expenditures	-	-	3,628	3,628
Other financing sources (uses)				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	3,628	3,628
Fund balance - beginning of year	-	-	-	-
Fund balance - restatement (Note 15)	-	-	(25)	(25)
Fund balance - beginning as restated	-	-	(25)	(25)
Fund balance - end of year	$ -	$ -	$ 3,603	$ 3,603

Net change in fund balance (non-GAAP budgetary basis)	$ 3,628
Adjustments to revenues for other receivables	(5,106)
Adjustments to expenditures for accrued payroll	(66)
Net change in fund balance (GAAP)	$ (1,544)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-16

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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
Taxes:				
Property	$ -	$ -	$ -	$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	116,638	116,638
Federal capital grants	-	-	-	-
State operating grants	853,898	853,898	359,158	(494,740)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	142,430	142,430	-	(142,430)
Total revenues	996,328	996,328	475,796	(520,532)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	474,402	710,232	449,613	260,619
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	474,402	710,232	449,613	260,619
Excess (deficiency) of revenues over expenditures	521,926	286,096	26,183	(259,913)
Other financing sources (uses)				
Designated cash (budgeted cash increase)	(521,926)	(286,096)	-	286,096
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	(521,926)	(286,096)	-	286,096
Net change in fund balance	-	-	26,183	26,183
Fund balance - beginning of year	-	-	72,459	72,459
Fund balance - restatement	-	-	-	-
Fund balance - beginning as restated	-	-	72,459	72,459
Fund balance - end of year	$ -	$ -	$ 98,642	$ 98,642
Net change in fund balance (non-GAAP budgetary basis)				$ 26,183
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				$ 26,183

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-17

Village of Ruidoso
Police Grant 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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
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	-	-	69,236	69,236
Total revenues	-	-	69,236	69,236
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	25,096	(25,096)
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	25,096	(25,096)
Excess (deficiency) of revenues over expenditures	-	-	44,140	44,140
Other financing sources (uses)				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	44,140	44,140
Fund balance - beginning of year	-	-	-	-
Fund balance - restatement	-	-	-	-
Fund balance - beginning as restated	-	-	-	-
Fund balance - end of year	$ -	$ -	$ 44,140	$ 44,140
Net change in fund balance (non-GAAP budgetary basis)				$ 44,140
Adjustments to revenue for other receivables				9,213
No adjustments to expenditures				-
Net change in fund balance (GAAP)				$ 53,353

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
Taxes:				
Property	$ -	$ -	$ -	$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	171,512	171,512	170,917	(595)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	4,174	-	(4,174)
Total revenues	171,512	175,686	170,917	(4,769)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	171,512	175,686	173,657	2,029
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	171,512	175,686	173,657	2,029
Excess (deficiency) of revenues over expenditures	-	-	(2,740)	(2,740)
Other financing sources (uses)				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	(2,740)	(2,740)
Fund balance - beginning of year	-	-	4,548	4,548
Fund balance - restatement (Note 15)	-	-	(245)	(245)
Fund balance - beginning as restated	-	-	4,303	4,303
Fund balance - end of year	$ -	$ -	$ 1,563	$ 1,563
Net change in fund balance (non-GAAP budgetary basis)				$ (2,740)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				$ (2,740)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-19

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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
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	-	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	638,754	638,754
Fund balance - restatement (Note 15)	-	-	(638,754)	(638,754)
Fund balance - beginning as restated	-	-	-	-
Fund balance - end of year	$ -	$ -	$ -	$ -
Net change in fund balance (non-GAAP budgetary basis)				$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP)				$ -

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-20

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, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
Taxes:				
Property	$ -	$ -	$ -	$ -
Gross receipts	1,100,000	1,100,000	1,025,812	(74,188)
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	1,570,878	3,020,878	2,766,033	(254,845)
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	9,081	9,081
Licenses and fees	-	-	-	-
Investment income	-	-	6,330	6,330
Miscellaneous	6,500,000	6,548,000	360	(6,547,640)
Total revenues	9,170,878	10,668,878	3,807,616	(6,861,262)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	805,850	805,850	676,055	129,795
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	16,791,750	16,845,745	13,336,116	3,509,629
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	17,597,600	17,651,595	14,012,171	3,639,424
Excess (deficiency) of revenues over expenditures	(8,426,722)	(6,982,717)	(10,204,555)	(3,221,838)
Other financing sources (uses)				
Designated cash (budgeted cash increase)	8,426,722	7,962,931	-	(7,962,931)
Loan proceeds	8,755,000	8,755,000	8,755,000	-
Transfers in	-	-	-	-
Transfers out	-	(980,214)	(980,852)	(638)
Total other financing sources (uses)	17,181,722	15,737,717	7,774,148	(7,963,569)
Net change in fund balance	8,755,000	8,755,000	(2,430,407)	(11,185,407)
Fund balance - beginning of year	-	-	8,674,433	8,674,433
Fund balance - restatement (Note 15)	-	-	832,909	832,909
Fund balance - beginning as restated	-	-	9,507,342	9,507,342
Fund balance - end of year	$ 8,755,000	$ 8,755,000	$ 7,076,935	$ (1,678,065)
Net change in fund balance (non-GAAP budgetary basis)				$ (2,430,407)
Adjustments to revenues for other receivables and transfers				(9,069,088)
Adjustments to expenditures for accounts payable				15,111
Net change in fund balance (GAAP)				$ (11,484,384)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement C-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, 2011

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable)
Operating revenues:				
Charges for services	$ 4,606,576	$ 4,474,904	$ 4,035,760	$ (439,144)
Total operating revenues	4,606,576	4,474,904	4,035,760	(439,144)
Operating expenses:				
General and administrative	849,380	829,666	582,198	247,468
Personnel services	1,945,490	1,969,412	1,927,662	41,750
Contractual services	410,900	597,546	486,406	111,140
Supplies and purchased power	21,436,857	21,334,067	169,101	21,164,966
Maintenance and materials	460,727	640,380	499,112	141,268
Utilities	380,800	380,800	418,860	(38,060)
Miscellaneous	-	-	-	-
Total operating expenses	25,484,154	25,751,871	4,083,339	21,668,532
Operating income (loss)	(20,877,578)	(21,276,967)	(47,579)	21,229,388
Non-operating revenues (expenses):				
Operating grants	-	-	-	-
Interest income	13,000	13,000	14,041	1,041
Interest expense	(196,336)	(196,336)	(199,850)	(3,514)
Gross receipts tax revenue	3,700,000	3,700,000	2,406,000	(1,294,000)
Gross receipts tax expense	-	-	-	-
Miscellaneous	2,219,900	8,896,400	7,727	(8,888,673)
Landfill closure/postclosure care costs	-	-	-	-
Total non-operating revenues (expenses)	5,736,564	12,413,064	2,227,918	(10,185,146)
Proceeds from sale of capital assets	-	-	57,193	57,193
Transfers in	-	-	-	-
Transfers out	(1,375,673)	(2,355,887)	(918,421)	1,437,466
Capital grants and net transfers	(1,375,673)	(2,355,887)	(861,228)	1,494,659
Change in net assets	(16,516,687)	(11,219,790)	1,319,111	12,538,901
Designated cash	16,516,687	11,219,790	-	(11,219,790)
Total net assets, beginning of year	-	-	7,300,615	7,300,615
Restatement (Note 15)	-	-	786,297	786,297
Total net assets, beginning of year, restated	-	-	8,086,912	8,086,912
Total net assets, end of year	$ -	$ -	$ 9,406,023	$ 9,406,023
Change in net assets, above			$ 1,319,111	
Depreciation			(1,966,877)	
Change in net assets, Exhibit D-2			$ (647,766)	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement C-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, 2011

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable)
Operating revenues:				
Charges for services	$ 909,549	$ 909,549	$ 913,262	$ 3,713
Total operating revenues	909,549	909,549	913,262	3,713
Operating expenses:				
General and administrative	800,597	796,242	869,726	(73,484)
Personnel services	437,912	437,447	330,836	106,611
Contractual services	1,500	11,500	-	11,500
Supplies and purchased power	207,800	103,275	10,264	93,011
Maintenance and materials	33,200	32,550	28,901	3,649
Utilities	53,000	53,000	51,298	1,702
Miscellaneous	-	-	-	-
Total operating expenses	1,534,009	1,434,014	1,291,025	142,989
Operating income (loss)	(624,460)	(524,465)	(377,763)	146,702
Non-operating revenues (expenses):				
Operating grants	195,000	85,000	50,990	(34,010)
Interest income	-	-	-	-
Interest expense	(265,806)	(619,772)	(26,442)	593,330
Gross receipts tax revenue	-	-	-	-
Gross receipts tax expense	-	-	-	-
Miscellaneous	5,000	6,598,386	64,300	(6,534,086)
Total non-operating revenues (expenses)	(65,806)	6,063,614	88,848	(5,974,766)
Capital grants	-	-	-	-
Transfers in	843,322	1,348,247	1,379,414	31,167
Transfers out	(125,987)	(365,665)	(365,665)	-
Capital grants and net transfers	717,335	982,582	1,013,749	31,167
Change in net assets	27,069	6,521,731	724,834	(5,796,897)
Designated cash	(27,069)	(6,521,731)	-	6,521,731
Total net assets, beginning of year	-	-	440,818	440,818
Restatement (Note 15)	-	-	(441,307)	(441,307)
Total net assets, beginnign of year, restated	-	-	(489)	(489)
Total net assets, end of year	$ -	$ -	$ 724,345	$ 724,345
Change in net assets, above			$ 724,834	
Depreciation			(871,522)	
Change in net assets, Exhibit D-2			$ (146,688)	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement C-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, 2011

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable)
Operating revenues:				
Charges for services	$ 2,807,402	$ 2,532,926	$ 2,492,206	$ (40,720)
Total operating revenues	2,807,402	2,532,926	2,492,206	(40,720)
Operating expenses:				
General and administrative	763,135	854,772	832,431	22,341
Personnel services	1,067,322	986,328	1,053,408	(67,080)
Contractual services	-	-	0	-
Supplies and purchased power	24,250	24,980	15,926	9,054
Maintenance and materials	412,005	287,293	153,287	134,006
Utilities	75,920	35,580	40,693	(5,113)
Miscellaneous	-	-	-	-
Total operating expenses	2,342,632	2,188,953	2,095,745	93,208
Operating income (loss)	464,770	343,973	396,461	52,488
Non-operating revenues (expenses):				
Operating grants	-	-	-	-
Interest income	-	-	9	9
Interest expense	(231,821)	(303,522)	(26,523)	276,999
Gross receipts tax revenue	135,000	135,000	181,241	46,241
Gross receipts tax expense	-	-	-	-
Miscellaneous	300	330	267	(63)
Total non-operating revenues (expenses)	(96,521)	(168,192)	154,994	323,186
Capital grants	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(368,249)	(298,663)	(298,663)	-
Capital grants and net transfers	(368,249)	(298,663)	(298,663)	-
Change in net assets	-	(122,882)	252,792	375,674
Designated cash	-	122,882	-	(122,882)
Total net assets, beginning of year	-	-	1,373,864	1,373,864
Restatement (Note 15)	-	-	(327,257)	(327,257)
Total net assets, beginning of year, restated	-	-	1,046,607	1,046,607
Total net assets, end of year	$ -	$ -	$ 1,299,399	$ 1,299,399
Change in net assets, above			$ 252,792	
Depreciation			(148,512)	
Change in net assets, Exhibit D-2			$ 104,280	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement D-1

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, 2011

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable)
Operating revenues:				
Charges for services	$ -	$ -	$ -	$ -
Total operating revenues	-	-	-	-
Operating expenses:				
General and administrative	-	-	-	-
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Supplies and purchased power	-	-	-	-
Maintenance and materials	-	-	-	-
Utilities	-	-	-	-
Miscellaneous	-	-	-	-
Total operating expenses	-	-	-	-
Operating income (loss)	-	-	-	-
Non-operating revenues (expenses):				
Operating grants	-	-	-	-
Interest income	-	-	-	-
Interest expense	-	-	-	-
Gross receipts tax revenue	-	-	-	-
Gross receipts tax expense	-	-	-	-
Miscellaneous	-	-	-	-
Total non-operating revenues (expenses)	-	-	-	-
Capital grants	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Capital grants and net transfers	-	-	-	-
Change in net assets	-	-	-	-
Designated cash	-	-	-	-
Total net assets, beginning of year	-	-	-	-
Total net assets, end of year	$ -	$ -	$ -	$ -
Change in net assets, above			$ -	
Adjustments for depreciation and accrued payroll			-	
Change in net assets, Exhibit D-2			$ -	

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Village of Ruidoso
Schedule of Deposit and Investment Accounts
For the Year Ended June 30, 2011

Bank Account Type/Name	Wells Fargo Bank	City Bank of New Mexico
Deposits		
Operating - Checking	$ 32,885	$ -
Impact Fees - Checking	1,357,539	-
FEMA - Checking	580,786	-
Water Meter Trust - Checking	463,449	-
Benevolent Fund - Checking	-	3,942
Wells Fargo Brokerage - Money Market	789,006	-
Wells Fargo Brokerage - Money Market	1,159,695	-
Ruidoso - Certificate of Deposit	1,057,744	-
Ruidoso - Certificate of Deposit	1,571,389	-
Ruidoso - Certificate of Deposit	492,321	-
Ruidoso - Certificate of Deposit	451,648	-
Ruidoso - Certificate of Deposit	196,054	-
Ruidoso - Certificate of Deposit	806,144	-
Ruidoso - Certificate of Deposit	-	100,003
Ruidoso - Certificate of Deposit	-	100,007
Ruidoso - Certificate of Deposit	-	350,000
Ruidoso - Certificate of Deposit	-	130,006
Ruidoso - Certificate of Deposit	-	750,000
Ruidoso - Certificate of Deposit	-	-
Ruidoso - Certificate of Deposit	-	-
Ruidoso - Certificate of Deposit	-	-
Ruidoso - Certificate of Deposit	-	-
Ruidoso - Certificate of Deposit	-	-
Ruidoso - Certificate of Deposit	-	-
Ruidoso - Certificate of Deposit	-	-
Ruidoso - Certificate of Deposit	-	-
Ruidoso - Certificate of Deposit	-	-
Ruidoso - Certificate of Deposit	-	-
Total on deposit	8,958,660	1,433,958
Less: FDIC coverage	2,684,659	253,942
Total uninsured public funds	6,274,001	1,180,016
50% collateral requirements	3,137,001	590,008
102% collateral requirements	-	-
Pledged securities	15,573,733	1,325,000
Over collateralized	12,436,733	734,992
Bank balance	8,958,660	1,433,958
Outstanding items	(2,591,557)	(255)
Deposits in transit	13,388,791	-
Other adjustments - component unit deposits (See finding FS 2011-9)	(1,394,959)	-
Book balance	$ 18,360,935	$ 1,433,703
Investments		
Local Government Investment Pool	$ -	$ -

Petty cash
Total deposits and investments

Total cash and cash equivalents per Exhibit A-1
Total investments per exhibit A-1
Total agency funds cash and cash equivalents per Exhibit E-1
Total deposits and investments

See accompanying independent auditors' report

Pioneer Bank	First National Bank	New Mexico State Treasurer	Totals
$ -	$ -	$ -	$ 32,885
-	-	-	1,357,539
-	-	-	580,786
-	-	-	463,449
-	-	-	3,942
-	-	-	789,006
-	-	-	1,159,695
-	-	-	1,057,744
-	-	-	1,571,389
-	-	-	492,321
-	-	-	451,648
-	-	-	196,054
-	-	-	806,144
-	-	-	100,003
-	-	-	100,007
-	-	-	350,000
-	-	-	130,006
-	-	-	750,000
38,252	-	-	38,252
206,878	-	-	206,878
517,169	-	-	517,169
907,897	-	-	907,897
706,539	-	-	706,539
-	198,508	-	198,508
-	75,658	-	75,658
-	96,485	-	96,485
-	92,540	-	92,540
-	175,000	-	175,000
2,376,735	638,191	-	13,407,544
250,000	250,000	-	3,438,601
2,126,735	388,191	-	9,968,943
-	194,096	-	3,921,104
2,169,270	-	-	2,169,270
2,215,134	1,162,949	-	20,276,816
45,864	968,854	-	14,186,442
2,376,735	638,191	-	13,407,544
-	-	-	(2,591,812)
-	-	-	13,388,791
-	-	-	(1,394,959)
$ 2,376,735	$ 638,191	$ -	$ 22,809,564
$ -	$ -	$ 78,435	$ 78,435
			1,415
			$ 22,889,414
			$ 12,899,639
			9,989,369
			406
			$ 22,889,414

See accompanying independent auditors' report

STATE OF NEW MEXICO
Village of Ruidoso
Schedule of Collateral Pledged By Depository
For Public Funds
June 30, 2011

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number
Wells Fargo Bank			
	FN 953910 6.000%	11/1/2037	31413AGT5
	FHG-1 J13170	10/1/2025	3128PSQX8
	FN-30 AH4385	2/1/2041	3138A52T8
	FHG-1 J13746	12/1/2025	3128PTET8
	Total Wells Fargo Bank		
City Bank of New Mexico			
	Credit # 730001990	1/30/2012	N/A
	Total City Bank of New Mexico		
Pioneer Bank			
	080409 GNMA II 7%	5/20/2030	36225CN36
	080477 GNMA 6%	12/20/2030	36225CQ74
	1B0951 FHLMC 1 YR LIBOR +1.75%	7/1/2033	31336STG3
	661745 FNMA ARM 5.15%	9/1/2032	31391BES2
	745130 FNMA 1 YR LBR +1.669%	11/1/2035	31403CY39
	759453 FNMA 1 YR CMT +2.125%	1/1/2034	31403VWN5
	780217 FHLMC H15T1Y +2.223%	1/1/2033	31342AG29
	781086 FHLMC 1 YR TR +2.23%	12/1/2033	31349SF32
	781721 FHLMC 1 YR CMT +2.25%	7/1/2034	31349S4E0
	782804 FHLMC 1 YR CMT +2.237%	11/1/2034	31349UDH8
	782928 FHLMC 1 YR +2.227%	1/1/2035	31349UHD3
	789868 FHLMC 1 YR CMT +2.25%	9/1/2032	31295N6D5
	805152 FNMA 1 YR LBR +1.776%	1/1/2035	31406BQD5
	Total Pioneer Bank		
First National Bank			
	TAOS NM GAS TAX REV	10/1/2011	875917AQ9
	BERNALILLO NM MUN SCH DIST NO	8/1/2020	085279NY9
	BRAZORIA CNTY TX	9/1/2021	10606PAQ4
	BRAZORIA CNTY TX MUN UTIL DIST NO 18	9/1/2022	106056DZ4
	Total First National Bank		
	Total Pledged Collateral		

See accompanying independent auditors' report

Fair Market Value at June 30, 2011	Location of Safekeeper
$ 3,068,430	San Francisco, CA
466,965	San Francisco, CA
7,745,201	San Francisco, CA
4,293,137	San Francisco, CA
$ 15,573,733	
$ 1,325,000	Dallas, TX
$ 1,325,000	
$ 243,687	Dallas, TX
36,543	Dallas, TX
50,895	Dallas, TX
12,435	Dallas, TX
868,633	Dallas, TX
114,966	Dallas, TX
23,369	Dallas, TX
89,371	Dallas, TX
507,697	Dallas, TX
77,042	Dallas, TX
42,790	Dallas, TX
43,216	Dallas, TX
104,490	Dallas, TX
$ 2,215,134	
$ 180,000	Dallas, TX
450,000	Dallas, TX
232,178	Dallas, TX
300,771	Dallas, TX
$ 1,162,949	
$ 20,276,816	

STATE OF NEW MEXICO Schedule III

Village of Ruidoso

Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Crime Lab Test Fund				
Assets				
Cash and cash equivalents	$ 2,747	23,692	$ 26,430	$ 9
Total assets	2,747	23,692	26,430	9
Liabilities				
Deposits held and due to others	2,747	23,692	26,430	9
Total liabilities	$ 2,747	$ 23,692	$ 26,430	$ 9
Bail Bond Trust Fund				
Assets				
Cash and cash equivalents	$ 6,413	$ 250	$ 6,266	$ 397
Total assets	6,413	250	6,266	397
Liabilities				
Deposits held and due to others	6,413	250	6,266	397
Total liabilities	$ 6,413	$ 250	$ 6,266	$ 397
Total Agency Funds				
Assets				
Cash and cash equivalents	$ 9,160	$ 23,942	$ 32,696	$ 406
Total assets	9,160	23,942	32,696	406
Liabilities				
Deposits held and due to others	9,160	23,942	32,696	406
Total liabilities	$ 9,160	$ 23,942	$ 32,696	$ 406

See accompanying independent auditors' report

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State of New Mexico
Village of Ruidoso
Schedule of Joint Powers Agreements and
Memorandums of Understanding
June 30, 2011

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 authoity 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

Begin Date	End Date	Estimated Amount of Project	Amount Contributed in Fiscal Year	Audit Responsibility	Fiscal Agent	Name of Govt Agency Report Rev & Exp
7/1/2010	6/30/2011	$ 37,133	$ 40,668	None	None	Both
1/11/2010	1/30/2011	N/A	N/A	None	None	Both
2/23/2010	Indefinitely	N/A	N/A	None	None	Both
10/1/2009	Until Complete	N/A	N/A	None	None	Both
7/1/2010	Indefinitely	N/A	N/A	Both	None	Both
5/8/2006	5/8/2011	N/A	N/A	None	None	Both
5/13/2008	5/1/2012	N/A	N/A	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, and the aggregate remaining fund information of the Village of Ruidoso, New Mexico, (Village) as of and for the year ended June 30, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents., and have issued our report thereon dated November 30, 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, 2011 as listed in the table of contents. We disclaimed our opinion because material weaknesses in internal controls caused significant doubt that all possible material misstatements could be detected by audit procedures. Except as discussed above, 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, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC.

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, FS2005-7, FS2007-3, FS2007-11, FS2008-1, FS2008-2, FS2008-4, FS2009-2, FS2009-3, FS2009-8, FS2009-9, FS2009-10, FS2009-26, FS2009-42, FS2009-70, FS2009-99, FS2009-100, FS2009-125, FS2009-126, FS209-127, FS2009-129, FS2009-130, FS2009-132, FS2010-2, FS2010-4, FS2010-5, FS2010-8, and FS2011-1 through FS2011-9, inclusive, to be material weaknesses.

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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 Standard*s and, which are described in the accompanying schedule of findings and questioned costs as items 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
November 30, 2011

FEDERAL FINANCIAL ASSISTANCE

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Accounting & Consulting Group, LLP
Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVERCOMPLIANCE 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, 2011. 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 is still in the process of designing and implementing the policies and procedures needed to capture, record, and present federal expenditures accurately and completely.

Because of the severity and pervasiveness of the lack of internal controls over compliance, 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, 2011.

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.

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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 FA2009-2, FA2009-3, FA2009-9, FA2009-22 and FA2011-1, 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
November 30, 2011

STATE OF NEW MEXICO
Village of Ruidoso
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor Program Title	Federal CFDA Number	Federal or Pass Through Grant / Project Number		Federal Expenditures
Federal Grantor/Pass Through Grantor/Program or Cluster Title				
U.S. Department of Transportation				
Airport Improvement Program	20.106	3350052192009		$ 59,419
U.S. Deparment of Commerce				
Economic Adjustment Assistance	11.307	XP976307017	*	2,320,000
U.S. Department of Agriculture				
Cooperative Forestry Assistance	10.664		*	446,463
Water and Waste Disposal for Rural Communities	10.760		*	8,225,000
Total U.S. Department of Agriculture				8,671,463
U.S. Department of Justice				
Crime Victim Assistance	16.675			21,890
U.S. Department of Homeland Security				
Disaster Grants - Public Assistance - FEMA	97.036			250,738
Total Expenditures of Federal Awards				$ 11,323,510

* 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, 2011

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
10.664	Cooperative Forestry Assistance
10.760	Water and Waste Disposal for Rural Communities
11.307	Economic Adjustment Assistance

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 (Material Weakness)

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.

Views of Responsible Officials and Planned Corrective Actions: The Village has implemented an offsite depository of all our computerized data in FY 12. All our data is backed up to an offsite server nightly. This service through Incode completes our information system disaster recovery of technology plan.

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

A. Financial Statement Findings (continued)

FS2005-7 Regional Wastewater Treatment Plant (Material Weakness)

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.

Views of Responsible Officials and Planned Corrective Actions: The Village of Ruidoso is pursuing legal action to either dissolve or proceed into mediation to rectify the accounting issue present in this finding.

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

A. Financial Statement Findings (continued)

FS2007-3 Utility Meter Deposits (Material Weakness)

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.

Views of Responsible Officials and Planned Corrective Actions: The Village purchased a new software system in FY 11 and the implementation of the system was begun in FY 12. The old system did not have the ability to track meter deposits and the recording of deposits on an excel spreadsheet had not been maintained. The new software will correct this finding in FY 12. In FY 12 the water meter deposits have been moved from revenue accounts to liability accounts.

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

A. Financial Statement Findings (continued)

FS2007-11 Auditor Prepared Financial Statements (Material Weakness)

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.

Views of Responsible Officials and Planned Corrective Actions: The Finance Department desires to purchase the Incode GASB 34 Government Wide Financial Statements module and be trained to prepare the financial statements for audits.

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

A. Financial Statement Findings (continued)

FS2008-2 Bank Reconciliations (Material Weakness)

Condition: The Village was not able to provide the auditor's with an accurate listing of checks outstanding on their June 30, 2011 operating account bank reconciliations for testwork.

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 accurately on a monthly basis 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 accurately 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.

Views of Responsible Officials and Planned Corrective Actions: In FY 10 the Finance Department was still doing bank reconciliations manually in Excel and outstanding checks were recorded- updated manually. This process is open to errors and this was occurring. In August FY 12 the Finance Department implemented the new Incode software system which operates bank reconciliations directly downloading outstanding checks from the bank. This process ensures accuracy and eliminates human error.

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

A. Financial Statement Findings (continued)

FS2008-4 Expenditures in Excess of Budget (Material Weakness)

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

Parks and Recreation	$ 2,413
1/8th Infrastructure Tax	121
Special Street	17
RSVP	1,471
Police Grant	25,096
Total	$ 29,118

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.

Views of Responsible Officials and Planned Corrective Actions: Parks and Recreation is a donation fund and there was no budget assigned to this fund. The 2,413 was pulled from accrued prior year revenue. We will need to budget this fund in the future. 1/8th Infrastructure Tax shows an overage in budget as there was a transfer from prior year into general fund to zero out at end of year this fund. RSVP was a pull from prior year funds. This will need to be budgeted in FY 12. Police Grant (LEPF) was budgeted at 33,800 and expenditures 33,041. The $25,096 comes from prior year and all prior year will need to be budgeted in the future.

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

A. Financial Statement Findings (continued)

FS2009-2 Segregation of Duties – Cash Disbursements (Material Weakness)

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 prepares and mails the checks;
- The Staff Accountant both opens and reviews the bank statements and prepares the bank reconciliations.

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: We recommend that the Village separate out these duties by having the Accounts Payable Clerk prepare the checks and the receptionist mail them. In addition, we recommend that the another employee open the bank statements and review them before giving them to the Staff Account to prepare bank reconciliations.

Views of Responsible Officials and Planned Corrective Actions: Immediately upon disclosure of this finding by auditors we implemented the needed segregation of duties. The Accounts Payable Clerk prepares the checks and prints out a check register. The check register report and the checks are given to the Staff Accountant to review and the checks are placed into the Finance mailbox for the Receptionist to post. Bank statements are delivered to the Finance Director unopened and she opens and reviews them. The Finance Director initials verifying original documents from the bank and gives to Staff Accountant to begin reconciliation process.

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 (Material Weakness

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. When conducting a review of check registers, check ranges were out of order because some were backdated so they would show up in the previous fiscal year. In addition, one check was noted in the voided check testwork that did not appear in the system at all nor was there any documentation for it. However, it was confirmed by the bank to have never cleared.
- Material journal entries were needed for accounts payable.
- Names and/or address on checks do not appear as the same in the accounting system.

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. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 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 2011 management did 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. 115 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.

Views of Responsible Officials and Planned Corrective Actions: This finding has been corrected with the new Incode financial system which tracks all assigned check numbers. The new software system tracks all void checks in the system. The procedure to review payment was implemented in FY 10 to review invoices for correct address and applied account by Staff Accountant prior to processing checks.

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

A. Financial Statement Findings (continued)

FS2009-8 PERA Reports and General Ledger (Material Weakness)

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 $893,148 per the PERA reports, but the general ledger indicated that $1,185,781 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.

Views of Responsible Officials and Planned Corrective Actions: The payroll was part of a separate software system but in FY 12 has been transferred to the new Incode Financial Software and therefore PERA integrates automatically into the finance general fund. Previously all payroll data had to be manually journal entered into the finance system; the manual process increases the error risk.

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

A. Financial Statement Findings (continued)

FS2009-9 Capital Assets (Material Weakness)

Condition: The Village does not have a complete capital asset listing. A listing had not been maintained in prior years and the Village currently has an employee working on developing a capital asset listing.

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: We recommend the Village continue to work on completing a capital asset listing.

Views of Responsible Officials and Planned Corrective Actions: The Village of Ruidoso has completed FY 12 capital asset listing.

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 – Construction of the Finance Department (Material Weakness)

Condition: The makeup and general construction of the Finance Department is not appropriate and adequate given the nature of the entity. The Finance Department is lacking skilled employees at this time to adequately oversee all the activities of the Village.

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. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 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 2011 management did 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. 115 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.

Views of Responsible Officials and Planned Corrective Actions: The Finance Department does have a staff shortage for FY10. The recommendation that Finance take on the task of payroll and Lodger's Tax will be implemented in FY 12. The Internal Finance/Audit Committee will continue to review and recommend makeup and general construction of the Finance Department.

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 – Risk Appetite (Material Weakness)

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. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 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 2011 management did 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. 115 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.

Views of Responsible Officials and Planned Corrective Actions: Village Management and Finance Director have begun reviewing the many activities and capital projects in process and working on creating proper processes for these. Capital processes are tracked by the Capital Projects Administrator and other activities are tracked by department directors and Finance. The new financial software system prevents the use of accounts that lack the proper budget and requires project numbers on related purchases. The Village Manager requires all new projects be approved by her and Council with full detail on the project. The Finance Department is in the process of creating a detailed internal control manual including the new software effects on this area.

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 – Organizational Structure (Material Weakness)

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. The Finance Department is lacking skilled and experienced employees at this time.

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. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 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 2011 management did 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. 115 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.

Views of Responsible Officials and Planned Corrective Actions: Village Management and Finance Director have begun reviewing the many activities and capital projects in process and working on creating proper processes for these. Capital processes are tracked by the Capital Projects Administrator and other activities are tracked by department directors and Finance. The new financial software system prevents the use of accounts that lack the proper budget and requires project numbers on related purchases. The Village Manager requires all new projects be approved by her and Council with full detail on the project. The Finance Department is in the process of creating a detailed internal control manual including the new software effects on this area.

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 – Staffing (Material Weakness)

Condition: All departments at the Village are not appropriately staffed. The Finance Department is lacking skilled and experienced employees at this time. All departments are minimally staffed due to budget restraints.

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. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 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 2011 management did 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. 115 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.

Views of Responsible Officials and Planned Corrective Actions: The Internal Finance/Audit Committee continually reviews the FY 12 budget to reduce the General fund budget thus allowing for additional staff. The Village Manager and Finance Director submitted a balanced budget to Council for approval in FY 11 and FY 12. Departments have been asked to review their work flow for efficiency and any duplication to assist in any staff shortage. The Finance Department does have a staff shortage for FY11. The recommendation that Finance take on the task of payroll and Lodger's Tax will be implemented in FY 12. The Internal Finance/Audit Committee will continue to review and recommend makeup and general construction of the Finance Department.

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 – Process Procedures (Material Weakness)

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. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 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 2011 management did 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. 115 to provide effective oversight of internal control and the financial reporting process.

Auditors' Recommendation: The Village is in the process of updating all their policies and procedures. The purchase and implementation of a new software system will increase the accuracy of Village financial information.

Views of Responsible Officials and Planned Corrective Actions: The Finance Department is in the process of updating a new internal control manual to include the change with the new financial software system. The old system had very limited reports and this made it difficult for the Auditors to access information. The new system in place in FY 12 allows all the departments to access all their financial information and gives them instant access to all related accounts payable pertaining to their departments. The Finance Director does review monthly the income statement and balance sheets on all funds, and was doing this procedure in FY 11. The Finance Director submits to Council a quarterly financial report and displays this report on the Village web page.

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 – Financial Data (Material Weakness)

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. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 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 2011 management did 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. 115 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.

Views of Responsible Officials and Planned Corrective Actions: The Finance Department is in the process of updating a new internal control manual to include the change with the new financial software system. The old system had very limited reports and this made it difficult for the Auditors to access information. The new system in place in FY 12 allows all the departments to access all their financial information and gives them instant access to all related accounts payable pertaining to their departments. The Finance Director does review monthly the income statement and balance sheets on all funds, and was doing this procedure in FY 11. The Finance Director submits to Council a quarterly financial report and displays this report on the Village web page.

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 (Material Weakness)

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 2011 management did 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. 115 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.

Views of Responsible Officials and Planned Corrective Actions: In FY 11 the Village purchased a new financial software system and it is being implemented in FY 12. The Airport will have access to the Incode Cash Collections Module and Accounts Payable Module. The Accounts Payable Module was purchased specifically for the Airport to correct this finding. The Internal Finance/Audit Committee (IFAC) continues to review the Airport and a full time Manager has been hired in FY 12 to ensure internal controls are in place.

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 (Material Weakness)

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 2011 management did 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. 115 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.

Views of Responsible Officials and Planned Corrective Actions: In FY 11 the Village purchased a new financial software system and it is being implemented in FY 12. The Airport will have access to the Incode Cash Collections Module and Accounts Payable Module. The Accounts Payable Module was purchased specifically for the Airport to correct this finding. The Internal Finance/Audit Committee (IFAC) continues to review the Airport and a full time Manager has been hired in FY 12 to ensure internal controls are in place. Hanger rentals are being reviewed by the new Airport Manager.

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 (Material Weakness)

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 2011 management did 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. 115 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.

Views of Responsible Officials and Planned Corrective Actions: In FY 11 the Village purchased a new financial software system and it is being implemented in FY 12. The Airport will have access to the Incode Cash Collections Module and a Accounts Payable Module. The Accounts Payable Module was purchased specifically for the Airport to correct this finding. The Internal Finance/Audit Committee (IFAC) continues to review the Airport and a full time Manager has been hired in FY 12 to ensure internal controls are in place. The Finance Director reviews the Quick Book accounts receivable. The implementation of a "fuel farm" is being put in place in FY 12 which is a computerized system recording all fuel purchases. The fuel farm will control access by individual employees; will track the fuel delivered from contractors and fuel dispersed to the fuel truck. It will also monitor the fuel in the tanks.
The fuel sales slips will be reconciled to the tank meter and verify that they are the same at the end of each month. The reconciliation is completed by the Administrative Technician and reviewed by Airport Manager.

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 (Material Weakness)

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 $43,871 less 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 2011 management did 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. 115 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.

Views of Responsible Officials and Planned Corrective Actions: In FY 11 the Village purchased a new financial software system and it is being implemented in FY 12. The Airport will have access to the Incode Cash Collections Module and a Accounts Payable Module. The Accounts Payable Module was purchased specifically for the Airport to correct this finding. The Internal Finance/Audit Committee (IFAC) continues to review the Airport and a full time Manager has been hired in FY 12 to ensure internal controls are in place. The implementation of a "fuel farm" is being put in place in FY 12 which is a computerized system recording all fuel purchases. The fuel farm will control access by individual employees; will track the fuel delivered from contractors and fuel dispersed to the fuel truck. It will also monitor the fuel in the tanks. The fuel sales slips will be reconciled to the tank meter and verify that they are the same at the end of each month. The reconciliation is completed by the Administrative Technician and reviewed by Airport Manager.

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 (Material Weakness)

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 2011 management did 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. 115 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.

Views of Responsible Officials and Planned Corrective Actions: The airport has in FY 12 developed a complete spreadsheet listing all rentals and full information on each lease.

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

A. Financial Statement Findings (continued)

FS2009-132 Designated Cash Appropriations Exceeded Prior Year Available Balances (Material Weakness)

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
Utility	$ 16,516,687	$ 1,149,359	$ 15,367,328

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.

Views of Responsible Officials and Planned Corrective Actions: The Village had a budget of 9,066,461expenditures at end of year and actual expenditures of 5,976,651 at end of year. The Village only budgeted for estimated revenues of 9,123,803 to be received for the fiscal year and ended the year with actual revenues of 5,721,361. Due to the Villages lack of firm cash balances the audit adjustments will need to assist in budgeting for future years.

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

A. Financial Statement Findings (continued)

FS2010-2 Lack of Internal Controls – Cash Receipts (Material Weakness)

Condition: During our testing of subsequent receipts, 23 out of 35 receipts selected were lacking receipt numbers.

Criteria: The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that management is responsible for 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 embodies in the financial statements.

The SAS No. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 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.

Good internal control policy dictates that the Village shall establish and maintain a consistent cash receipting process to safeguard against errors and fraud. Systems of internal control with the most favorable designs include procedures designed to prevent or detect errors due to misclassification of transactions in the accounting records. (AU 325.21 appdx) Section 12-6-5, NMSA 1978 requires the audit report to set out in detail any violation of good accounting practices found by the audit.

Effect: There is no way to verify the completeness of the population of receipts without receipt numbers.

Cause: The Village recently switched accounting systems. The new system is supposed to generate receipt numbers but the Village was unable to obtain them from their new system.

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.

Views of Responsible Officials and Planned Corrective Actions: The Village recently switched accounting systems. The new system will automatically generate receipt numbers as revenue is received into the system.

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

A. Financial Statement Findings (continued)

FS2010-4 Inventory – Tracking (Material Weakness)

Condition: The Village does not track inventory amounts and as a result 8 out of 66 inventory counts had discrepancies between the client's count sheets and our counts performed on June 30, 2011.

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.

Views of Responsible Officials and Planned Corrective Actions: Management has given the directive to each department that has consumable inventory to maintain a completed list. At the end of each fiscal year the consumable inventory is to be updated and recorded in the financial system. In FY 12 our goal is to have our inventory counts at 100%. The 8 out of 66 inventory counts for FY 11 had a discrepancy of 12% so this is a very reachable goal.

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

A. Financial Statement Findings (continued)

FS2010-5 Inventory – Airport (Material Weakness)

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.

Views of Responsible Officials and Planned Corrective Actions: The Airport has implemented inventory controls with the new Manager in FY 12. The implementation of a "fuel farm" is being put in place in FY 12 which is a computerized system recording all fuel purchases. . The fuel farm will control access by individual employees; will track the fuel delivered from contractors and fuel dispersed to the fuel truck. It will also monitor the fuel in the tanks. The fuel sales slips will be reconciled to the tank meter and verify that they are the same at the end of each month. The reconciliation is completed by the Administrative Technician and reviewed by Airport Manager.

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

A. Financial Statement Findings (continued)

FS2010-8 Inventory – Recording Inventory (Material Weakness)

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.

Views of Responsible Officials and Planned Corrective Actions: The new financial system implemented in FY 12 will document the recording of consumable inventory. Consumable inventory was not completed in FY 11 but has been completed in FY 12.

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

A. Financial Statement Findings (continued)

FS2011-1 Cash Activity Not Recorded (Material Weakness)

Condition: Cash recorded in the general ledger did not tie to cash per Village bank reconciliations at June 30, 2011 by $3,687. The Village did not record all bank accounts in their general ledger system. The Benevolent Fund checking account at City Bank of New Mexico was not recorded.

Criteria: The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that management is responsible for 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 embodies in the financial statements. Good accounting policies require that the bank statements be reconciled on a timely basis to the Village's general ledger, at least monthly.

Effect: The Village's cash balances and resulting activity are at risk of being misstated at June 30, 2011.

Cause: There is a lack of internal controls being designed and implemented by management to ensure all cash transactions are recorded in the general ledger.

Auditors' Recommendation: The Village should implement policies and procedures and provide adequate training to ensure that internal controls over cash are adequately designed and effectively implemented.

Views of Responsible Officials and Planned Corrective Actions: The Benevolent Fund is recorded on the Balance Sheet (01-10190) in FY 11 at $3,687. That is the amount the finding states is off. The Benevolent Fund is not public funds and has no fund assigned. It is the recommendation of the Finance Department that this fund is dissolved and an account is established through public funds for employee recognition. This was discussed with the Auditors and they concur with this recommendation.

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

A. Financial Statement Findings (continued)

FS2011-2 Lack of Internal Controls Over Voided Checks (Material Weakness)

Condition: During our testwork over cash, we noted several internal control issues including:

- Checks are not being voided in the system for payroll;
- For the water meter trust fund, checks are not being voided in the system nor are some original checks maintained at the entity, the checkbook showed these as void, but t hey did not appear in the general ledger;
- In the operational account, several checks were not being voided in the system even though they were supposed to be, they would show as a zero dollar amount and an open check; and
- The initial input for a check run included an incorrect amount for check #201966. When the error was discovered the check was not voided in the system, instead an additional digit was added to the original check # and issued for the correct amount under check #2019661 in the system. This creates an error in the accounting system check ranges.

Criteria: The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that management is responsible for 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 embodies in the financial statements.

The SAS No. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 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.

Good internal control policy dictates that the Village shall establish and maintain a cash management program to safeguard voided checks. Systems of internal control with the most favorable designs include procedures designed to prevent or detect errors due to misclassification of transactions in the accounting records. (AU 325.21 appdx) Section 12-6-5, NMSA 1978 requires the audit report to set out in detail any violation of good accounting practices found by the audit.

Effect: This results in an increased risk of theft of voided checks and potential for misappropriation of Village funds.

Cause: Responsible officials do not have the communication between departments that is necessary to ensure that checks are voided when they are supposed to be. In addition, responsible officials are not ensuring that an adequate amount of time is taken for checks to be properly voided in the accounting system.

Auditors' Recommendation: The Village should review cash management procedures with the responsible individuals monthly to ensure that all areas of cash have sufficient internal controls, including accounting for all voided checks residing at the entity as well as a documented policy that states who is responsible for voided checks in the system.

Views of Responsible Officials and Planned Corrective Actions: The implementation of the new software system in FY 12 starting in August enables bank reconciliations to be performed within the system. This will address outstanding checks directly through the banks. Past years of not reconciling bank accounts and clearing 90 day old checks from the system has resulted in this finding. Going forward we have put in place:

- voiding of stale checks
- follow up with payee for reissuance
- if no response from payee a form letter is sent
- copies of the form letter is placed in a payee file

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

A. Financial Statement Findings (continued)

FS2011-3 Lack of Internal Controls – Use of Manual Checks (Material Weakness)

Condition: The Village uses manual checks for the Water Meter Trust Fund and Benevolent Fund instead of generating checks from their accounting system. These checks do not go through the same procedures as the system generated checks and are more susceptible to fraud.

Criteria: The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that management is responsible for 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 embodies in the financial statements.

The SAS No. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 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.

Good internal control policy dictates that the Village shall establish and maintain a consistent cash disbursement policy to safeguard against errors and fraud. Systems of internal control with the most favorable designs include procedures designed to prevent or detect errors due to misclassification of transactions in the accounting records. (AU 325.21 appdx) Section 12-6-5, NMSA 1978 requires the audit report to set out in detail any violation of good accounting practices found by the audit.

Effect: The use of manual checks increases the risk that misstatement due to error or fraud are being made at the Village.

Cause: The Village has maintained manual checkbooks for years and has not implemented actions to transition to a pre-printed check stock. In addition, there were issues with being able to create reports for the past two years in the old accounting system for the Water Meter Trust Fund that hindered the Village's ability to keep track of which deposits are eligible for reimbursement.

Auditors' Recommendation: The Village should begin the transition to printing checks off the accounting system to maintain better internal controls.

Views of Responsible Officials and Planned Corrective Actions: The new system eliminates the use of any manual checks as of November 2011 when the Incode system was implemented in Utilities. Utility Billing notifies Accounts Payable, with documents produced by the system, of the amount to wire from the Water Meter Trust Fund to the General Fund. The remaining refund (any debt owed the Village is deducted) is then processed through the Accounts Payable.

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

A. Financial Statement Findings (continued)

FS2011-4 Inaccurate Cash and Accounts Payable Balances – Backdating of Checks (Material Weakness)

Condition: It was noted when performing extended procedures over cash balances that the Accounts Payable Clerk has been backdating checks in order for them to appear during the previous fiscal year rather than as subsequent checks.

Criteria: New Mexico Statutes, Section 6-5-2, NMSA 1978, requires local public bodies to implement internal accounting controls designed to prevent accounting errors and violations of state and federal laws and rules related to financial matters. Generally Accepted Accounting Principles (GAAP) state that expenses incurred but not paid should be recognized in the period in which the expense is incurred as a payable. Dating checks the date they are prepared is essential to the Village maintaining accurate balances in cash, accounts payable and expenses.

Effect: Due to the backdating of checks the Village portrays incorrect cash balances at year end. This leads to misstating the balances in both periods and in the financial statements.

Cause: The Village is not familiar with GAAP rulings that state that items should be incurred in the proper period and has no policies in place to ensure that this does not happen.

Auditors' Recommendation: The Village should not backdate checks.

Views of Responsible Officials and Planned Corrective Actions: The Village no longer back dates checks and corrected that procedure in FY 12 immediately.

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

A. Financial Statement Findings (continued)

FS2011-5 Deficiencies in Internal Control Structure Design, Operation and Oversight – Wire Transfers (Material Weakness)

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.

- The Accounts Payable Clerk is the only one making wire transfers and she is not an authorized user at either bank where wires transfers are being made, City Bank of New Mexico or Wells Fargo Bank.

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. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 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 2011 management did 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. 115 to provide effective oversight of internal control and the financial reporting process.

Auditors' Recommendation: We recommend that virtual pass keys be put into place for dual authorization for the transfers to be completed.

Views of Responsible Officials and Planned Corrective Actions: The Village does about five wires a month. We have tightened the internal controls on the wire transfer process with the following:

- We are reducing all wire transfers.
- Signature documents will have the signature of Staff Accountant to show review of transaction
- Signature documents will have the signature of Finance Director and/or Village Manager approval
- Signature documents will have attached the invoice or wire transfer request
- Signature documents will have date of wire transfer and will be posted to that date
- Staff Accountant will review bank on-line transaction to verify the wire transfer settlement
- The signature document will be filed in the vendor file upon completion

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

A. Financial Statement Findings (continued)

FS2011-6 Deficiencies in Internal Control Structure Design, Operation and Oversight – No Approval for Checking Account Closure (Material Weakness)

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.

- The Village does not require approval for the closure of checking accounts or the merging of certificates of deposits.

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. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 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 2011 management did 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. 115 to provide effective oversight of internal control and the financial reporting process.

Auditors' Recommendation: We recommend that the Village prepare a written policy that dictates how the closing of accounts should be handled and who should be authorizing it.

Views of Responsible Officials and Planned Corrective Actions: The Village Finance Director oversees the investments held by the Village in various banks.

> *The policy for managing the Village's investment program shall be approved by the Village Council. Investment policy recommendations to the Village Council shall be developed under the general direction of the Village Manager or his/her designee.*
>
> *The Village Finance Director will have direct responsibility for developing and recommending changes to the Village's investment policy to the Village Manager. The Finance Director or his/her designee shall implement the Village's investment policy and will have direct responsibility for the placing of specific investments with banks, savings and loan associations, NM Local Government Investment Pool, and other financial institutions in accordance with this policy and State law.*

The Village will create a written form to document approval by signature of Village Manager addressing investment modifications.

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

A. Financial Statement Findings (continued)

FS2011-7 Lack of Internal Controls Over the Accounts Receivable Process (Material Weakness)

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.

- The Village does not reconcile accounts receivable aging reports to the general ledger,
- The Village does not have a policy in place that requires the balancing of interfund receivables and payables, and
- The Village does not have an accounting policy for calculating or recording an allowance for uncollectable accounts.

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. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 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 2011 management did 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. 115 to provide effective oversight of internal control and the financial reporting process.

Auditors' Recommendation: We recommend that the Village prepare a written policy that dictates the accounts receivable process.

Views of Responsible Officials and Planned Corrective Actions: The Finance Department has set up a reconciliation policy to reconcile the Utility accounts receivable to the Utility accounts receivable in the general ledger. The Utility accounts receivable report will be produced by the Utility Supervisor at the end of each month and working with the General Ledger will reconcile. The reconciliation will be reviewed by Staff Accountant and signed off. The Village does not have an accounting policy for calculating or recording an allowance for uncollectable accounts and has contacted the Auditors to contract for consulting and advising of this matter.

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

A. Financial Statement Findings (continued)

FS2011-8 Journal Entries (Material Weakness)

Condition: The Village is unable to provide a listing of all journal entries made throughout the year.

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. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 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: An adequate accounting system is not in place to generate a complete report.

Auditors' Recommendation: We recommend that the Village ensure that a comprehensive internal control structure is designed, documented, and implemented.

Views of Responsible Officials and Planned Corrective Actions: The old accounting software system would no produce a report listing all journal entries processed in the fiscal year. The Auditors had to select the paper journal entries to examine from the actual file for FY 11. The new accounting system, Incode, produces a report listing all journal entries made in a fiscal year or by any date requested.

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

A. Financial Statement Findings (continued)

FS2011-9 Failure to Maintain a Separate Bank Account for the Component Unit (Material Weakness)

Condition: The Village has an operating checking account with Wells Fargo that consists of funds for the general fund, various special revenue funds, and the component unit.

Criteria: The Regional Wastewater Treatment Plant 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: The Village cannot ascertain that all internal controls are being implemented and operating effectively, which increases the risk of assets being misappropriated and misstatements in the financial statements to go undetected.

Cause: The Village is unaware of the requirement for the component unit as a separate legal entity to have separate cash accounts from the primary government.

Auditors' Recommendation: We recommend that the Village record cash in appropriate bank accounts by separating the funds into a new account.

Views of Responsible Officials and Planned Corrective Actions: The Village is aware of the requirement that a Component Unit have a separate bank account. The Regional Wastewater Treatment Plant is treated by the Village as an Enterprise Fund presently. The Village is in the process of conferring with a legal representative to define the issue at this time.

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

B. Federal Awards Findings (continued)

FA2009-2 Deficiencies in Internal Control Structure Design, Operation and Oversight – Identifying Federal, State, and Other Awards (Material Weakness)

Federal Program Information:
Funding Agency: U.S. Dept. of Agriculture
Title: Water and Waste Disposal for Rural Communities
CFDA Number: 10.760
Award Period: 7/1/2009-6/30/2011

Funding Agency: U.S Dept. of Agriculture
Title: Cooperative Forestry Assistance
CFDA Number: 10.664
Award Period: 1/1/2011-12/31/2011

Funding Agency: U.S. Dept. of Commerce
Title: Economic Adjustment Assistance
CFDA Number: 11.307
Award Period: 4/30/2010-6/30/2011

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 2011 management did 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.

Views of Responsible Officials and Planned Corrective Actions: The Village of Ruidoso has prepared and taken to Council in FY 12 an Internal Control Plan for Federal Awards to rectify this finding. The object of this plan is to create effective and efficient operations, reliability of financial reporting and compliance with applicable laws and regulations.

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

B. Federal Awards Findings (continued)

FA2009-3 Deficiencies in Internal Control Structure Design, Operation and Oversight – Identifying and Separately Recording Receipts and Expenditures for Federal Awards (Material Weakness)

Federal Program Information:
Funding Agency: U.S. Dept. of Agriculture
Title: Water and Waste Disposal for Rural Communities
CFDA Number: 10.760
Award Period: 7/1/2009-6/30/2011

Funding Agency: U.S Dept. of Agriculture
Title: Cooperative Forestry Assistance
CFDA Number: 10.664
Award Period: 1/1/2011-12/31/2011

Funding Agency: U.S. Dept. of Commerce
Title: Economic Adjustment Assistance
CFDA Number: 11.307
Award Period: 4/30/2010-6/30/2011

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 2011 management did 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.

Views of Responsible Officials and Planned Corrective Actions: The Village of Ruidoso has prepared and taken to Council in FY 12 an Internal Control Plan for Federal Awards to rectify this finding. The object of this plan is to create effective and efficient operations, reliability of financial reporting and compliance with applicable laws and regulations.

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

B. Federal Awards Findings (continued)

FA2009-9 Deficiencies in Internal Control Structure Design, Operation and Oversight – Tracking Property and Equipment Purchased with Federal Award Funds (Material Weakness)

Federal Program Information:
Funding Agency: U.S. Dept. of Agriculture
Title: Water and Waste Disposal for Rural Communities
CFDA Number: 10.760
Award Period: 7/1/2009-6/30/2011

Funding Agency: U.S Dept. of Agriculture
Title: Cooperative Forestry Assistance
CFDA Number: 10.664
Award Period: 1/1/2011-12/31/2011

Funding Agency: U.S. Dept. of Commerce
Title: Economic Adjustment Assistance
CFDA Number: 11.307
Award Period: 4/30/2010-6/30/2011

Condition: During FY 2011, management did not prudently 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 2011 management did 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.

Views of Responsible Officials and Planned Corrective Actions: The Village of Ruidoso has prepared and taken to Council in FY 12 an Internal Control Plan for Federal Awards to rectify this finding. The object of this plan is to create effective and efficient operations, reliability of financial reporting and compliance with applicable laws and regulations. The completion of recording of capital assets was accomplished in FY 12 and will be maintained and kept current.

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

B. Federal Awards Findings (continued)

FA2009-22 Deficiencies in Internal Control Structure Design, Operation and Oversight – Accounting System Capable of Tracking Matching Costs (Material Weakness)

Federal Program Information:
Funding Agency: U.S. Dept. of Agriculture
Title: Water and Waste Disposal for Rural Communities
CFDA Number: 10.760
Award Period: 7/1/2009-6/30/2011

Funding Agency: U.S Dept. of Agriculture
Title: Cooperative Forestry Assistance
CFDA Number: 10.664
Award Period: 1/1/2011-12/31/2011

Funding Agency: U.S. Dept. of Commerce
Title: Economic Adjustment Assistance
CFDA Number: 11.307
Award Period: 4/30/2010-6/30/2011

Condition: The Village does not have an accounting system capable of:

- 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 2011 management did 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.

Views of Responsible Officials and Planned Corrective Actions: The Village of Ruidoso has prepared and taken to Council in FY 12 an Internal Control Plan for Federal Awards to rectify this finding. The object of this plan is to create effective and efficient operations, reliability of financial reporting and compliance with applicable laws and regulations. The new software system has a capital projects module that tracks federal projects by unique identifying numbers.

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

B. Federal Awards Findings (continued)

FA2011-1 Data Collection Form Submission (Material Weakness)

Federal Program Information:
Funding Agency: U.S. Dept. of Agriculture
Title: Water and Waste Disposal for Rural Communities
CFDA Number: 10.760
Award Period: 7/1/2009-6/30/2011

Funding Agency: U.S Dept. of Agriculture
Title: Cooperative Forestry Assistance
CFDA Number: 10.664
Award Period: 1/1/2011-12/31/2011

Funding Agency: U.S. Dept. of Commerce
Title: Economic Adjustment Assistance
CFDA Number: 11.307
Award Period: 4/30/2010-6/30/2011

Condition: The Village did not submit their data collection form to the Federal Clearing House by March 31, 2011 (9 months after fiscal year ending June 30, 2010).

Criteria: OMB Circular A-133 states that the single audit data collection form was to be submitted no later than 9 months after the end of the fiscal year.

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. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

Cause: For the fiscal year 2011 management did not have a documented policy to ensure internal controls were in place and working properly.

Auditors' Recommendation: The Village should ensure that a comprehensive internal control structure, including a process to ensure their data collection form is submitted timely. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

Views of Responsible Officials and Planned Corrective Actions: The Village did not get the form until FY 12, as we did expend any of the funding until FY 11. You do not report the same year as expended, we have 9 months after the fiscal year ends to submit the data collection form to the Federal Clearing House. The required completion date for that form is March 31, 2012. The Village understands this finding is necessary as a result of the FY 10 late audit.

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 Manaual	Resolved
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	Resolved
FS 2006-4	Airport Outstanding Receivables	Resolved
FS 2007-3	Utility Meter Deposits	Revised and Repeated
FS 2007-7	Monitoring Grants	Resolved
FS 2007-9	Airport Fuel Sales	Resolved
FS 2007-10	Airport Fuel Sales and Purchases	Resolved
FS 2007-11	Auditor Prepared Financial Statements	Revised and Repeated
FS 2008-1	Airport Contract Fuel Program	Resolved
FS 2008-2	Bank Reconciliations	Revised and Repeated
FS 2008-3	Inventories	Resolved
FS 2008-4	Expenditures in Excess of Budget	Revised and Repeated
FS 2009-1	Lack of Adequate Documentation for Expenditures	Resolved
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	Resolved
FS 2009-5	Deficiencies in Internal Control Structure Design, Operation and Oversight - Cash Receipts	Resolved
FS 2009-6	Noncompliance with the Procurement Code	Resolved
FS 2009-7	Lack of Adequate Documentation for Credit Card Expenditures	Resolved
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	Resolved
FS 2009-12	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-13	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-14	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-15	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-16	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-17	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-18	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-19	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-20	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-21	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-22	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-23	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-24	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-25	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
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	Resolved
FS 2009-28	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-29	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-30	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-31	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-32	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-33	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-34	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-35	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved

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

FS 2009-36	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-37	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-38	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-39	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-40	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-41	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-42	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-43	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-44	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-45	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-46	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-47	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-48	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-49	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-50	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-51	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-52	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-53	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-54	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-55	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-56	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-57	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-58	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-59	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-60	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-61	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-62	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-63	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-64	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-65	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-66	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-67	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-68	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-69	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-70	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-71	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-72	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-73	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-74	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-75	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-76	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-77	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-78	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-79	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-80	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-81	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-82	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-83	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-84	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-85	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-86	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-87	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved

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

FS 2009-88	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-89	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-90	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-91	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-92	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-93	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-94	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-95	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-96	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-97	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-98	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-99	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-100	Deficiencies in Internal Control Structure Design, Operation and Oversight	Revised and Repeated
FS 2009-101	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-102	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-103	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-104	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-105	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-106	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-107	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-108	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-109	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-110	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-111	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-112	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-113	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-114	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-115	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-116	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-117	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-118	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-119	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-120	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-121	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-122	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-123	Deficiencies in Internal Control Structure Design, Operation and Oversight – P-Cards	Resolved
FS 2009-124	Deficiencies in Internal Control Structure Design, Operation and Oversight – Airport Supporting Documentation	Resolved
FS 2009-125	Deficiencies in Internal Control Structure Design, Operation and Oversight – Airport Financial Management	Revised and Repeated
FS 2009-126	Deficiencies in Internal Control Structure Design, Operation and Oversight – Airport Financial Management	Revised and Repeated
FS 2009-127	Deficiencies in Internal Control Structure Design, Operation and Oversight – Airport Financial Management	Revised and Repeated
FS 2009-128	Deficiencies in Internal Control Structure Design, Operation and Oversight – Airport Disbursements	Resolved
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

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

FS 2009-131	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-132	Designated Cash Appropriations Exceeded Prior Year Available Balances	Resolved
FS 2010-1	Deficiencies in Internal Control Structure Design, Operation and Oversight – Voided Checks	Resolved
FS 2010-2	Lack of Internal Controls - Cash Receipts	Revised and Repeated
FS 2010-3	Lack of Internal Controls - Cash Receipts	Resolved
FS 2010-4	Inventory - Tracking	Revised and Repeated
FS 2010-5	Inventory - Airport	Revised and Repeated
FS 2010-6	Inventory - Street Department	Resolved
FS 2010-7	Inventory - Obsolete Inventory	Resolved
FS 2010-8	Inventory - Recording Inventory	Revised and Repeated
FA 2009-1	Deficiencies in Internal Control Structure Design, Operation and Oversight – Preparing and Reviewing Financial Reports	Resolved
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	Resolved
FA 2009-5	Deficiencies in Internal Control Structure Design, Operation and Oversight – Reconciliation of Grant Financial Report with Supporting Accounting Records	Resolved
FA 2009-6	Deficiencies in Internal Control Structure Design, Operation and Oversight – Procedures Minimizing the Time between Transfer of Funds from the Grantor	Resolved
FA 2009-7	Deficiencies in Internal Control Structure Design, Operation and Oversight – Approval of Requests for Advancement or Reimbursement	Resolved
FA 2009-8	Deficiencies in Internal Control Structure Design, Operation and Oversight – Controls to Preclude Charging Federal Award Programs with Unallowable Costs and Expenditures	Resolved
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	Resolved
FA 2009-11	Deficiencies in Internal Control Structure Design, Operation and Oversight – Documented Schedule for Filing Financial Reports	Resolved
FA 2009-12	Deficiencies in Internal Control Structure Design, Operation and Oversight – Providing Personnel Approving Expenditures with a List of Allowable and Unallowable Expenditures	Resolved
FA 2009-13	Deficiencies in Internal Control Structure Design, Operation and Oversight – Key Managers Understanding of Staff, Processes, and Control	Resolved
FA 2009-14	Deficiencies in Internal Control Structure Design, Operation and Oversight – Accountability Provided for Charges and Costs between Federal and Nonfederal Activities	Resolved
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	Resolved
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	Resolved

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

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	Resolved
FA 2009-18	Deficiencies in Internal Control Structure Design, Operation and Oversight – Management Review of Supporting Documentation of Allowable Cost Information	Resolved
FA 2009-19	Deficiencies in Internal Control Structure Design, Operation and Oversight – Budget Process Addresses Adequate Resources to Meet Matching Goals	Resolved
FA 2009-20	Deficiencies in Internal Control Structure Design, Operation and Oversight – Written Policy Concerning Matching Requirements	Resolved
FA 2009-21	Deficiencies in Internal Control Structure Design, Operation and Oversight – Processes and Controls to Ensure that Matching Contributions are from Nonfederal Sources	Resolved
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	Resolved
FA 2009-24	Deficiencies in Internal Control Structure Design, Operation and Oversight – Procurement Manual that Incorporates Federal Requirements	Resolved
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	Resolved
FA 2009-26	Deficiencies in Internal Control Structure Design, Operation and Oversight – Procurement Risk Assessment	Resolved
FA 2009-27	Deficiencies in Internal Control Structure Design, Operation and Oversight – Contractor's Performance is Monitored	Resolved
FA 2009-28	Deficiencies in Internal Control Structure Design, Operation and Oversight – Periodic Review of Procurement and Contracting Activities	Resolved
FA 2009-29	Deficiencies in Internal Control Structure Design, Operation and Oversight – Competency of Personnel Preparing Reports	Resolved
FA 2009-30	Deficiencies in Internal Control Structure Design, Operation and Oversight – Mechanisms to Identify Risks of Faulty Reporting	Resolved
FA 2009-31	Deficiencies in Internal Control Structure Design, Operation and Oversight – Written Policy Concerning Reporting	Resolved
FA 2009-35	In-kind Contribution(Matching) Costs Miscalculated	Resolved
FA 2009-36	Backup Documentation Missing	Resolved
FA 2009-37	Insufficient Accounting for Projects	Resolved
FA 2009-38	Purchase Requisition Dated after Invoice	Resolved
FA 2010-1	Purchase Requisition Not for Project Paid by Check	Resolved
FA 2010-2	Purchase Requisition Not Approved by Project Manager	Resolved
FA 2010-3	Missing Documentation	Resolved

Exit Conference

An exit conference was held on November 30, 2011. In attendance were the following:

Representing the Village of Ruidoso:

Ray Alborn	Mayor
Denise Dean	Councilor
Rafael "Rifle" Salas	Councilor
Debi Lee	Village Manager
Sean Parker	Deputy Village Manager
Nancy Klingman	Finance Director
Karen Gutierrez	Staff Accountant

Representing the Regional Wastewater Treatment Plant:

Ray Alborn	Mayor

Representing Accounting & Consulting Group, LLP:

Jeff McWhorter, CPA	Partner
Shelley Olson	Senior 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.