

Report of Independent Auditors and Financial
Statements with Supplementary Information for

**Animal Service Center of the
Mesilla Valley**

June 30, 2012

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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Animal Service Center of the Mesilla Valley

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Animal Service Center of the Mesilla Valley
June 30, 2012

OFFICIAL ROSTER

The Board of Directors, none of whom are employed by the Animal Service Center of the Mesilla Valley for the year ended June 30, 2012, are:

Nathan Small	Chair
Billy Garrett	Vice Chair
Karen Perez	Board Member
Miguel G. Silva	Board Member
Jess Williams	Board Member
Gregory Smith	Board Member
Brian Haines	Board Member
Robert Garza	Board Member

REPORT OF INDEPENDENT AUDITORS

Mr. Hector H. Balderas, New Mexico State Auditor and
The Board of Directors of the Animal Service Center of the Mesilla Valley

We have audited the accompanying financial statements of the governmental activities and each major fund, including the budgetary comparisons, of the Animal Service Center of the Mesilla Valley (ASCMV) as of and for the year ended June 30, 2012, which collectively comprise ASCMV's basic financial statements as listed in the table of contents. These financial statements are the responsibility of ASCMV's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ASCMV's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Animal Service Center of the Mesilla Valley as of June 30, 2012, and the respective changes in financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2012, on our consideration of ASCMV's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Animal Service Center of the Mesilla Valley's basic financial statements. The accompanying Schedule of Pledged Collateral and Schedule of Deposit Accounts and Investments on pages 26 through 28 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Pledged Collateral and Schedule of Deposit Accounts and Investments are fairly stated in all material respects in relation to the financial statements as a whole.

Moss Adams LLP

Albuquerque, New Mexico
November 14, 2012

Animal Service Center of the Mesilla Valley

Management's Discussion and Analysis

For the Year Ended June 30, 2012

The management discussion and analysis for the Animal Service Center of the Mesilla Valley (ASCMV) presents an overview of the financial performance for the year ended June 30, 2012. It is intended to be read in conjunction with the financial statements, which follow this section.

ASCMV operates under a joint powers agreement between the City of Las Cruces and Dona Ana County. It is the mission of the Center to provide safe shelter for all lost, mistreated, and abandoned animals of the Mesilla Valley and surrounding communities. The Center utilizes all avenues available to it in placing each animal into a safe, loving, and permanent home whenever possible. ASCMV strives to meet the highest standards of humane animal care and husbandry, and to promote responsible pet ownership through public education and outreach.

The board of directors and its management value fiscal and programmatic accountability. ASCMV is the steward for contributions from participating governments, and operates as a governmental entity.

Overview of Financial Statements

This annual report consists of four parts:

1. Management's discussion and analysis.
2. Basic financial statements.
3. Notes to the basic financial statements.
4. Supplementary information.

The basic financial statements combine the organization-wide and fund financial statements. These statements present different views of the organization.

The statement of net assets and the statement of activities are organization-wide financial statements that provide information about ASCMV's overall financial status. The organization-wide financial statements are designed to provide readers with a broad overview of ASCMV's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of ASCMV's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets serve as a useful indicator of whether the financial position of the organization is improving or deteriorating.

The statement of activities presents information showing how ASCMV's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items, for example, accrued vacation leave, that will only result in cash flows in future fiscal periods.

Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2012

ASCMV's financial activities are reported in the general fund, which focuses on how cash and other financial assets flow in and out, and the balances remaining at year-end that are available for spending. Consequently, the general fund provides a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance ASCMV's programs.

The financial statements also include notes that explain some of the information in the financial statements and provide more detail. The statements are followed by a section of supplementary information.

Fiscal Agent

The City of Las Cruces is the fiscal agent for ASCMV. As fiscal agent, the City establishes funds to account for money allocated to a particular purpose, and to demonstrate compliance with legal and contractual requirements.

Financial Analysis of the Animal Service Center of the Mesilla Valley

Net Assets—Net assets decreased to \$579,461 at June 30, 2012, from \$581,515 at June 30, 2011. The decrease was primarily capital assets.

Table 1 summarizes the net assets:

Table 1
ASCMV Net Assets
As of June 30,

	2012	2011
Assets		
Current assets	\$ 527,616	\$ 531,457
Capital assets, net	111,655	114,398
Total assets	\$ 639,271	\$ 645,855
Liabilities		
Accounts payable	\$ 2,848	\$ 11,181
Accrued payroll liabilities	56,962	53,159
Total liabilities	59,810	64,340
Net Assets		
Invested in capital assets	111,655	114,398
Unrestricted	467,806	467,117
Total net assets	579,461	581,515
Total liabilities and net assets	\$ 639,271	\$ 645,855

Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Changes in Net Assets—Total revenues for the year ended June 30, 2012, were \$2,032,861 compared with expenses of \$2,034,915. The change in net assets was (\$2,054) due to depreciation. The increase in total revenues of \$150,522 was primarily because of increased funding from the City of Las Cruces for the fiscal year. Expenditures for the fiscal year exceeded 2011 spending by approximately \$189,000. This was related to an increase in personnel expenditures, supplies, and purchased services.

Table 2 summarizes the change in net assets for 2012 and 2011.

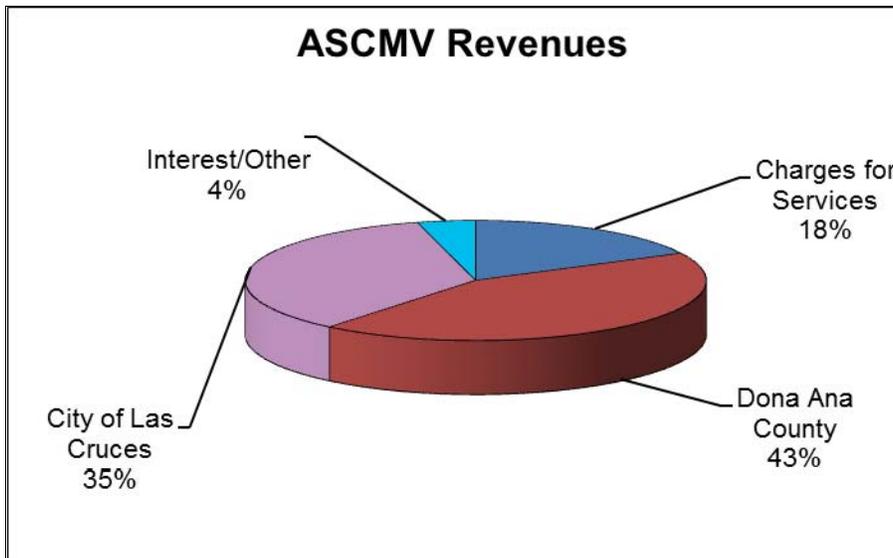
Table 2
Changes in Net Assets
For the Years Ended June 30,

	2012	2011
Revenues		
Charges for services	\$ 356,177	\$ 328,674
Operating contributions		
Dona Ana County	881,787	848,365
City of Las Cruces	711,967	650,513
Other revenues	61,335	58,181
Investment gain (loss)	21,595	(3,394)
Total revenue	2,032,861	1,882,339
Expenses	2,034,915	1,845,664
Change in net assets	(2,054)	36,675
Net assets, beginning of year	581,515	544,840
Net assets, end of year	\$ 579,461	\$ 581,515

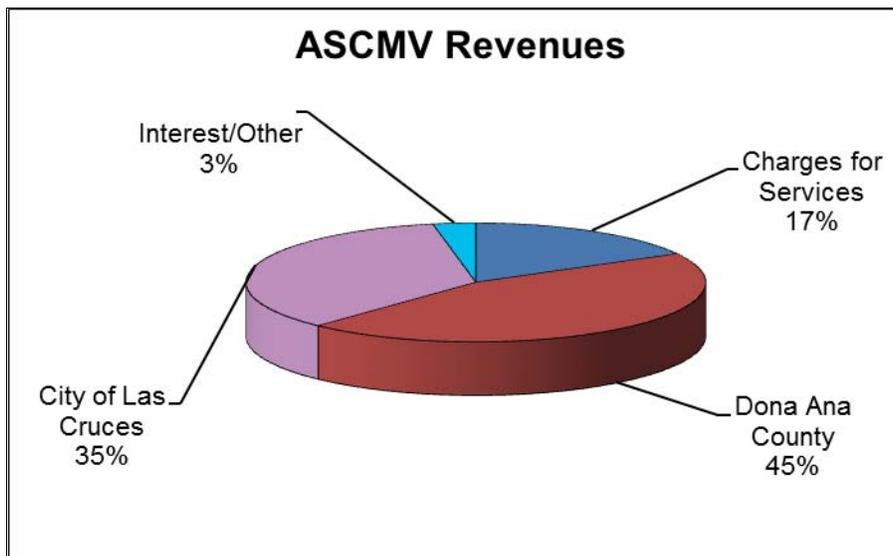
**Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

Charts 1 and 2 show the revenues by source for fiscal years 2012 and 2011, respectively.

**Chart 1
Revenues by Source 2012**



**Chart 2
Revenues by Source 2011**



Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Budgetary Information—The board of directors approves the annual budget and, when necessary, revisions to the existing budget. ASCMV makes every effort to ensure operational expenditures do not exceed funds available. Budgetary information is presented in the basic financial statements.

Table 3 summarizes the variance between the budgeted and actual expenditures for the year ended June 30, 2012.

Table 3
Budgetary Comparison-Aggregate of All Funds
For the Year Ended June 30, 2012

	Budget		Actual	Variance	Percent Variance
	Original	Final			
Revenues					
Charges for services	\$ 324,000	\$ 324,000	\$ 356,177	\$ 32,177	10%
Operating contributions					
Dona Ana County	881,787	881,787	881,787	-	0%
City of Las Cruces	711,967	711,967	711,967	-	0%
Investment gain (loss)	(15,500)	(15,500)	21,595	37,095	-239%
Other	51,000	51,000	61,335	10,335	20%
Total revenue	1,953,254	1,953,254	2,032,861	79,607	4%
Expenditures					
Animal services	2,039,094	1,832,058	2,021,430	(189,372)	-10%
Capital outlay	10,742	207,036	10,742	196,294	95%
Total expenditures	2,049,836	2,039,094	2,032,172	6,922	0%
Revenues over (under) expenditures	\$ (96,582)	\$ (85,840)	\$ 689	\$ 86,529	-101%

The revenue budget remained unchanged throughout the fiscal year. The difference between the final revenue budget and the actual revenue results are related primarily to an increase in charges for services and interest income. The actual revenues were approximately 4% over the final budget with additional revenues of \$79,607 in fiscal year 2012.

The decrease from the original expenditure budget to the final expenditure budget is a result of decreased personnel expenditures. The difference between the final expenditures budget and the actual expenditures are the result of efforts to control expenditures throughout the year. This contributed to total cost savings of \$6,922.

Animal Service Center of the Mesilla Valley
Management’s Discussion and Analysis
For the Year Ended June 30, 2012

Capital Assets

Capital Assets—As of June 30, 2012, capital assets totaled \$111,655, net of accumulated depreciation of \$58,152. As of June 30, 2011, capital assets totaled \$114,398, net of accumulated depreciation of \$29,995.

Table 4
Capital Assets and
Accumulated Depreciation
For the Year Ended June 30,

	2012	2011
Equipment	\$ 169,807	\$ 144,393
Accumulated depreciation	(58,152)	(29,995)
Capital assets, net	\$ 111,655	\$ 114,398

Economic Outlook

Changes in the general economic conditions of the City of Las Cruces and the surrounding area influence the economic condition of ASCMV. With some notable exceptions, the regional area has experienced the same lack luster recovery from the “Great Recession”. The economic outlook calls for slow growth in most indicators. One exception is new residential construction which has yet to experience a turn around. Total construction valuation is anticipated to show little change in the coming fiscal year with residential gains being partially offset by a mild recovery in commercial activity.

The most recent economic indicators show that the rate of employment growth has made a positive turn and increased slightly. A key to achieving the rate of employment forecast for the region is the relationship between private and government sectors. The recovery to date has been concentrated in private jobs with public jobs actually declining in recent years. The outlook anticipates all new jobs being created in the private sector while the public sector remains stagnant.

The region continues to benefit from quality of life elements, including climate, culture, higher education opportunities at the university campus, advances in alternative energy, and growth in health care services. Population migration continues to be hampered by the national housing market. The inability of people to sell homes in other parts of the country and relocate or retire to Las Cruces has yet to abate. Residential units being built have become smaller which reflects the residential market adjusting to homes that are affordable based on local labor market conditions. As the economy continues to make slow progress, these items will enhance the economic recovery opportunities in the future.

Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Contacting the Financial Management

The financial report is designed to provide the community and others with an overview of ASCMV finances and demonstrate the organization's accountability for the money it receives. Questions about this report or requests for additional information may be addressed to the Board Chair at:

Animal Service Center of the Mesilla Valley
P.O. Box 20000
Las Cruces, NM 88004

Financial Statements

Animal Service Center of the Mesilla Valley
Statement of Net Assets and Governmental Funds Balance Sheet
As of June 30, 2012

	General Fund	Capital Projects Fund	Adjustments (Note 8)	Statement of Net Assets
Assets				
Current assets				
Cash and cash equivalents	\$ 501,740	\$ 25,876	\$ -	\$ 527,616
Capital assets				
Equipment, net	-	-	111,655	111,655
Total assets	\$ 501,740	\$ 25,876	\$ 111,655	\$ 639,271
Liabilities				
Current liabilities				
Accounts payable	\$ 2,848	\$ -	\$ -	\$ 2,848
Accrued payroll liabilities	56,962	-	-	56,962
Total current liabilities	59,810	-	-	59,810
Fund Balance/Net Assets				
Assigned	-	25,876	(25,876)	-
Unassigned	441,930	-	(441,930)	-
Total liabilities and fund balance	\$ 501,740	\$ 25,876	(467,806)	59,810
Net assets				
Invested in capital assets			111,655	111,655
Unrestricted			467,806	467,806
Total net assets			579,461	579,461
Total liabilities and net assets			\$ 111,655	\$ 639,271

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

Animal Service Center of the Mesilla Valley
Statement of Activities and Governmental Funds Revenues,
Expenditures, and Changes in Fund Balances
For the Year June 30, 2012

	General Fund	Capital Projects Fund	Adjustments (Note 8)	Statement of Net Assets
Revenues				
Charges for services	\$ 356,177	\$ -	\$ -	\$ 356,177
Operating contributions				
Dona Ana County	881,787	-	-	881,787
City of Las Cruces	711,967	-	-	711,967
Other revenues	61,335	-	-	61,335
Investment gain (loss)	21,595	-	-	21,595
Total revenues	<u>2,032,861</u>	<u>-</u>	<u>-</u>	<u>2,032,861</u>
Expenditures/Expenses				
Current				
Animal services				
Personnel	1,252,366	-	-	1,252,366
Repairs and maintenance	54,902	-	-	54,902
Services	401,786	133,970	-	535,756
Insurance	15,975	-	-	15,975
Supplies	153,876	-	-	153,876
Other	8,555	-	-	8,555
Depreciation	-	-	13,485	13,485
Capital outlay	10,742	-	(10,742)	-
Total expenditures/expenses	<u>1,898,202</u>	<u>133,970</u>	<u>2,743</u>	<u>2,034,915</u>
Change in fund balance/net assets	134,659	(133,970)	(2,743)	(2,054)
Fund balance/net assets, beginning of year	<u>307,271</u>	<u>159,846</u>	<u>114,398</u>	<u>581,515</u>
Fund balance/net assets, end of the year	<u>\$ 441,930</u>	<u>\$ 25,876</u>	<u>\$ 111,655</u>	<u>\$ 579,461</u>

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

Animal Service Center of the Mesilla Valley
General Fund Statement of Revenues, Expenditures, and Changes in
Fund Balance—Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues				
Charges for services	\$ 324,000	\$ 324,000	\$ 356,177	\$ 32,177
Operating contributions				
Dona Ana County	881,787	881,787	881,787	-
City of Las Cruces	711,967	711,967	711,967	-
Other revenue	51,000	51,000	61,335	10,335
Investment gain (loss)	(15,500)	(15,500)	21,595	37,095
Total revenues	1,953,254	1,953,254	2,032,861	79,607
Expenditures				
Animal services				
Personnel	1,469,095	1,314,966	1,252,366	62,600
Repairs and maintenance	37,000	49,900	54,902	(5,002)
Services	380,999	443,188	401,786	41,402
Insurance	14,000	16,000	15,975	25
Supplies	131,000	158,550	153,876	4,674
Other	7,000	9,300	8,555	745
Capital outlay	-	47,190	10,742	36,448
Total expenditures	2,039,094	2,039,094	1,898,202	140,892
Net change in fund balance	(85,840)	(85,840)	134,659	220,499
Transfers to capital from operations	-	-	-	-
Fund balance, beginning of year	307,271	307,271	307,271	-
Fund balance, end of year	\$ 221,431	\$ 221,431	\$ 441,930	\$ 220,499

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

Animal Service Center of the Mesilla Valley
Capital Projects Fund Statement of Revenues, Expenditures, and Changes in
Fund Balance—Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Animal services				
Services	-	-	133,970	(133,970)
Capital outlay	-	159,846	-	159,846
Total expenditures	-	159,846	133,970	25,876
Net change in fund balance	-	(159,846)	(133,970)	25,876
Transfer from operations to capital	-	-	-	-
Fund balance, beginning of year	-	159,846	159,846	-
Fund balance, end of year	\$ -	\$ -	\$ 25,876	\$ 25,876

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

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2012

1) Summary of Significant Accounting Policies

Reporting Entity

The Animal Service Center of the Mesilla Valley (ASCMV) is an organization formed by a joint powers agreement (JPA) dated August 4, 2008 and amended on January 3, 2012, between the City of Las Cruces and the County of Dona Ana (the County). The JPA continues on a yearly basis unless terminated by the parties. The City of Las Cruces and Dona Ana County recognize that the net operating costs may exceed the current joint funding level. Both parties intend to share net operating cost of ASCMV. The operations of ASCMV began in February 2009.

The ASCMV operates an animal shelter providing housing, food, and veterinary care for approximately 15,000 animals every year, most of which are brought by animal control or dropped off by owners. The ASCMV tries to reunite those animals with their owners, find rescue organizations to take them, or get them adopted. If these efforts fail, the animals are euthanized.

The ASCMV is governed by a board that consists of six members and two ex-officio members. Three members are appointed from the City Council by the Mayor with the advice and consent of the City Council. Three members are appointed from the County Commission by the Chair with the advice and consent of the County Commission. The two ex-officio members are the City Manager and the County Manager, or their designees.

The City of Las Cruces is the fiscal agent for ASCMV and accounts for its resources as a governmental entity. ASCMV does not have any component units.

Basis of Presentation, Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. ASCMV applies all applicable pronouncements of the Government Accounting Standards Board (GASB) and applicable FASB statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Organization-Wide Financial Statements—The organization-wide financial statements consist of the statement of net assets and statement of activities. These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2012

1) Summary of Significant Accounting Policies (continued)

Governmental Fund Financial Statements— Governmental funds are reported using the current financial resources measurement focus, and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. ASCMV considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

ASCMV reports the following major governmental funds:

General Fund—The general fund accounts for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund—The capital projects fund is funded by transfers from the general fund accounts capital asset acquisitions. Acquisitions are reported as capital outlay expenditures in the capital projects fund.

Cash and Cash Equivalents

ASCMV participates in a pool of cash and investments with the Treasurer of the City of Las Cruces. All pooled cash and investments are fully insured or collateralized. Amounts are immediately available to ASCMV and are therefore considered cash equivalents.

Capital Assets

Capital assets are recorded at cost or, in the case of donated assets, at their fair market value at the date of receipt and are depreciated over the estimated useful lives of the related assets. ASCMV capitalizes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year.

Nonexchange Transactions

Nonexchange transactions, in which ASCMV gives (or receives) value without directly receiving (or giving) equal value in exchange, includes donations. On an accrual basis, revenue from donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2012

1) Summary of Significant Accounting Policies (continued)

Use of 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 the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Budgets

ASCMV's budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), using an estimate of anticipated revenues and expenditures. New Mexico State law prohibits ASCMV from making an expenditure in excess of approved appropriations. If a fund is not overspent, it is in compliance with state law. The budget may be amended by ASCMV's board; however, approval of the State of New Mexico Department of Finance and Administration must be obtained for budget increases.

New Accounting Pronouncements

The following accounting pronouncements have been recently issued, but not yet adopted by ASCMV. Management anticipates that, upon adoption by ASCMV, none of these statements will have a significant impact on the Agency's financial position or results of operations. Pronouncements that are not applicable to the Agency have been omitted.

- ◆ Statement No. 62: Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.
- ◆ Cash Statement No. 65: Items Previously Reported as Assets and Liabilities.
- ◆ Statement No. 66: Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62.
- ◆ Statement No. 67: Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.
- ◆ Statement No. 68: Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2012

2) Cash and Cash Equivalents

ASCMV participates in a pool of cash and investments maintained by the Treasurer of the City of Las Cruces. Pooled cash and investments are reported at fair value and are reported as cash and cash equivalents since they are immediately available to ASCMV.

ASCMV's share of the City's cash and investment pool at June 30, 2012, is \$527,216.

At June 30, 2012, the City's cash and investment pool consists of the following:

Carrying amount of bank deposits	\$ 10,191,172
Investments at fair value	128,837,526
Accrued interest	<u>611,014</u>
Total cash and investment pool	<u>\$ 139,639,712</u>

Bank Balance of Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's investment ordinance requires collateralization of 100% of the uninsured portion of the City's deposits with financial institutions. Securities pledged by financial institutions are accepted at market value, except obligations of the State of New Mexico and its subdivisions, which are accepted at par value. As of June 30, 2012, the City's deposits, totaling \$27,653,926, was insured by FDIC or collateralized by securities held in trust by a third-party bank for the depository bank in the City's name and thus was not exposed to custodial credit risk.

Investments

The City's investment policy allows investment in: a) U.S. Treasury obligations; b) U.S. government agency and instrumentality obligations; c) repurchase agreements whose underlying securities and/or collateral consist of allowed investments described in (a) or (b) above; d) commercial paper rated not less than A-1, P-1, F-1, or equivalent by a nationally recognized rating agency; e) pooled funds maintained by the State Treasurer; and f) mutual funds whose portfolios consist solely of allowed investments.

As of June 30, 2012, the City's investment pool had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Avg Maturity (Yrs)</u>
U.S. agency coupon bonds	\$ 119,173,345	0.70
Repurchase agreement	<u>9,664,181</u>	0.00
Total Pooled Investments	<u>\$ 128,837,526</u>	

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2012

2) Cash and Cash Equivalents (continued)

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment pool includes step-up coupon securities that total \$119,173,345 issued by U.S. government agencies that are callable by the issuer under certain circumstances. For purposes of calculating weighted average maturity, the City assumes callable securities will be called at the first call option, based on their interest rate, current market interest rate and the City's recent experience with these securities being called at the first call date.

Credit Risk. The City's investment policy lists the criteria for selecting investments and the order of priority as follows: 1) safety; 2) liquidity; and 3) yield. As of June 30, 2012, the City's investments in coupon bonds of U.S. agencies were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. The City's money market fund investments were rated AAAM by Standard & Poor's and/or Aaa by Moody's. The external investment pools of the NM State Investment Council are not rated.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities held in street name with a broker or dealer be insured, and that all other securities be held by the City or a third-party safekeeping financial institution acting as trustee for the City. As of June 30, 2012, all of the City's securities are held in either the street name or by a third-party financial institution in the City's name.

Concentration of Credit Risk. The City's formal investment policy places no limit on the amount the City may invest in any one issuer. As of June 30, 2012, 20% of the City's investment pool was in Federal Home Loan Mortgage Corporation (FHLMC), 66% in Fannie Mae (FNMA), and 7% in Federal Home Loan Bank (FHLB).

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2012

3) Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balances June 30, 2011	Additions	Transfers	Balances June 30, 2012
Equipment	\$ 144,393	\$ 10,742	\$ 14,671	\$ 169,806
Less accumulated depreciation	(29,995)	(13,485)	(14,671)	(58,151)
Capital assets, net	<u>\$ 114,398</u>	<u>\$ (2,743)</u>	<u>\$ -</u>	<u>\$ 111,655</u>

During the year, ASCMV purchased \$10,742 of equipment. In addition, a fully depreciated vehicle with a book value of \$14,671 was transferred to ASCMV. As a result, accumulated depreciation increased by \$14,671. Depreciation expense for the year ended June 30, 2012, of \$13,485 was charged to the animal services function.

During the year ASCMV spent \$133,970 on a remodeling project for the administration building at the Center. The ASCMV administration building is a City facility. Therefore, this capital outlay was considered a donation to the City to be recorded as an increase in the book value of the building. This expenditure is not reflected in ASCMV assets.

The goal of the City is to ultimately transfer ownership of the administration building to ASCMV, with the resulting benefits of this capital asset returning to the Center. The City is working on the details of the building transfer; however, until the ownership transfer is complete, capital improvements to the building will continue to be recorded in the City's assets.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2012

4) Pension Plan – Public Employees Retirement Association

Plan Description

Substantially all of the ASCMV's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees 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 15.73% of their gross salary. The ASCMV is required to contribute 6.58% of the gross covered salary. The contribution requirements of plan members and the ASCMV are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of legislature. The ASCMV's contribution to PERA for the fiscal years ending June 30, 2012, 2011, and 2010 were \$91,214, \$90,086, and \$85,966, respectively, which equal the amount of the required contributions for each fiscal year.

5) Post-Employee Benefits – State Retiree Health Care Plan

Plan Description

ASCMV contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined postemployment health care plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the health care plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2012

5) Post-Employee Benefits – State Retiree Health Care Plan (continued)

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for health care benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate scheduled for the medical plus basic life plan, plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date, or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In fiscal year ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2012

5) Post-Employee Benefits – State Retiree Health Care Plan (continued)

(1) For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.000%	1.000%

(2) For employees who are member of an enhanced retirement plan, during the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 2.292% of each participating employee’s annual salary, and each participating employee was required to contribute 1.146% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.500%	1.250%

Also, employers joining the program after January 1, 1998, are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agree-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contribution can be changed by the New Mexico State Legislature.

The ASCMV’s contributions to the RHCA for the years ended June 30, 2012, 2011, and 2010 were \$8,989, \$7,917, and \$5,833, respectively, which equal the required contributions for each year.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2012

6) Related Party Transactions

ASCMV receives funding from members of the joint powers agreement. During fiscal year 2012, ASCMV received \$711,967 from the City of Las Cruces and \$881,787 from Dona Ana County.

The City is compensated for services rendered to ASCMV as its fiscal agent, as set forth in the joint powers agreement in the amount of \$89,649 per year.

7) Risk Management

ASCMV is exposed to various risks of loss from tort; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters for which ASCMV carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year.

8) Adjustments

Fund balances of ASCMV governmental funds of \$467,806 differ from total net assets of \$579,461 reported on the statement of net assets because capital assets are not reported in the governmental funds. Additionally, the net change in the fund balance of the governmental funds differs from the net assets reported on the statement of activities because capital outlay costs are reported as expenditures in the governmental funds and depreciation expense is reported on the statement of activities.

The following is a summary of the differences:

Fund balance	\$	467,806
Capital assets are not financial resources and, therefore, are not reported in the funds		<u>111,655</u>
Net assets	\$	<u><u>579,461</u></u>
 Revenues over expenditures	 \$	 689
Capital outlay		10,742
Depreciation		<u>(13,485)</u>
Net change in net assets	\$	<u><u>(2,054)</u></u>

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2012

9) Fund Balance Policy

Prior to fiscal year 2011, the ASCMV reported the governmental fund balances as Reserved and Unreserved. Effective fiscal year 2011, the ASCMV has implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and reports the governmental fund balances in two categories, which include:

1. Assigned fund balance – comprises amounts *intended* to be used by ASCMV for specific purposes. Intent can be expressed by the Council, or by an official or body to which the Council delegates the authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
2. Unassigned fund balance – is the residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Unassigned fund balance is only reported in the General Fund.

On June 2, 2011, the ASCMV board adopted a fund balance policy to establish a minimum fund balance reserve of 1/12 of budgeted expenditures effective fiscal year 2011. ASCMV's budgeted expenditures for fiscal year 2012 were \$2,039,094 and 1/12 of this amount is \$169,924. ASCMV's fund balance at June 30, 2012, is \$441,930.

Supplementary Information

Animal Service Center of the Mesilla Valley
Schedule of Pledged Collateral
June 30, 2012

The City of Las Cruces is the fiscal agent of ASCMV. Therefore, ASCMV participates in the City's pooling of cash and investments. The schedule of collateral below represents the amounts that pertain to the City of Las Cruces pooled deposits.

Institution/Security	CUSIP #	Maturity Date	Safe Keeping Location	Market Value
Wells Fargo Bank, NA			BNY Mellon	
FMAC FGPF 5.000% 10/01/2038	3128M6VZ8	10/01/2038		\$ 66,597
FNMA FNMS 4.000% 12/01/2040	3138A1AG6	12/01/2040		87,240
FNMA FNMS 3.000% 12/01/2025	3138A1G62	12/01/2025		4,223
FNMA FNMS 3.500% 12/01/2025	3138A2CF4	12/01/2025		12,036
FNMA FNMS 4.000% 01/01/2041	31409DUS0	01/01/2041		39,277
FNMA FNMS 4.000% 01/01/2041	3138A2WW5	01/01/2041		46,457
FNMA FNMS 3.500% 01/01/2041	3138A36S1	01/01/2041		4,741
FNMA FNMS 4.000% 01/01/2041	3138A3S65	01/01/2041		9,461
FNMA FNMS 4.000% 01/01/2041	3138A4XY6	01/01/2041		916,732
FNMA FNMS 4.500% 03/01/2041	3138A74F2	03/01/2041		208,072
FNMA FNMS 4.000% 03/01/2041	3138A8RD0	03/01/2041		33,006
FNMA FNMS 4.500% 02/01/2041	3138A8XX9	02/01/2041		139,848
FNMA FNMS 4.500% 04/01/2041	3138ABZX0	04/01/2041		4,321
FNMA FNMS 3.000% 11/01/2026	31418ABC1	11/01/2026		13,752,247
FNMA FNMS 3.500% 03/01/2042	31418AD96	03/01/2042		462,330
				<u>\$ 15,786,588</u>

Summary of Collateralization

Wells Fargo Bank

Ending bank balance	\$ 27,836,926
Less: FDIC insurance	(12,633,362)
Total uninsured public funds	<u>\$ 15,203,564</u>
Pledged collateral held by the pledging bank's trust department in the City's name	\$ 15,786,588
100% collateral requirement	<u>15,203,564</u>
Pledged collateral in excess of requirement	<u>\$ 583,024</u>
Uninsured and uncollateralized	<u>\$ -</u>

Animal Service Center of the Mesilla Valley
Schedule of Deposit Accounts and Investments
June 30, 2012

The City of Las Cruces is the fiscal agent of ASCMV. Therefore, ASCMV participates in the City's pooling of cash and investments. Details of ASCMV's cash and cash equivalents are as follows:

Pooled Deposit Accounts

<u>Account</u>	<u>Type of Account</u>	<u>Pooled Cash & Investments</u>	<u>ASCMV Accounts</u>	<u>Total Reconciled Balance</u>	<u>On Deposit 6/30/2012</u>
DEPOSIT ACCOUNTS					
<i>Wells Fargo Bank</i>					
Community Development	Checking	\$ -	\$ -	\$ -	\$ 62,204
Community Development Home Rehab	Checking	-	-	-	22,774
Community Development Home Program	Checking	-	-	-	854
Community Development MONAS Loan	Checking	-	-	-	8
Community Development NSP Program	Checking	-	-	-	63,933
Metro Narcotics Agency	Savings	-	-	-	95,495
2006 Water Projects	Savings	-	-	-	1,398,837
Fiscal Account SCSWA	Savings	-	-	-	1,201,326
Revenue Bonds Proceeds	Savings	-	-	-	12,574,907
Treasury Fund - Operating	Checking	12,129,135	-	12,129,135	12,182,885
Payroll Direct Deposit Account	Checking	(32,862)	-	(32,862)	-
Accounts Payable	Checking	(1,619,282)	-	(1,619,282)	-
On Demand	Checking	42,847	-	42,847	50,703
Depository	Checking	482,815	-	482,815	-
Credit Card	Checking	2,862	-	2,862	-
Electronic	Checking	(814,343)	-	(814,343)	-
Total deposit accounts		<u>\$10,191,172</u>	<u>\$ -</u>	<u>\$10,191,172</u>	<u>\$27,653,926</u>

Animal Service Center of the Mesilla Valley
Schedule of Deposit Accounts and Investments
June 30, 2012

Pooled Investment Accounts

<u>Account</u>	<u>Type of Account</u>	<u>Pooled Investments</u>	<u>ASCMV Accounts</u>	<u>Total Reconciled Balance</u>
INVESTMENTS				
<i>Wells Fargo Bank</i>				
Stagecoach Sweep Repo	Sweep	\$ 9,664,181	\$ -	\$ 9,664,181
<i>Wells Fargo Brokerage Services, LLC</i>				
FNMA Step 2/8/2027-13	Investment	3,001,440	-	3,001,440
<i>First Tennessee</i>				
FCB 1.57 11/7/2016-12	Investment	9,745	-	9,745
FHLMC Step 7/27/2023-12	Investment	3,005,220	-	3,005,220
FHLMC 1.4 1/25/2017-13	Investment	1,005	-	1,005
FHLMC Step 1/25/2027-13	Investment	7,026,600	-	7,026,600
FHLMC Step 2/22/2027-13	Investment	4,017,840	-	4,017,840
FNMA 1.25 3/14/2017-13	Investment	2,003	-	2,003
FNMA Step 2/8/2027-13	Investment	7,003,360	-	7,003,360
FNMA Step 2/8/2027-13	Investment	5,004,500	-	5,004,500
FNMA Step 3/12/2027-13	Investment	3,004,830	-	3,004,830
FNMA Step 1/25/2027-13	Investment	7,048,020	-	7,048,020
FNMA Step 4/16/2027-13	Investment	8,070,400	-	8,070,400
FNMA Step 4/26/2027-13	Investment	5,028,200	-	5,028,200
FNMA Step 5/24/2027-13	Investment	10,013,500	-	10,013,500
FNMA Step 5/24/2027-13	Investment	9,011,700	-	9,011,700
FNMA Step 6/21/2027-13	Investment	12,095,401	-	12,095,401
FNMA Step 6/28/2027-13	Investment	7,975,760	-	7,975,760
<i>Morgan Keegan</i>				
FHLB Step 3/5/2027-12	Investment	8,401,512	-	8,401,512
FHLMC Step 11/21/2023-12	Investment	3,000,000	-	3,000,000
FHLMC Step 2/22/2027-13	Investment	8,447,509	-	8,447,509
FNMA Step 5/24/2027-13	Investment	8,004,800	-	8,004,800
	Total investments	<u>128,837,526</u>	<u>-</u>	<u>128,837,526</u>
	Total deposits and investments	<u>139,028,698</u>	<u>-</u>	<u>139,028,698</u>
<i>Other Cash</i>				
Petty Cash & Change Funds	Cash	-	400	400
<i>Accrued Interest Receivable</i>				
Accrued Interest - Pooled Investments	Accrued Interest	611,014	-	611,014
	Total cash and investments	139,639,712	400	139,640,112
	Less balances in City of Las Cruces fund	<u>139,112,496</u>	<u>-</u>	<u>139,112,496</u>
	ASCMV cash and investment balance	<u>\$ 527,216</u>	<u>\$ 400</u>	<u>\$ 527,616</u>

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

Mr. Hector H. Balderas, New Mexico State Auditor and
The Board of Directors of the Animal Service Center of the Mesilla Valley

We have audited the accompanying financial statements of the governmental activities and each major fund, including the budgetary comparisons, of the Animal Service Center of the Mesilla Valley (ASCMV), Las Cruces, New Mexico, as of and for the year ended June 30, 2012, which collectively comprise ASCMV's basic financial statements and have issued our report thereon dated November 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of ASCMV is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered ASCMV's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ASCMV's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ASCMV's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ASCMV'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 would 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, others within the entity, and the New Mexico Department of Finance and Administration, and the New Mexico State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

Albuquerque, New Mexico
November 14, 2012

Animal Service Center of the Mesilla Valley
Schedule of Findings and Responses
For the Year Ended June 30, 2012

There were no audit findings for the fiscal year ended June 30, 2012.

Animal Service Center of the Mesilla Valley
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2012

There were no audit findings for the fiscal year ended June 30, 2011.

Animal Service Center of the Mesilla Valley
Exit Conference and Financial Statement Preparation
For the Year Ended June 30, 2012

Exit Conference

An exit conference was conducted on November 14, 2012, in a closed meeting of the board of directors pursuant to *Section 12-6-5 NMSA, 1978* with the following individuals in attendance:

ASCMV Board of Directors

Robert Garza	Board Member
Miguel G. Silva	Board Member
Gregory Smith	Board Member

City of Las Cruces (Fiscal Agent)

Mark Winson	Assistant City Manager – Chief Administrative Officer
Brian Denmark	Assistant City Manager – Chief Operating Officer
Melissa Nelson	Accounting Supervisor
Maria Villa	Accounting Supervisor
Gene Connelly	City Attorney

Moss Adams LLP

Larry Carmony	Partner
Ryan Luetkemeyer	Senior Manager
Lupita Martinez	Senior Manager

Financial Statement Preparation

The City's Accounting Department prepared the accompanying financial statements; however, ASCMV is responsible for the financial statement content.