

MARCH 7, 2011
— TENTATIVE AND PRELIMINARY DRAFT —
FOR DISCUSSION PURPOSES ONLY

**Animal Service Center of the
Mesilla Valley**
Financial Statements and
Independent Auditors' Report
June 30, 2010

— TENTATIVE AND PRELIMINARY DRAFT —
FOR DISCUSSION PURPOSES ONLY

Animal Service Center of the Mesilla Valley

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Animal Service Center of the Mesilla Valley
June 30, 2010

BOARD OF DIRECTORS

The Board of Directors, none of whom are employed by the Animal Service Center of the Mesilla Valley for the year ended June 30, 2010, are:

| | |
|----------------------|--------------|
| Miguel Silva | Chair |
| Oscar Vasquez Butler | Vice Chair |
| Jess Williams | Board Member |
| Dolores Connor | Board Member |
| Brian Haines | Board Member |
| Terrence Moore | Board Member |
| Scott Krahling | Board Member |
| Nathan Small | Board Member |

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Independent Auditors' Report

Mr. Hector Balderas, State Auditor of New Mexico 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 the major fund of the Animal Service Center of the Mesilla Valley (ASCMV) as of and for year ended June 30, 2010, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of ASCMV as of June 30, 2010, 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 17, 2010, 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 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.

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The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ASCMV's basic financial statements. The accompanying schedules of pledged collateral and deposit accounts and investments are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 17, 2010

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Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2010

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, 2010. 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.

Prior to January 10, 2008, animal services in Dona Ana County were provided by the Dona Ana County Humane Society (DACHS). On January 10, 2008, DACHS notified the City of Las Cruces and Dona Ana County that it could no longer continue operations. On January 29, 2008, animal services operations became a temporary department of the City of Las Cruces. The City of Las Cruces and Dona Ana County continued funding the operations based on the funding levels previously agreed to in support of DACHS.

On August 4, 2008, the Animal Service Center of the Mesilla Valley was formed through a joint powers agreement (JPA) between the City of Las Cruces and Dona Ana County. The JPA provides for a governing board for the Authority, with the City of Las Cruces serving as fiscal agent. The operations of the Authority began in February 2009.

This financial report covers the twelve month period from July 1, 2009 to June 30, 2010. The financial statements for the prior fiscal year reflect the five months of activity from February 2009 to June 2009. Year to year comparison of operating activity should be considered accordingly.

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.

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Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2010

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 will only result in cash flows in future fiscal periods.

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—Governmental net assets increased to \$544,840 at June 30, 2010, from \$311,159 at June 30, 2009. This was primarily the result of increases in capital assets and pooled cash and investments due to increased services.

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Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2010

Table 1 summarizes net assets of governmental activities.

Table 1
ASCMV Net Assets
As of June 30,

| | 2010 | 2009 |
|----------------------------------|-------------------|-------------------|
| Assets | | |
| Current assets | \$ 528,079 | \$ 403,299 |
| Capital assets, net | <u>91,980</u> | <u>-</u> |
| Total assets | <u>\$ 620,059</u> | <u>\$ 403,299</u> |
| Liabilities | | |
| Accounts payable | \$ 17,063 | \$ 5,813 |
| Accrued payroll liabilities | 58,156 | 50,494 |
| Due to fiscal agent | <u>-</u> | <u>35,833</u> |
| Total liabilities | 75,219 | 92,140 |
| Net Assets | | |
| Invested in capital assets | 91,980 | - |
| Unrestricted | <u>452,860</u> | <u>311,159</u> |
| Total net assets | <u>544,840</u> | <u>311,159</u> |
| Total liabilities and net assets | <u>\$ 620,059</u> | <u>\$ 403,299</u> |

Changes in Net Assets—Total revenues for the year ended June 30, 2010, were \$2,029,178 compared with expenses of \$1,795,497. ASCMV became an agency in February 2009. Fiscal year 2010 is the first year of full operations. Therefore, revenue and expenses for the prior year are for a five-month period ended June 30, 2009.

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Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2010

Table 2 summarizes the change in net assets for each period.

Table 2
Changes in Net Assets

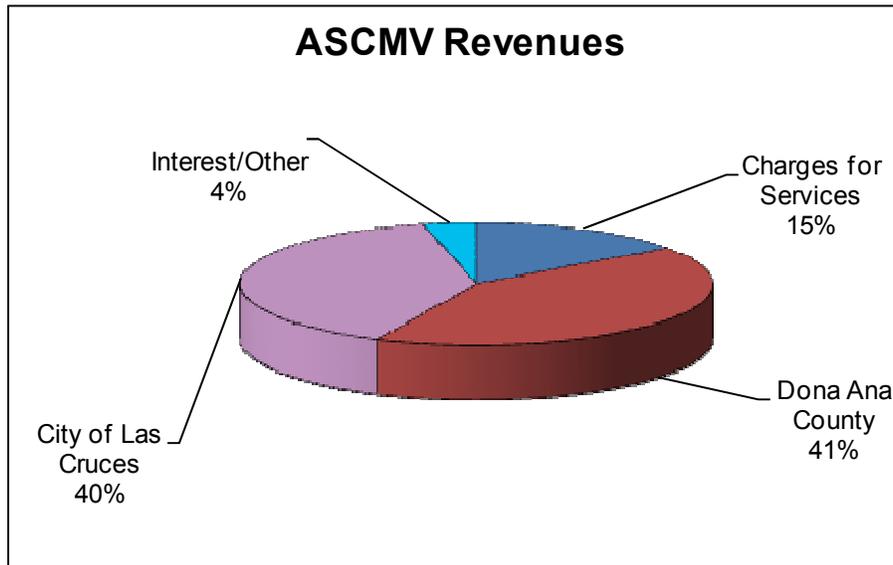
| | Year Ended | Five-Month |
|----------------------------------|------------------------|------------------------|
| | June 30, | Period Ended |
| | 2010 | June 30, |
| | 2010 | 2009 |
| | <hr/> | <hr/> |
| Revenues | | |
| Charges for services | \$ 305,174 | \$ 118,585 |
| Operating contributions | | |
| Dona Ana County | 848,365 | 509,577 |
| City of Las Cruces | 802,151 | 363,903 |
| Other revenues | 61,342 | 17,206 |
| Investment gain (loss) | 12,146 | (981) |
| Total revenue | <hr/> 2,029,178 | <hr/> 1,008,290 |
| Expenses | <hr/> 1,795,497 | <hr/> 697,131 |
| Change in net assets | 233,681 | 311,159 |
| Net assets, beginning of period | <hr/> 311,159 | <hr/> - |
| Net assets, end of period | <hr/> <hr/> \$ 544,840 | <hr/> <hr/> \$ 311,159 |

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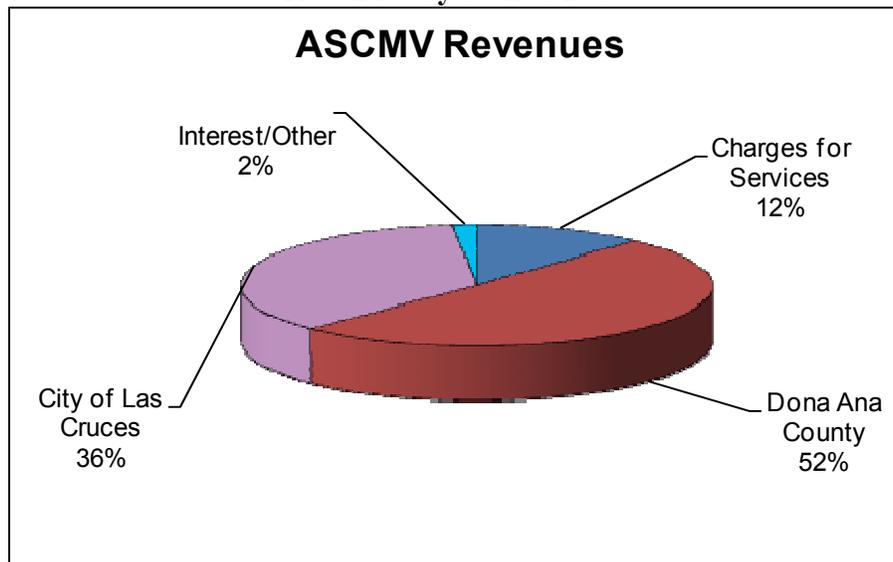
Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2010

Charts 1 and 2 show the revenues by source for fiscal year 2010 and the five-month period ended June 30, 2009.

Chart 1
Revenues by Source 2010



Revenues by Source 2009



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Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2010

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.

The Board adopts a budget for the general fund. 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, 2010.

Table 3
Budgetary Comparison
For the Year Ended June 30, 2010

| | Budget | | Actual | Variance | Percent Variance |
|---------------------------------------|------------------|--------------------|--------------------------|-------------------|---------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Charges for services | \$ 273,845 | \$ 273,845 | 305,174 | \$ 31,329 | 11% |
| Operating contributions | | | | | |
| Dona Ana County | 848,365 | 848,365 | 848,365 | - | 0% |
| City of Las Cruces | 802,151 | 802,151 | 802,151 | - | 0% |
| Investment gain (loss) | (4,538) | (4,538) | 12,146 | 16,684 | -368% |
| Other | 37,116 | 37,116 | 61,342 | 24,226 | 65% |
| Total revenue | <u>1,956,939</u> | <u>1,956,939</u> | <u>2,029,178</u> | <u>72,239</u> | 4% |
| Expenditures | | | | | |
| Animal services | 1,956,939 | 2,002,433 | 1,792,262 | 210,171 | 10% |
| Capital outlay | - | 48,362 | 95,215 | (46,853) | 0% |
| Total expenditures | <u>1,956,939</u> | <u>2,050,795</u> | <u>1,887,477</u> | <u>163,318</u> | 8% |
| Revenues over (under) expenditures | <u>\$ -</u> | <u>\$ (93,856)</u> | <u>\$ 141,701</u> | <u>\$ 235,557</u> | -251% |

In fiscal year 2010, the differences between the original budget and the final budget resulted from an increase in service expenditures. Also, ASCMV received more revenue from donations and memorials. The differences between the final expenditures and the actual expenditures of \$163,318 are the result of efforts to control expenditures throughout the year.

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Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2010

Capital Assets

Capital Assets—As of June 30, 2010, the organization's capital assets totaled \$91,980 net of accumulated depreciation of \$3,235. Prior to fiscal year 2010, ASCMV had no capital assets.

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

| | <u>2010</u> | <u>2009</u> |
|--------------------------|------------------|-------------|
| Equipment | \$ 95,215 | \$ - |
| Accumulated depreciation | <u>(3,235)</u> | <u>-</u> |
| Capital assets, net | <u>\$ 91,980</u> | <u>\$ -</u> |

Economic Outlook

Changes in the general economic conditions of the City of Las Cruces and the surrounding area influence the economic condition of ASCMV. The regional area has not been immune to the effects of the national recession that began in December of 2007. The most recent economic indicators clearly show that the rate of employment growth has been adversely impacted along with the overall value of construction activity. While these impacts are a departure from the past, they have not been of the magnitude that other areas in the nation and state have experienced. The area has begun to record monthly job growth and the expectation is for the coming year to reflect a gradually improving economy.

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Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Year Ended June 30, 2010

Table 5
Las Cruces Economic Indicators

| Item | Fiscal Year | | Change | |
|-----------------------------------|---------------------|--------------|-----------|---------|
| | 2010 | 2009 | Number | Percent |
| Total Employment (MSA)* | 68,008 | 68,908 | (900) | -1.3% |
| Lodging Tax Receipts | \$1,717,810 | \$1,663,616 | \$54,194 | 3.3% |
| Gross Receipts Tax | \$70,701,556 | \$70,169,219 | \$532,337 | 0.8% |
| Single Family Building Permits | 654 | 562 | 92 | 16.4% |
| Total Permit Valuation (Millions) | \$151 | \$178 | -\$27 | -15.2% |
| Population Estimate** | 93,452 | 90,792 | 2,660 | 2.9% |

* Preliminary - Data for Metropolitan Statistical Area

** Census Bureau Estimates as of July 1

The region continues to benefit from quality of life elements, including climate, culture, higher education opportunities at the university campus, and growth in health care services. The City and region have also experienced growth in travel and tourism. Additionally, the military buildup in El Paso, Texas has had a positive impact on the region. These items enhance the economic recovery opportunities in the future.

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 Chairman of the Board at:

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

— TENTATIVE AND PRELIMINARY DRAFT —
FOR DISCUSSION PURPOSES ONLY

Financial Statements

— TENTATIVE AND PRELIMINARY DRAFT —
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Animal Service Center of the Mesilla Valley
General Fund Balance Sheet and Statement of Net Assets
As of June 30, 2010

| | General Fund | Adjustments (Note 7) | Statement of Net Assets |
|------------------------------------|-----------------|-------------------------|-------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 467,922 | \$ - | \$ 467,922 |
| Due from other governments | 60,157 | - | 60,157 |
| Total current assets | 528,079 | - | 528,079 |
| Capital assets | | | |
| Equipment, net | - | 91,980 | 91,980 |
| Total capital assets | - | 91,980 | 91,980 |
| Total assets | \$ 528,079 | \$ 91,980 | \$ 620,059 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | \$ 17,063 | \$ - | \$ 17,063 |
| Accrued payroll liabilities | 58,156 | - | 58,156 |
| Total current liabilities | 75,219 | - | 75,219 |
| Fund Balance | | | |
| Unreserved | 452,860 | (452,860) | - |
| Total fund balance | 452,860 | (452,860) | - |
| Total liabilities and fund balance | \$ 528,079 | | |
| Net assets | | | |
| Invested in capital assets | | 91,980 | 91,980 |
| Unrestricted | | 452,860 | 452,860 |
| Total net assets | | 544,840 | 544,840 |
| Total liabilities and net assets | | \$ 91,980 | \$ 620,059 |

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

— TENTATIVE AND PRELIMINARY DRAFT —
FOR DISCUSSION PURPOSES ONLY

Animal Service Center of the Mesilla Valley
General Fund Statement of Revenues, Expenditures, and Changes in
Fund Balance and Statement of Activities
For the Year June 30, 2010

| | General Fund | Adjustments (Note 7) | Statement of Activities |
|--|-----------------|-------------------------|-------------------------------|
| Revenues | | | |
| Charges for services | \$ 305,174 | \$ - | \$ 305,174 |
| Operating contributions | | | |
| Dona Ana County | 848,365 | - | 848,365 |
| City of Las Cruces | 802,151 | - | 802,151 |
| Other revenues | 61,342 | - | 61,342 |
| Investment gain | 12,146 | - | 12,146 |
| Total revenues | 2,029,178 | - | 2,029,178 |
| Expenditures/Expenses | | | |
| Current | | | |
| Animal services | | | |
| Personnel | 1,115,641 | - | 1,115,641 |
| Repairs and maintenance | 30,670 | - | 30,670 |
| Services | 464,347 | - | 464,347 |
| Insurance | 8,258 | - | 8,258 |
| Supplies | 168,595 | - | 168,595 |
| Other | 4,751 | - | 4,751 |
| Depreciation | - | 3,235 | 3,235 |
| Capital outlay | 95,215 | (95,215) | - |
| Total expenditures/expenses | 1,887,477 | (91,980) | 1,795,497 |
| Revenues over expenditures/expenses | 141,701 | 91,980 | 233,681 |
| Fund balance/net assets, beginning of year | 311,159 | - | 311,159 |
| Fund balance/net assets end of year | \$ 452,860 | \$ 91,980 | \$ 544,840 |

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

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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, 2010

| | Budgeted Amounts | | Actual | Variance with |
|----------------------------------|--------------------------|--------------------------|--------------------------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| Revenues | | | | |
| Charges for services | \$ 273,845 | \$ 273,845 | \$ 305,174 | \$ 31,329 |
| Operating contributions | | | | |
| Dona Ana County | 848,365 | 848,365 | 848,365 | - |
| City of Las Cruces | 802,151 | 802,151 | 802,151 | - |
| Other revenue | 37,116 | 37,116 | 61,342 | 24,226 |
| Investment gain (loss) | (4,538) | (4,538) | 12,146 | 16,684 |
| Total revenues | <u>1,956,939</u> | <u>1,956,939</u> | <u>2,029,178</u> | <u>72,239</u> |
| Expenditures | | | | |
| Animal services | | | | |
| Personnel | 1,292,632 | 1,141,532 | 1,115,641 | 25,891 |
| Repairs and maintenance | 27,500 | 31,000 | 30,670 | 330 |
| Services | 495,307 | 588,815 | 464,347 | 124,468 |
| Supplies | 136,000 | 227,386 | 168,595 | 58,791 |
| Insurance | - | 8,200 | 8,258 | (58) |
| Other | 5,500 | 5,500 | 4,751 | 749 |
| Capital outlay | - | 48,362 | 95,215 | (46,853) |
| Total expenditures | <u>1,956,939</u> | <u>2,050,795</u> | <u>1,887,477</u> | <u>163,318</u> |
| Change in fund balance | - | (93,856) | 141,701 | 235,557 |
| Fund balance, beginning of year | <u>311,159</u> | <u>311,159</u> | <u>311,159</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 311,159</u> | <u>\$ 217,303</u> | <u>\$ 452,860</u> | <u>\$ 235,557</u> |

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

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Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2010

1) Summary of Significant Accounting Policies

Reporting Entity

The ASCMV is an organization formed by a joint powers agreement (JPA) dated August 4, 2008, 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 the Authority 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. ASCMV has also elected to apply FASB statements and interpretations issued after November 30, 1989, 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.

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Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2010

General Fund Financial Statements—The general fund finances all functions of ASCMV. The acquisition, use and balances of ASCMV's expendable financial resources and the related liabilities are accounted for through the general fund. The general fund is 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.

Expenditures are recorded when the related fund liability is incurred, except for long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the general 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.

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.

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Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2010

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.

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, 2010, is \$467,922. At June 30, 2010, the City's cash and investment pool consists of the following:

| | |
|----------------------------------|-----------------------|
| Carrying amount of bank deposits | \$ 14,981,498 |
| Investments at fair value | 90,359,170 |
| Accrued interest | <u>440,152</u> |
| Total cash and investment pool | <u>\$ 105,780,820</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, 2010, the City's bank deposits, totaling \$20,320,542, was insured by federal deposit insurance 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.

— TENTATIVE AND PRELIMINARY DRAFT —
FOR DISCUSSION PURPOSES ONLY

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2010

As of June 30, 2010, the City's investment pool had the following investments:

| Investment Type | Fair Value | Weighted Avg Maturity (Yrs) |
|--------------------------|----------------------|--------------------------------|
| U.S. agency coupon bonds | <u>\$ 90,359,170</u> | 0.53 |

Interest Rate Risk. The City manages exposure to declines in fair values by managing exposure to interest rate risk by purchasing investments with increasing coupon rates and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The investment pool includes step-up coupon securities that total \$90,359,170 issued by U.S. government agencies that are callable by the issuer under certain circumstances. The Telshor Facility fund and the Water and Wastewater funds have \$11,093,790 and \$3,310,591, respectively, of similar step-up agency securities. 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, 2010, the City's investments in coupon bonds of U.S. agencies were rated AAA 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, 2010, 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.

— TENTATIVE AND PRELIMINARY DRAFT —
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Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2010

Concentration of Credit Risk. The City's investment policy places no limit on the amount the City may invest in any one issuer. As of June 30, 2010, 46% of the City's investment pool was invested in Federal Home Loan Mortgage Corporation (FHLMC) securities and 35% was invested in Fannie Mae (FNMA) securities. Of the Telshor Facility Fund portfolio, 47% was in FHLMC and 5% was in FNMA. Of the Water and Wastewater Funds portfolio, 9% was in FHLMC and 11% was in FNMA.

3) Capital Assets

| | Balances June 30, 2009 | Additions | Balances June 30, 2010 |
|-------------------------------|---------------------------|-----------|---------------------------|
| Equipment | \$ - | \$ 95,215 | \$ 95,215 |
| Less accumulated depreciation | - | 3,235 | 3,235 |
| Capital assets, net | \$ - | \$ 91,980 | \$ 91,980 |

Depreciation expense for the year ended June 30, 2010, of \$3,325 was charged to the animal services function.

4) Employee Benefit Plans

Retirement Plan

All employees who work 20 or more hours a week participate in a cost-sharing multiple employer public employee retirement plan administered by the Public Employees Retirement Association (PERA). Participation by ASCMV employees was facilitated by the City's membership in PERA, pending approval of ASCMV's membership, which occurred on August 20, 2009 effective for the fiscal year 2010. Prior to ASCMV's participation in PERA, their employee and employer contributions were paid to the City, which in turn funded the PERA contributions.

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Animal Service Center of the Mesilla Valley

Notes to Financial Statements

June 30, 2010

Benefit provisions are established and may only be amended by state statute. Information pertaining to the actuarially computed present value of vested accumulated plan benefits and nonvested accumulated plan benefits, the plan's net assets available for benefits and the assumed rate of return used in computing the present value, and ten-year historical trend information presenting PERA's progress in accumulating sufficient assets to pay benefits when due is not available by individual government agencies participating in the plan. Actuarial pension data for the State of New Mexico, as employer, is provided at the state-wide level in a separately issued audit report of PERA. The report may be obtained by writing to PERA, PO Box 2123, Santa Fe, NM 87504.

Retirement Eligibility

Eligibility for receiving the monthly benefit equal to the number of years of credited service x 3.0% of their final average monthly salary, the 36 consecutive months of credited service producing the largest average, is as follows:

Employees may retire at: any age with 25 or more years of credited service; or age 60 or older with 20 or more years of credited service. All employees are eligible for retirement at: age 61 or older with 17 or more years of credited service; or age 62 or older with 14 or more years of credited service; or age 63 or older with 11 or more years of credited service; or age 64 or older with eight or more years of credited service; or age 65 or older with five or more years of credited service. Benefits vest after five years of credited service.

Disability Benefits

Members or vested former members with five or more years of credited service will receive their normal retirement pension based on credited service and final average salary at the time of disability or retirement. The five-year service requirement is waived if the disability is incurred in the line of duty. Disability retirements are subject to reevaluation until the disability-retired member reaches normal retirement. Payment of the disability pension is suspended for the balance of any year in which a disability-retired member does not submit an annual statement of earnings from gainful employment by June 30th of each year or if the amount of earnings in the previous year is more than the amount that causes the suspension of, or a decrease in, the Social Security Old Age Benefit for a 65-year old.

Funding Policy

The ASCMV has chosen to enroll in a plan that requires the following contribution percentages:

| | <u>ASCMV</u> | <u>Employees</u> |
|----------------------------------|--------------|------------------|
| All ASCMV contributing employees | 9.15% | 13.15% |

— TENTATIVE AND PRELIMINARY DRAFT —
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Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2010

Contribution requirements are as follows:

| | Contribution | | Eligible Wages | Percentage Contributed |
|-------------------|--------------|-----------|-------------------|---------------------------|
| | ASCMV | Employee | | |
| Fiscal year 2010 | \$ 85,966 | \$ 54,305 | \$ 621,088 | 100% |
| 02/01/09-06/30/09 | 46,737 | 42,725 | 89,462 | 100% |

If a member’s employment is terminated before the member is eligible for other benefits under PERA, the member may receive a refund of the member’s contribution and interest accrued based on rates established biannually by the retirement board.

The remaining salaries and wages expenses are for employees not eligible to participate in the plan.

Retiree Health Care Plan

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public services in New Mexico. The Retiree Health Care Authority (the “Authority”) is the administrator of the plan and determines required contributions under authority of the Act. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Eligible employers include institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act, or the Magistrate Retirement Act.

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 Retiree Health Care Act on the person’s behalf, unless that person retires before the employer’s NMRHCA effective date, in which event the time period for contributions becomes the time between the employer’s effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

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Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2010

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65 percent of the employee's annual salary.

Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator and made no contributions to the plan. After retirement, premiums are paid to the Authority by the retiree.

The ASCMV has paid all of the employer's required contributions, which was as follows:

| | | |
|------|----|-------|
| 2010 | \$ | 5,833 |
| 2009 | | 1,880 |

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

ASCMV issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan.

That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd, NE, Suite 104, Albuquerque, New Mexico 87109.

5) Related Party Transactions

ASCMV receives funding from members of the joint powers agreement. During fiscal year 2010, ASCMV received \$802,151 from the City of Las Cruces and \$848,365 from Dona Ana County. As of June 30, 2010, \$60,157 was an outstanding receivable due 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 \$86,000 per year.

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FOR DISCUSSION PURPOSES ONLY

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2010

6) 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.

7) Adjustments

Fund balances of ASCMV governmental funds of \$452,860 differ from total net assets of \$544,840 reported on the statement of net assets because capital assets are not reported in the general fund. Additionally, the net change in the fund balance of ASCMV's general fund differs from the reduction in net assets reported on the statement of activities because capital outlay costs are reported as expenditures in the general fund and depreciation expense is reported on the statement of activities.

The following is a summary of the differences:

| | |
|---|-------------------|
| Fund balance | \$ 452,860 |
| Capital assets are not financial resources and, therefore, are not reported in the funds | <u>91,980</u> |
| Net assets | <u>\$ 544,840</u> |
| | |
| Revenues over expenditures | \$ 141,701 |
| Capital outlay | 95,215 |
| Depreciation | <u>(3,235)</u> |
| Net change in net assets | <u>\$ 233,681</u> |

— TENTATIVE AND PRELIMINARY DRAFT —
FOR DISCUSSION PURPOSES ONLY

Supplementary Information

— TENTATIVE AND PRELIMINARY DRAFT —
FOR DISCUSSION PURPOSES ONLY

Animal Service Center of the Mesilla Valley
Schedule of Pledged Collateral
June 30, 2010

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.

Deposits

| Institution/Security | CUSIP # | Maturity Date | Safe Keeping Location | Market Value |
|--------------------------------|-----------|------------------|--------------------------|----------------------|
| Wells Fargo Bank, NA | | | Wells Fargo Bank | |
| FED NATL MTG ASSN POOL #256327 | 31371MVU8 | 7/1/2036 | | \$ 12,098,650 |
| FED NATL MTG ASSN POOL #849021 | 31408EG63 | 1/1/2036 | | 10,962,729 |
| FED NATL MTG ASSN POOL #995018 | 31416BK72 | 6/1/2038 | | 14,507,090 |
| | | | | <u>\$ 37,568,469</u> |

Summary of Collateralization

| | | |
|--|--|----------------------|
| Wells Fargo Bank | | |
| Ending bank balance | | \$ 20,320,542 |
| Less: FDIC insurance | | <u>(250,000)</u> |
| Total uninsured public funds | | <u>\$ 20,070,542</u> |
| Pledged collateral held by the pledging bank's trust department in the City's name | | \$ 37,568,469 |
| 100% collateral requirement | | <u>20,070,542</u> |
| Pledged collateral in excess of requirement | | <u>\$ 17,497,927</u> |
| Uninsured and uncollateralized | | <u>\$ -</u> |

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FOR DISCUSSION PURPOSES ONLY

Animal Service Center of the Mesilla Valley
Schedule of Deposit Accounts and Investments
June 30, 2010

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.

| Account | Type of Account | Pooled Cash & Investments | ASCMV Accounts | Total Reconciled Balance | On Deposit 6/30/2010 |
|--|-----------------|---------------------------|----------------|--------------------------|----------------------|
| Deposit Accounts | | | | | |
| <i>Wells Fargo Bank</i> | | | | | |
| Community Development | Checking | \$ - | \$ - | \$ - | \$ 197,752 |
| Community Development Home Rehab | Savings | - | - | - | 40,739 |
| Community Development Home Program | Savings | - | - | - | 1,270 |
| Metro Narcotics Agency | Savings | - | - | - | 95,421 |
| Treasury Fund - Operating | Checking | 19,863,617 | - | 19,863,617 | 19,951,196 |
| Payroll Direct Deposit Account | Checking | (27,647) | - | (27,647) | - |
| Accounts Payable | Checking | (2,240,671) | - | (2,240,671) | - |
| Electronic | Checking | (3,537,060) | - | (3,537,060) | - |
| Credit Card | Checking | 858 | - | 858 | - |
| On Demand | Checking | 34,164 | - | 34,164 | 34,164 |
| Rio Grande Natural Gas Assoc Revenue | Checking | (358,107) | - | (358,107) | - |
| Depository | Checking | 1,246,344 | - | 1,246,344 | - |
| Total deposit accounts | | <u>14,981,498</u> | <u>-</u> | <u>14,981,498</u> | <u>\$ 20,320,542</u> |
| Investments | | | | | |
| <i>Wells Fargo Brokerage Services, LLC</i> | | | | | |
| FNMA | Investment | 10,048,450 | - | 10,048,450 | |
| <i>First Tennessee</i> | | | | | |
| FHLB | Investment | 2,005,000 | - | 2,005,000 | |
| FHLMC | Investment | 33,278,450 | - | 33,278,450 | |
| FNMA | Investment | 20,911,410 | - | 20,911,410 | |
| <i>Morgan Keegan</i> | | | | | |
| FHLMC | Investment | 15,071,100 | - | 15,071,100 | |
| FNMA | Investment | 9,044,760 | - | 9,044,760 | |
| <i>State Treasurer New Mexigrow LGIP</i> | | | | | |
| New Mexico State Treasurer LGIP | Investment | - | - | - | |
| Total investments | | <u>90,359,170</u> | <u>-</u> | <u>90,359,170</u> | |
| Total deposits and investments | | 105,340,668 | - | 105,340,668 | |
| <i>Other Cash:</i> | | | | | |
| Petty Cash & Change Funds | | - | 400 | 400 | |
| <i>Accrued Interest Receivable</i> | | | | | |
| Accrued Interest – Pooled Investments | | 440,152 | - | 440,152 | |
| Total cash and investments | | <u>105,780,820</u> | <u>400</u> | <u>105,781,220</u> | |
| Less balances in City of Las Cruces funds | | <u>105,313,298</u> | <u>-</u> | <u>105,313,298</u> | |
| ASCMV cash and cash equivalents | | <u>\$ 467,522</u> | <u>\$ 400</u> | <u>\$ 467,922</u> | |

— TENTATIVE AND PRELIMINARY DRAFT —
FOR DISCUSSION PURPOSES ONLY

Report on Internal Control Over Financial
Reporting and Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

Mr. Hector Balderas, State Auditor of New Mexico 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 the major fund, and 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, 2010, which collectively comprise ASCMV's basic financial statements and have issued our report thereon dated November 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of ASCMV'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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

— TENTATIVE AND PRELIMINARY DRAFT —
FOR DISCUSSION PURPOSES ONLY

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 instance of noncompliance that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, ASCMV's management, 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.

November 17, 2010

— TENTATIVE AND PRELIMINARY DRAFT —
FOR DISCUSSION PURPOSES ONLY

Animal Service Center of the Mesilla Valley
Schedule of Findings and Responses
For the Year Ended June 30, 2010

There were no audit findings for the fiscal year ended June 30, 2010.

— TENTATIVE AND PRELIMINARY DRAFT —
FOR DISCUSSION PURPOSES ONLY

Animal Service Center of the Mesilla Valley
Other Disclosures
For the Year Ended June 30, 2010

Exit Conference

An exit conference was conducted on November 15, 2010, 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

| | |
|----------------|--------------|
| Dolores Connor | Board Member |
| Scott Krahling | Board Member |
| Jess Williams | Board Member |

Animal Service Center of the Mesilla Valley

| | |
|------------------|-------------------------|
| Jeannie Massaway | Office Assistant Senior |
|------------------|-------------------------|

City of Las Cruces (Fiscal Agent)

| | |
|--------------------------|--------------------------------|
| Pat Degman, CGFM | Interim Finance Director |
| Audrey Evins, CPA | Interim Comptroller |
| Carlos Lobato, CIA, CISA | Interim Internal Audit Manager |
| Melissa Nelson | Accounting Supervisor |
| Karin DeVogel | Interim Accounting Supervisor |
| Sharon Thomas | Councilor |

REDW_{LLC}

| | |
|---------------------------------|-----------|
| Bruce Bleakman, CPA | Principal |
| Michele Ziegler, CPA (by phone) | Manager |

Financial Statement Preparation

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