

Animal Service Center of the Mesilla Valley
Financial Statements and
Independent Auditors' Report
June 30, 2009

Animal Service Center of the Mesilla Valley

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Animal Service Center of the Mesilla Valley
June 30, 2009

BOARD OF DIRECTORS

The Board of Directors, none of whom are employed by the Animal Service Center of the Mesilla Valley for the five-month period ended June 30, 2009, are:

Scott A. Krahling	Chairman
Nathan Small	Vice Chairman
Miguel G. Silva	Board Member
Dolores Connor	Board Member
Oscar Vasquez Butler	Board Member
Todd Garrison	Board Member

Independent Auditors' Report

Mr. Hector 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 the major fund of the Animal Service Center of the Mesilla Valley (ASCMV) as of and for the five-month period ended June 30, 2009, which collectively comprise ASCMV's basic financial statements, as listed in the table of contents. We have also audited the budget comparison statement in the statement of revenues, expenditures and changes in fund balance—budget and actual, 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 above present fairly, in all material respects, the financial position of the governmental activities and the major fund of ASCMV as of June 30, 2009, and the respective changes in financial position and budgetary comparisons for the five-month period 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 16, 2009, 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.

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 and budget comparison statement. The accompanying schedules of pledged collateral and deposit accounts and investments are presented for purposes of additional analysis and to meet the requirements of the State of New Mexico Office of the State Auditor, 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 16, 2009

Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Five-Month Period Ended June 30, 2009

The management discussion and analysis of the Animal Service Center of the Mesilla Valley (ASCMV) presents an overview of its financial performance for the five-month period from its inception through June 30, 2009. It is intended to be read in conjunction with the financial statements, which follow this section.

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; therefore, the accompanying financial statements are for the five-month period from inception through June 30, 2009.

ASCMV operates under a joint powers agreement between the city and 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 fund.

Overview of Financial Statements

This annual report consists of three parts:

1. Management's discussion and analysis.
2. The basic financial statements.
3. Notes to the basic financial statements.

Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Five-Month Period Ended June 30, 2009

Financial Statements

This annual report consists of management's discussion and analysis (this section), the financial statements and notes to the financial statements. Because ASCMV has no long-term assets or liabilities or other items that would result in differences between entity-wide and fund financial statements, a single set of financial statements is presented that comprises both the entity-wide and the fund information. The basic financial statements combine the organization-wide and fund financial statements.

The governmental fund balance sheet/statement of net assets and the statement of governmental fund revenues, expenditures and changes in fund balance/statement of activities provide information about ASCMV's overall financial status. The financial statements are designed to provide readers with an overview of ASCMV's finances.

ASCMV's basic services are reported in the general fund, which focuses on how cash and other financial assets flow in and out, and the balances left at period-end that are available for spending. The general fund provides a 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 provide more detail and explain some of the information in the financial statements. The statements are followed by a section of supplementary information that compares the actual and budgetary revenues and expenditures.

Fiscal Agent

The City of Las Cruces is the fiscal agent for ASCMV. As fiscal agent, the City establishes funds to control and manage money for a particular purpose, or in order to demonstrate that it is meeting legal responsibilities for the use of certain monies.

Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Five-Month Period Ended June 30, 2009

Financial Analysis of ASCMV

Net Assets. Table 1 summarizes net assets for governmental activities.

Table 1
ASCMV Net Assets
June 30, 2009

Assets

Cash and investments	\$ 257,197
Due from other governments	146,102
Total assets	\$ 403,299

Liabilities

Accounts payable	\$ 5,813
Accrued payroll liabilities	50,494
Due to fiscal agent	35,833
Total liabilities	92,140

Net Assets

Unrestricted	311,159
Total net assets	311,159
Total liabilities and net assets	\$ 403,299

Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Five-Month Period Ended June 30, 2009

Changes in Net Assets. Total revenues for the five-month period ended June 30, 2009, were \$1,008,290 compared with expenses of \$697,191. Table 2 summarizes the change in net assets for the period.

Table 2
Changes in Net Assets
Five-month Period Ended June 30, 2009

Revenues	
Operating contributions	
Dona Ana County	\$ 509,577
City of Las Cruces	363,903
Charges for services	118,585
Other revenues	17,206
Investment loss	(981)
Total revenue	1,008,290
Expenses-Animal Service	697,131
Change in net assets	311,159
Net assets, beginning of period	-
Net assets, end of period	\$ 311,159

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.

Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Five-Month Period Ended June 30, 2009

Tables 3 summarize the variance between the budgeted and actual expenditures for the five-month period ended June 30, 2009.

Table 3
Budgetary Comparison
For the Five-Month Period Ended June 30, 2009

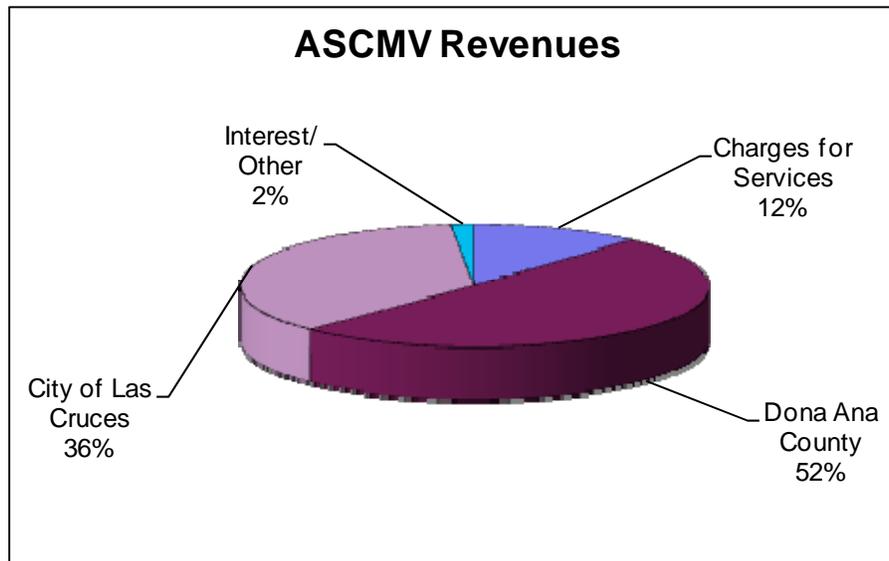
	Budget		Actual	Variance	Percent Variance
	Original	Final			
Revenues					
Charges for services	\$ 186,534	\$ 186,534	\$ 118,585	\$ (67,949)	-36%
Operating contributions					
Dona Ana County	509,577	509,577	509,577	-	0%
City of Las Cruces	363,903	363,903	363,903	-	0%
Investment loss	-	(1,075)	(981)	94	-9%
Other	29,170	29,170	17,206	(11,964)	-41%
Total revenues	<u>1,089,184</u>	<u>1,088,109</u>	<u>1,008,290</u>	<u>(79,819)</u>	-7%
Expenditures					
Animal services	<u>789,106</u>	<u>789,106</u>	<u>697,131</u>	<u>91,975</u>	12%
Total expenditures	<u>789,106</u>	<u>789,106</u>	<u>697,131</u>	<u>91,975</u>	12%
Revenues over expenditures	<u>\$ 300,078</u>	<u>\$ 299,003</u>	<u>\$ 311,159</u>	<u>\$ 12,156</u>	4%

In the fiscal year of 2009, the revenue shortfall of (\$79, 819) is due in large part to the ASCMV not having a veterinarian on staff for a period of time and could not provide these services to the public. Actual expenditures surpassed the final budgeted expenditures by \$91,975, which is due to an increase in overtime charges related to personnel vacancies.

Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Five-Month Period Ended June 30, 2009

Charts 1 show the revenues by source.

Chart 1
Revenues by Source
Five-month Period Ended June 30, 2009



Debt and Capital Assets

For the five-month period ended June 30, 2009, ASCMV had no capital asset or debt activity.

Economic Outlook

Changes in the general economic conditions for the City of Las Cruces and the surrounding area influence ASCMV. The regional area, while still experiencing an expanding economy, has not been immune from national economic conditions. The City of Las Cruces, while still faring better than the nation, has not been immune from the recession which started in December 2007. A table containing an array of economic indicators clearly shows the mixed performance made by the City during the last twenty four months. The trends show growth only in population. The construction industry has show a continued drop in fiscal year 2009 and lodging tax receipts reflect the cutback in discretionary spending as a result of pervasive job losses in most states including New Mexico.

Animal Service Center of the Mesilla Valley
Management's Discussion and Analysis
For the Five-Month Period Ended June 30, 2009

Table 4
Las Cruces Economic Indicators

Item	Fiscal Year		Change	
	2009	2008	Number	Percent
Total Employment (MSA)*	68,808	69,075	(267)	-0.4%
Lodging Tax Receipts	\$1,663,616	\$1,785,109	\$ (121,493)	-6.8%
Gross Receipts Tax	\$70,169,219	\$72,665,014	\$ (2,495,795)	-3.4%
Single Family Building Permits	562	675	(113)	-16.7%
Total Permit Valuation (Millions)	\$182.1	\$184.9	\$ (2.8)	-1.5%
Population Estimate**	91,865	89,722	2,143	2.4%

* Preliminary - Data for Metropolitan Statistical Area

** Census Bureau Estimates as of July 1

For fiscal year 2010, the economic assumptions call for slow economic activity as the national economy begins to heal. The recent past has seen exceptional growth fueled by rapid construction activity centered around residential housing. This changed in fiscal year 2008 and fell further in fiscal year 2009. The outlook calls for overall construction activity to bottom out in 2009, striking a level that is more in balance with population growth.

The City continues to benefit from its geographical location and environmental qualities. A countervailing factor is the ongoing construction of a number of public projects by the City, Federal Government, and the Las Cruces Public School district. These projects are all scheduled to be completed by the end of Fiscal Year 2011.

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

Financial Statements

Animal Service Center of the Mesilla Valley
Governmental Fund Balance Sheet/Statement of Net Assets
As of June 30, 2009

Assets

Current assets

Cash and investments	\$ 257,197
Due from other governments	<u>146,102</u>
Total assets	<u><u>\$ 403,299</u></u>

Liabilities

Current liabilities

Accounts payable	\$ 5,813
Accrued payroll liabilities	50,494
Due to fiscal agent	<u>35,833</u>
Total current liabilities	<u>92,140</u>

Fund Balance/Net Assets

Unreserved	<u>311,159</u>
Total fund balance/net assets	<u>311,159</u>
Total liabilities and fund balance/net assets	<u><u>\$ 403,299</u></u>

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

Animal Service Center of the Mesilla Valley
Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance/Statement of Activities
For the Five-Month Period Ended June 30, 2009

Revenues

Charges for services	\$ 118,585
Operating contributions	
Dona Ana County	509,577
City of Las Cruces	363,903
Other revenues	17,206
Investment loss	(981)
Total revenues	<u>1,008,290</u>

Expenditures/Expenses

Animal services	
Personnel	493,342
Repairs and maintenance	6,168
Services	142,193
Supplies	51,684
Other	3,744
Total expenditures/expenses	<u>697,131</u>
Revenues over expenditures/expenses	311,159
Fund balance/net assets, beginning of the period	<u>-</u>
Fund balance/net assets, end of the period	<u><u>\$ 311,159</u></u>

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

Animal Service Center of the Mesilla Valley
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Five-Month Period Ended June 30, 2009

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues				
Charges for services	\$ 186,534	\$ 186,534	\$ 118,585	\$ (67,949)
Operating contributions				
Dona Ana County	509,577	509,577	509,577	-
City of Las Cruces	363,903	363,903	363,903	-
Other revenue	29,170	29,170	17,206	(11,964)
Investment loss	-	(1,075)	(981)	94
Total revenues	<u>1,089,184</u>	<u>1,088,109</u>	<u>1,008,290</u>	<u>(79,819)</u>
Expenditures				
Personnel	636,000	598,500	493,342	105,158
Repairs and maintenance	6,652	6,652	6,168	484
Services	90,662	109,662	142,193	(32,531)
Supplies	51,083	69,583	51,684	17,899
Other	4,709	4,709	3,744	965
Total expenditures	<u>789,106</u>	<u>789,106</u>	<u>697,131</u>	<u>91,975</u>
Change in fund balance	300,078	299,003	311,159	12,156
Fund balance, beginning of the period	-	-	-	-
Fund balance, end of the period	<u>\$ 300,078</u>	<u>\$ 299,003</u>	<u>\$ 311,159</u>	<u>\$ 12,156</u>

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

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2009

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; therefore the accompanying financial statements are for the five-month period from inception through June 30, 2009.

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 fund. ASCMV does not have any component units. The fiscal agent shall be compensated for services rendered to ASCMV, as set forth in the joint powers agreement in the amount of \$86,000 per year base rate.

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.

Government-Wide—The government-wide 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. 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 pronouncement conflict with GASB pronouncements.

Governmental Fund Financial Statements— Governmental funds are those through which all functions are financed. The acquisition, use and balances of ASCMV's expendable financial resources, and the related liabilities are accounted for through governmental funds. Governmental funds are reported using the current financial

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2009

1) Summary of Significant Accounting Policies — continued

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 compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. ASCMV's governmental fund is the general fund. The general fund accounts for all financial resources except those required to be accounted for in another fund.

Cash and Investments

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.

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. ASCMV does not have any capital assets as of June 30, 2009.

Compensated Absences

Compensated absences and accumulated vacation leave are reported as an expense and a liability of the general fund.

Revenue

Operating revenues are recognized in the accounting period in which they are earned. Revenues include contributions from the City of Las Cruces and Dona Ana County.

Expenditures

Expenditures are recognized in the accounting period in which the related liability is incurred.

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.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2009

2) Cash and Investments

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.

ASCMV's equity in City's cash and investment pool \$ 257,197

At June 30, 2009, the City's cash and investment pool consist of the following:

	Pooled Cash and Investments
Carrying amount of bank deposits	\$ (3,805,499)
Investments at fair value	110,719,136
Accrued interest	<u>313,562</u>
Total cash and cash equivalents	<u><u>\$ 107,227,199</u></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 50% 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, 2009, the City's deposits, totaling \$375,766, was 100% insured by FDIC, 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.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2009

2) Cash and Investments — continued

Investments — continued

As of June 30, 2009, the City’s investment pool had the following investments:

Investment Type	Fair Value	Weighted Avg Maturity (Yrs)
Pooled investments		
Money market funds	\$ 13,870,209	0.08
Commercial paper	6,986,440	0.19
U.S. agency discount notes	70,529,770	0.42
U.S. agency coupon bonds	3,014,700	1.81
Collateralized mortgage obligations	3,160,887	0.92
U.S. Treasury Notes	<u>13,157,130</u>	0.51
Total pooled investments	<u>\$ 110,719,136</u>	0.65

Interest Rate Risk. The City’s general investment policy is to apply the prudent investor rule to manage its exposure to declines in fair values. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of relatively shorter term investments 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.

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, 2009, the City’s investments in the senior unsecured debt and short-term discount notes of U.S. agencies were rated AAA and A-1+, respectively, by Standard & Poor’s and Aaa and P-1 by Moody’s Investors Service. Mortgage-backed securities issued by U.S. agencies were rated AAA by Standard & Poor’s and Aaa by Moody’s. Positions in commercial paper were rated P-1 by Moody’s and A-1 or A-1+ by Standard & Poor’s. The City’s money market fund investments were rated AAAM by Standard & Poor’s and/or Aaa by Moody’s.

The City invests in the New Mexico State Treasurer’s Local Government Investment Pool (LGIP). LGIP operates as a money market fund, maintaining a \$1.00 per share net asset value. On September 16, 2008, LGIP held investments in the Reserve Primary Fund, which was downgraded from “AAA” to “D.” The amounts and timing of future distributions from the Reserve Primary Fund are uncertain. LGIP provided for its potential loss in that Fund by transferring proportionate amounts of the City’s investments in LGIP as of September 16, 2008, to a Reserve Contingency Fund, a non-performing fund that represents claims against future distributions of principal from the Reserve Primary Fund. As of June 30, 2009, \$144,761 of the City’s pool investments in

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2009

2) Cash and Investments — continued

Investments — continued

LGIP was in the Reserve Contingency Fund and was written down to a fair value of \$0.00. On October 7, 2009, the City recovered \$27,340 of the amount written off for fiscal year 2009.

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, 2009, all of the City's securities are held 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, 2009, 25% of the City's investment pool was in Federal Home Loan Bank (FHLB), 27% in Federal Home Loan Mortgage Corporation (FHLMC), and 17% in Federal National Mortgage Association (FNMA).

3) **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.

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.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2009

3) Employee Benefit Plans — continued

Retirement Plan — continued

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's employees are in the same plan as the City of Las Cruces which has chosen to enroll in a plan that requires the following contribution percentages:

	ASCMV	Employees
All ASCMV contributing employees	11.65%	10.65%

For employees in the general municipal employees' plan, the City has chosen to pay a portion of the employees' 10.65% required contribution as an additional benefit. The ASCMV follows the City's policy.

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2009

3) Employee Benefit Plans — continued

Retirement Plan — continued

Contribution requirement for the five-month period ended June 30, 2009, is as follows:

	ASCMV	Employee	Total	Percentage Contributed
02/01/2009 - 06/30/2009	\$ <u>46,737</u>	\$ <u>42,725</u>	\$ <u>89,462</u>	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.

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.

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

Animal Service Center of the Mesilla Valley
Notes to Financial Statements
June 30, 2009

3) **Employee Benefit Plans — continued**

Retiree Health Care Plan — continued

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 employers' required contributions, which was as follows:

2009	\$ <u>1,880</u>
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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.

The Authority 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.

4) **Related Party Transactions**

ASCMV receives funding from members of the joint powers agreement. During fiscal year 2009, ASCMV received \$363,903 from the City of Las Cruces and \$509,577 from Dona Ana County. As of June 30, 2009, \$146,102 was receivable from Dona Ana County. In addition, ASCMV pays a fiscal agent fee to the City of Las Cruces, as set forth in the joint powers agreements. As of June 30, 2009, \$35,833 was payable to the City of Las Cruces for these fees related to the five-month period then ended.

5) **Risk Management**

ASCMV is exposed to various risks of loss from torts; 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 or the three prior years.

Supplementary Information

Animal Service Center of the Mesilla Valley
Schedule of Pledged Collateral
June 30, 2009

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 pledged collateral below represents the amounts that pertain to the City of Las Cruces pooled deposits.

Deposits

Institution/Security

No collateral was pledged as of June 30, 2009.

Summary of Insurance and Collateralization

	Interest Bearing Accounts	Non-interest Bearing Accounts*	Total
Wells Fargo Bank			
Ending bank balance	\$ 117,465	\$ 258,301	\$ 375,766
Less: FDIC insurance coverage	<u>(250,000)</u>	<u>(258,301)</u>	<u>(508,301)</u>
Excess of insurance coverage over deposits	<u>\$ (132,535)</u>	<u>\$ -</u>	<u>\$ (132,535)</u>

* On October 14, 2008, the FDIC announced the Temporary Liquidity Guarantee Program. The program provides full deposit insurance coverage for non-interest bearing deposit transaction accounts in FDIC-insured institutions, regardless of the amount.

Animal Service Center of the Mesilla Valley
Schedule of Deposit Accounts and Investments
June 30, 2009

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 investments are as follows:

Account	Account Type	Pooled Cash & Investments	ASCMV Accounts	Total Reconciled Balance	On Deposit 6/30/2009
Deposit Accounts					
<i>Wells Fargo Bank</i>					
Community Development	Checking	\$ -	\$ -	\$ -	\$ 199,100
Community Development Home Rehab	Savings	-	-	-	20,716
Community Development Home Program	Savings	-	-	-	1,366
Metro Narcotics Agency	Savings	-	-	-	95,383
Treasury Fund - Operating	Checking	(3,468,113)	-	(3,468,113)	24,077
Payroll Direct Deposit Account	Checking	(57,135)	-	(57,135)	-
On Demand	Checking	30,562	-	30,562	35,124
Rio Grande Natural Gas Assoc Revenue	Checking	(310,813)	-	(310,813)	-
Depository	Checking	-	-	-	-
Total deposit accounts		<u>(3,805,499)</u>	<u>-</u>	<u>(3,805,499)</u>	<u>\$ 375,766</u>
Investments					
<i>Wells Fargo Bank</i>					
Investment Custody Account	Investment	55,604	-	55,604	
WF Treas Plus MM Fund - Sweep Acct	Sweep	4,005,243	-	4,005,243	
<i>Wells Capital Management</i>					
CLC Liquidity Management Agency	Investment	97,328,966	-	97,328,966	
<i>Wells Fargo Brokerage Services, LLC</i>					
City of Las Cruces	Brokerage	6,372,223	-	6,372,223	
<i>State Treasurer New Mexigrow LGIP</i>					
Pooled Investments	Investment	<u>2,957,100</u>	<u>-</u>	<u>2,957,100</u>	
Total investments		<u>110,719,136</u>	<u>-</u>	<u>110,719,136</u>	
Total deposits and investments		106,913,637	-	106,913,637	
<i>Other Cash</i>					
Petty Cash & Change Funds		-	400	400	
<i>Accrued Interest Receivable</i>					
Accrued Interest - Other Pooled Investments	Accrued Int	257	-	257	
Wells Capital Management - Pool	Accrued Int	<u>313,305</u>	<u>-</u>	<u>313,305</u>	
Total cash and investments		<u>107,227,199</u>	<u>400</u>	<u>107,227,599</u>	
Less balances in City of Las Cruces funds		<u>106,970,402</u>	<u>-</u>	<u>106,970,402</u>	
ASCMV cash and investment balance		<u>\$ 256,797</u>	<u>\$ 400</u>	<u>\$ 257,197</u>	

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, 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 the major fund, and budgetary comparisons of the Animal Service Center of the Mesilla Valley (ASCMV), as of and for the five-month period ended June 30, 2009, which collectively comprise ASCMV's basic financial statements and have issued our report thereon dated November 16, 2009. 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 the ASCMV's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects ASCMV's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of ASCMV's financial statements that is more than inconsequential will not be prevented or detected by ASCMV's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by ASCMV's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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.

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 could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 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 16, 2009

Animal Service Center of the Mesilla Valley
Other Disclosures
For the Five-Month Period Ended June 30, 2009

Exit Conference

An exit conference was conducted on November 16, 2009, 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

Miguel G. Silva	Councilor
Dolores Conner	Councilor

ASCMV

Beth Vesco-Mock	Director
Jeannie Massaway	Senior Office Assistant

City of Las Cruces (Fiscal Agent)

Mark D. Sutter, CPA/Ph.D.	Finance Director
Pat Degman, CGFM	Comptroller
Audrey Evins	Internal Auditor
Cynthia Vigil	Accounting Supervisor
Melissa Nelson	Accounting Supervisor

REDW_{LLC}

Bruce Bleakman	Principal
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Financial Statement Preparation

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