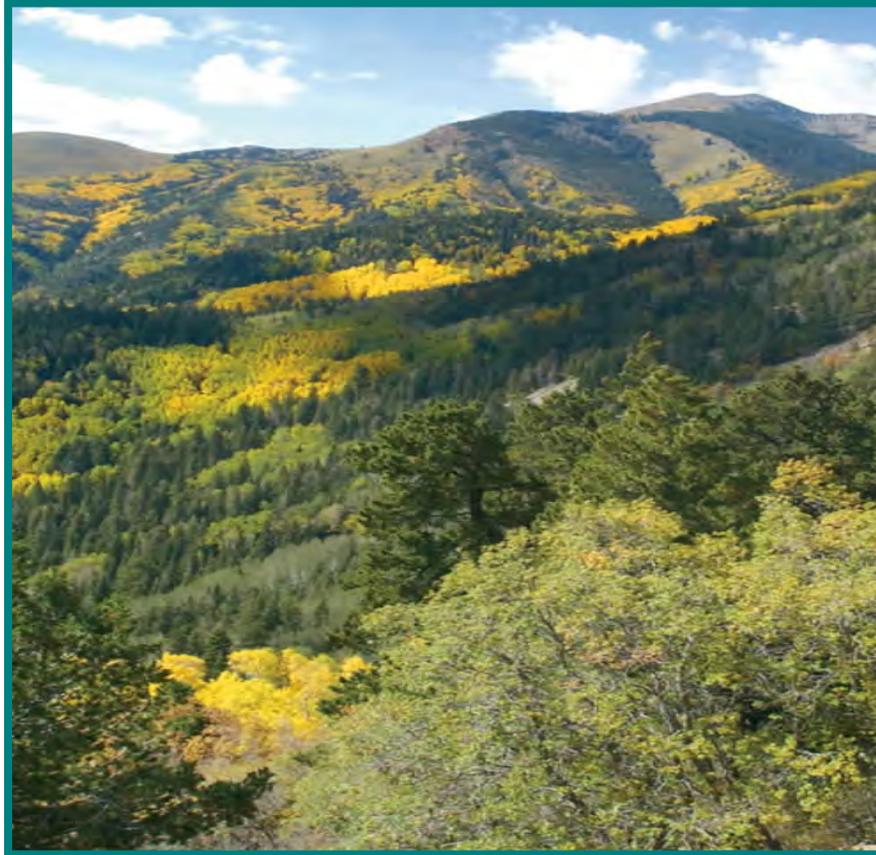




Village of Ruidoso

State of New Mexico



**Regional Wastewater Treatment Plant
Annual
Financial
Report
June 30, 2012**

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
Village of Ruidoso
Regional Wastewater Treatment Plant
A Component Unit of the Village of Ruidoso
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June 30, 2012

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STATE OF NEW MEXICO
Village of Ruidoso
Regional Wastewater Treatment Plant
A Component Unit of the Village of Ruidoso
Official Roster
June 30, 2012

<u>Name</u>	<u>Joint Utility Board</u>	<u>Title</u>
Randall Camp		Village of Ruidoso Utilities Director
Gus Raymond Alborn		Village of Ruidoso Mayor
Rafael "Rifle" Salas		Village of Ruidoso Mayor Pro Tem
Gary L. Williams		City of Ruidoso Downs Mayor
Dean Holman		City of Ruidoso Downs Mayor Pro Tem
Cleatus Richards		City of Ruidoso Downs Public Works Director

<u>Administration</u>	
Debi Lee	Village Manager
Nancy Klingman	Director of Finance
Bobby Snowden	Treatment Plant Manager

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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico
and
Joint Utility Board Members
Village of Ruidoso
Regional Wastewater Treatment Plant
Ruidoso, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Village of Ruidoso, Regional Wastewater Treatment Plant (the "Plant"), a component unit of the Village of Ruidoso, New Mexico (the "Village"), as of and for the year ended June 30, 2012, which collectively comprise the Village of Ruidoso, Regional Wastewater Treatment Plant's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison for the year ended June 30, 2012 listed as supplementary information in the table of contents. These financial statements are the responsibility of the Plant's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the Plant are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities that are attributable to the transactions of the Plant. They do not purport to and do not present fairly the financial position of the Village of Ruidoso as of June 30, 2012, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Plant as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparison referred to above present fairly, in all material respects, the respective budgetary comparison for the year then ended in conformity with the budgetary basis of accounting as prescribed in the New Mexico Administrative Code, as more fully described in Note 2 to the financial statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2013 on our consideration of the Plant's internal control over financial reporting and 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 Village of Ruidoso, Regional Wastewater Treatment Plant's Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Roswell, New Mexico
April 3, 2013

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Village of Ruidoso
Regional Wastewater Treatment Plant
A Component Unit of the Village of Ruidoso
Statement of Net Assets
June 30, 2012

Exhibit A-1

	Total
ASSETS	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 1,906,997
Investments	1,345,101
Customer receivables	107,094
Taxes receivable	216,319
Inventory	52,435
<i>Total current assets</i>	3,627,946
<i>Noncurrent assets:</i>	
Capital assets	22,463,734
Accumulated depreciation	(890,407)
<i>Total noncurrent assets</i>	21,573,327
<i>Total assets</i>	\$ 25,201,273
LIABILITIES AND NET ASSETS	
<i>Current liabilities:</i>	
Accounts payable	\$ 75,180
Accrued payroll expenses	27,818
Accrued compensated absences	27,467
Accrued interest	293,470
Notes and bonds payable	170,960
<i>Total current liabilities</i>	594,895
<i>Non-current liabilities :</i>	
Notes and bonds payable	9,478,188
<i>Total noncurrent liabilities</i>	9,478,188
<i>Total liabilities</i>	10,073,083
<i>Net assets:</i>	
Invested in capital assets, net of related debt	11,924,179
Unrestricted	3,204,011
<i>Total net assets</i>	15,128,190
<i>Total liabilities and net assets</i>	\$ 25,201,273

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit A-2

Village of Ruidoso

Regional Wastewater Treatment Plant

A Component Unit of the Village of Ruidoso

Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2012

<i>Operating revenues:</i>	
Charges for services	\$ 3,579,807
<i>Total operating revenues</i>	<u>3,579,807</u>
<i>Operating expenses:</i>	
General and administrative	195,118
Personnel services	630,877
Contractual services	519,076
Supplies	6,363
Maintenance and materials	2,539
Utilities	472,139
Depreciation	779,668
<i>Total operating expenses</i>	<u>2,605,780</u>
<i>Operating income</i>	<u>974,027</u>
<i>Non-operating revenues (expenses):</i>	
Gross receipts tax revenues	1,271,545
Interest income	2,712
Interest expense	(427,726)
Miscellaneous income	1,663
<i>Total non-operating revenues (expenses)</i>	<u>848,194</u>
Transfer of utility system	21,972,014
Transfers to Village of Ruidoso	(545,423)
<i>Total net transfers</i>	<u>21,426,591</u>
<i>Change in net assets</i>	<u>23,248,812</u>
<i>Net assets - beginning of year</i>	(4,223,947)
<i>Restatement (Note 11)</i>	<u>(3,896,675)</u>
<i>Net assets - beginning of year, as restated</i>	<u>(8,120,622)</u>
<i>Total net assets - end of year</i>	<u>\$ 15,128,190</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
Village of Ruidoso
Regional Wastewater Treatment Plant
A Component Unit of the Village of Ruidoso
Statement of Cash Flows
For the Year Ended June 30, 2012

Exhibit A-3

<i>Cash flows from operating activities:</i>	
Cash received from user charges	\$ 3,698,362
Cash payments to employees for services	(797,022)
Cash payments to suppliers for goods and services	(999,648)
<i>Net cash provided by operating activities</i>	<u>1,901,692</u>
 <i>Cash flows from noncapital financing activities:</i>	
Gross receipts taxes received	1,055,226
Miscellaneous income	1,663
Intergovernmental transfers	(545,423)
<i>Net cash provided by noncapital financing activities</i>	<u>511,466</u>
 <i>Cash flows from capital and related financing activities:</i>	
Principal paid on capital debt	(166,413)
Interest paid on capital debt	(392,318)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(558,731)</u>
 <i>Cash flows from investing activities:</i>	
Interest on investments	2,712
Purchase of investments	(287,357)
<i>Net cash provided (used) by investing activities</i>	<u>(284,645)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	1,569,782
<i>Cash and cash equivalents - beginning of year</i>	<u>337,215</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 1,906,997</u>
 <i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>	
Operating income (loss)	\$ 974,027
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	779,668
Changes in assets and liabilities	
Customer receivables	118,555
Inventory	(52,435)
Accounts payable	52,904
Accrued payroll expenses	10,311
Current accrued compensated absences	18,662
<i>Net cash provided (used) by operating activities</i>	<u>\$ 1,901,692</u>

Note: \$21,972,014 in Utility System infrastructure was transferred to the Plant from the Village of Ruidoso; however, no cash was paid.

STATE OF NEW MEXICO
Village of Ruidoso
Regional Wastewater Treatment Plant
A Component Unit of the Village of Ruidoso
Notes to the Financial Statements
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Regional Wastewater Treatment Plant (Plant) was established on July 3, 1974 with Plant from a joint powers agreement (JPA) between the Village of Ruidoso, and the City of Ruidoso Downs. The JPA created a Joint Use Board for the implementation of planning, construction, and regional control of wastewater treatment facilities for the Village of Ruidoso, the City of Ruidoso Downs and the surrounding area.

The Joint Use Board consists of five members and a clerk. The five members consist of the two mayors (or mayor pro-tem); a representative of the county commission (Lincoln County) confirmed by the council of each municipality, and two additional members, one each nominated by the mayor and confirmed by the council of each respective municipality. The terms of the mayor and members shall be coincident with their term in office. The term of the representative of the county commission shall be coincident with the term of the county commission. The term of the two additional members, nominated by the mayor and confirmed by the council of each respective municipality, shall be coincident with the terms of the nominating mayors. The Board's clerk shall be the fiscal agent for the cooperating Village. The clerk's duties shall be subject to the advice and consent of the Board.

For financial purposes only, the Plant is a discretely presented component unit of the Village of Ruidoso. The Plant was created to plan, construct, and operate a wastewater treatment plant.

The financial statements of the Plant have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements and notes are the representation of the Plant's management who is responsible for their integrity and objectivity. The more significant of the government's accounting policies are described below.

The Village of Ruidoso adopted ordinance 2007-11 on November 27, 2007, amending the municipal code of ordinances, specifically Appendix A, the fee schedule to incorporate wastewater rate fees. The wastewater fee charges were effective and billing began January 2008. These fees will be utilized to defray a portion of the costs of improvements to the wastewater system.

A. Financial Reporting Entity

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the reporting entity was made by applying the criteria set forth in GAAP. The most primary standard for including or excluding a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestations of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing the Plant, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographical boundaries of the government and is generally available to its citizens.

STATE OF NEW MEXICO
Village of Ruidoso
Regional Wastewater Treatment Plant
A Component Unit of the Village of Ruidoso
Notes to the Financial Statements
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Financial Reporting Entity (continued)

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Plant is able to exercise oversight responsibilities. Based upon the application of these criteria, the Plant has no component units; however, the Plant is a component unit of the Village of Ruidoso.

B. Basis of Accounting and Measurement Focus

The Plant's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. Pursuant to Government Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting. The Plant has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB Pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this limitation. The Plant has elected not to follow subsequent private-sector guidance.

The accounts of this Plant are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Plant's assets, liabilities, net assets, revenues and expenses.

Enterprise funds account for activities: (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulation that the activity's cost of providing services, including capital costs, such as depreciation or debt service, be recovered with fees and charges rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs, such as depreciation or debt service. The Plant distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Plant's ongoing operation. The principal operating revenues are charges for services. Operating expenses include the cost of rental operations, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Plant's policy to use restricted resources first, and then unrestricted resources as they are needed.

The accounting and financial reporting treatment applied to the Plant is determined by its measurement focus. The transactions of the Plant are accounted for on a flow of economic resources measurement focus. With this measurement focus all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets such as total assets net of total liabilities, are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components. The Plant's operating statement presents increases (revenues) and decreases (expenses) in net total assets.

STATE OF NEW MEXICO
Village of Ruidoso
Regional Wastewater Treatment Plant
A Component Unit of the Village of Ruidoso
Notes to the Financial Statements
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities, and Net Assets

Deposits and Investments

The Plant does not have a separate bank account for cash or a specific account for investments. Cash and investments are pooled into one common account maintained by Village of Ruidoso in order to maximize investment opportunities. Cash and investments are considered to be a share of the Village of Ruidoso's pooled cash and investments at year-end. State Statutes authorize the investment of Plant funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Plant properly followed State investment requirements as of June 30, 2012. The Plant's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Please refer to the financial statements for the Village of Ruidoso, New Mexico for the disclosure information regarding the custodial credit risk and other risk that may apply. Please refer to the Village of Ruidoso financial statements for a schedule of deposits and investments and schedule of pledged collateral at June 30, 2012 which are not included in this report. The audited financial statements may be obtained from the Finance Department Director at 313 Cree Meadows Dr. Ruidoso, NM 88345.

Accounts Receivable

All trade receivables are shown net of an allowance for doubtful accounts. The allowance is comprised of all accounts receivable which management estimates to be uncollectible.

Inventory

The inventory held consists of expendable supplies held for consumption and recorded at cost. The cost is recorded as an expenditure at the time of consumption. Inventory for the Plant is valued at cost totaling \$52,435 at June 30, 2012.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, and equipment, are defined by the Plant as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction. Depreciation is recorded using the straight-line method based on the estimated useful life of the asset. The following lives are utilized:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40 years
Utility system	5-33 years
Equipment	5 years
Vehicles	10 years

STATE OF NEW MEXICO
 Village of Ruidoso
 Regional Wastewater Treatment Plant
 A Component Unit of the Village of Ruidoso
 Notes to the Financial Statements
 June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities, and Net Assets (continued)

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable, available financial resources is reflected as a liability of the Plant. In accordance with the provisions of the Government Accounting Standards Board, Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Annual leave is earned according to the following schedule:

<u>Length of Employment</u>	<u>Accrual Rate</u>
1 to 12 months	3.39 hrs/pay period
13 to 24 months	3.70 hrs/pay period
25 to 36 months	4.00 hrs/pay period
37 to 48 months	4.31 hrs/pay period
49 to 168 months	4.62 hrs/pay period
169 months and over	6.16 hrs/pay period

Vacation leave balance shall not exceed 240 hours. Accumulated unused vacation is payable upon retirement or termination from employment. The Plant allows 40-hour employees to accumulated unused sick leave at the rate of 3.00 hours per pay period. There is no maximum on sick leave accrual. A percentage of the accumulated unused sick leave is paid upon voluntary termination from employment after the employee's fifth year of continuous full-time employment. Accumulated sick leave will be paid upon retirement.

Deferred Revenue

The Plant reports deferred revenue in its statement of net assets, when applicable. Deferred revenues arise when the Plant receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met, or when the Plant has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized.

Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components:

- **Invested in Capital Assets, Net of Related Debt** – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.
- **Restricted Net Assets** – Net assets are reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – Net assets that do not meet the definition of “restricted” and “Invested in capital assets, net of related debt.”

STATE OF NEW MEXICO
Village of Ruidoso
Regional Wastewater Treatment Plant
A Component Unit of the Village of Ruidoso
Notes to the Financial Statements
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities, and Net Assets (continued)

Unrestricted and Restricted Revenues

When both restricted and unrestricted resources are available for use, it is the Plant's policy to use restricted resources first, then unrestricted resources as they are needed.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures such as the lives of capital assets. Accordingly, actual results could differ from those estimates. Significant estimates in the Plant's financial statements include depreciation on capital assets, the current portion of accrued compensated absences and the allowance for uncollectible accounts.

D. Budgets

Budgets for all funds are prepared by management and approved by the Plant and the New Mexico Department of Finance and Administration. The Clerk is responsible for preparing the budget. The appropriated budget is prepared by the line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the Joint Use Board for approval by resolution.

The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration's Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1st with final certifications of the budget by the first Monday of September. Once adopted, the expenditure section of the budget is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

The Plant the budget is prepared on a cash basis of accounting. The budget is a guideline to operations and is not a legally enforceable document. The Plant's level of budgetary control is at the total fund level.

NOTE 2. DEPOSITS AND INVESTMENTS

The Plant does not have a separate bank account or a specific investment account. Cash and investments totaling \$1,906,997 and \$1,345,101 respectively at June 30, 2012 are pooled into one common account maintained by the Village of Ruidoso, the Plant's fiscal agent in order to maximize investment opportunities. The Plant's monies deposited into pooled cash account have equity therein, and interest earned on investments of these monies is allocated based on relative equity at month-end. Cash and cash equivalents is considered to be a share of the Village's pooled cash and short-term investments with original maturities of three months or less from the date of acquisition. In accordance with GASB statement No. 31 the Plant has stated its share of the investment pool at fair value. Please refer to the financial statements for the Village of Ruidoso, New Mexico for the disclosure information regarding the custodial credit risk and other risk that may apply. Please refer to the Village of Ruidoso financial statements for a schedule of deposits and investments and schedule of pledged collateral at June 30, 2012. The audited financial statements may be obtained from the Finance Department Director at 313 Cree Meadows Dr. Ruidoso, NM 88345.

STATE OF NEW MEXICO
Village of Ruidoso
Regional Wastewater Treatment Plant
A Component Unit of the Village of Ruidoso
Notes to the Financial Statements
June 30, 2012

NOTE 3. ACCOUNTS RECEIVABLE

The Plant's receivables as of June 30, 2012 are shown as follows:

	Plant
Customer receivables	\$ 107,094
Gross receipt taxes receivable	216,319
Net accounts receivable	\$ 323,413

The Plant estimates all receivable at June 30, 2012 to be fully collectible.

NOTE 4. CAPITAL ASSETS

A summary of changes in capital assets and accumulated depreciation balances during fiscal year ending June 30, 2012 follows:

	Balance, June 30, 2011	Restatement	Additions	Deletions	Balance, June 30, 2012
Capital assets not being depreciated:					
Land	\$ 892,723	(892,723)	\$ -	\$ -	\$ -
Total capital assets not being depreciated	892,723	(892,723)	-	-	-
Capital assets being depreciated:					
Buildings and improvements	9,681,976	(9,681,976)	-	-	-
Utility system	397,347	(397,347)	21,972,014	-	21,972,014
Equipment	677,226	(330,070)	-	-	347,156
Vehicles	-	144,564	-	-	144,564
Total capital assets being depreciated	10,756,549	(10,264,829)	21,972,014	-	22,463,734
Total capital assets	11,649,272	(11,157,552)	21,972,014	-	22,463,734
Less accumulated depreciation:					
Buildings and improvements	6,423,805	(6,423,805)	-	-	-
Utility system	366,151	(366,151)	695,780	-	695,780
Equipment	781,123	(742,828)	69,431	-	107,726
Vehicles	-	72,444	14,457	-	86,901
Total accumulated depreciation	7,571,079	(7,460,340)	779,668	-	890,407
Total capital assets, net of depreciation	\$ 4,078,193				\$ 21,573,327

Depreciation expense for the year ended June 30, 2012, totaled \$779,668. Ownership of utility system infrastructure in the amount of \$21,972,014 was transferred to the Plant from the Village of Ruidoso on June 30, 2012.

STATE OF NEW MEXICO
Village of Ruidoso
Regional Wastewater Treatment Plant
A Component Unit of the Village of Ruidoso
Notes to the Financial Statements
June 30, 2012

NOTE 5. LONG-TERM LIABILITIES

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2012.

	Balance June 30, 2011	Restatement	Restated Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
Bonds payable	\$ 8,468,537	\$ 199,463	\$ 8,668,000	\$ -	\$ 91,000	\$ 8,577,000	\$ 94,000
Notes payable	1,147,561	-	1,147,561	-	75,413	1,072,148	76,960
Compensated absences	8,805	-	8,805	60,521	41,858	27,468	27,467
Totals	\$ 9,624,903	\$ 199,463	\$ 9,824,366	\$ 60,521	\$ 208,271	\$ 9,676,616	\$ 198,427

Bonds Payable

On October 7, 2009, the Plant issued their Series 2009 Wastewater System Improvement Revenue Bonds in the amount of \$8,755,000 to the United States Department of Agriculture (USDA) for the purpose of improving and extending the Plant's wastewater system. Principal and interest are paid annually. The bonds are secured by and payable from the net revenues of the Regional Wastewater Treatment Plant.

Outstanding bonds payable at the end of the year for the Plant are as follows:

Description	Original Issue	Final Maturity	Interest Rate	Balance, June 30, 2012
Series 2009 Wastewater Improvement	\$ 8,755,000	10/1/2049	4.25%	\$ 8,577,000

Debt service requirements on bonds payable for the Plant at June 30, 2012 are as follows:

Fiscal Year Ending June 30,	Principal Payment	Interest Payment	Total Debt Service
2013	\$ 94,000	\$ 458,530	\$ 552,530
2014	98,000	458,530	556,530
2015	103,000	459,370	562,370
2016	107,000	458,990	565,990
2017	111,000	458,440	569,440
2018-2022	632,000	2,294,150	2,926,150
2023-2027	778,000	2,293,950	3,071,950
2028-2032	959,000	79,447	3,405,212
2033-2037	1,181,000	2,354,925	3,535,925
2038-2042	1,453,000	2,339,128	3,792,128
2043-2047	1,790,000	2,321,774	6,433,548
2048-2050	1,271,000	1,386,603	2,657,603
	\$ 8,577,000	\$ 15,363,837	\$ 28,629,376

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Village of Ruidoso
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NOTE 5. LONG-TERM LIABILITIES (continued)

Notes Payable

In prior years, the Plant borrowed \$1,200,000 from the New Mexico Environment Department (NMED) for the purpose of completing improvements to the wastewater treatment plant. On June 30, 2004, the Plant refinanced the note with NMED in the amount of \$1,513,154. Principal and interest are paid annually. The note is secured by and payable from the net revenues of the Regional Wastewater Treatment Plant.

Outstanding notes payable at the end of the year for the Plant are as follows:

Description	Original Issue	Final Maturity	Interest Rate	Balance, June 30, 2012
2004 NMED Wastewater Construction	\$ 1,513,154	5/1/2023	2.00%	\$ 978,638
2009 NMED Wastewater Construction	101,151	4/27/2030	3.00%	<u>93,510</u>
				<u><u>\$ 1,072,148</u></u>

Debt service requirements on notes payable for the Plant at June 30, 2012 are as follows:

Fiscal Year Ending June 30,	Principal Payment	Interest Payment	Total Debt Service
2013	\$ 76,960	\$ 22,378	\$ 99,338
2014	78,540	20,799	99,338
2015	80,152	19,187	99,338
2016	81,797	17,542	99,338
2017	83,476	15,862	99,338
2018-2022	443,824	52,868	496,692
2023-2027	208,166	10,908	219,074
2028-2030	<u>19,231</u>	<u>1,165</u>	<u>20,396</u>
Total	<u><u>\$ 1,072,146</u></u>	<u><u>\$ 160,708</u></u>	<u><u>\$ 1,232,854</u></u>

NOTE 6. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Plant expects such amounts, if any, to be immaterial.

NOTE 7. RISK MANAGEMENT

The Plant is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Plant (through the commingling of funds with the Village of Ruidoso) has joined together with other local governments in the State and obtained insurance through the New Mexico Self-Insurer's Fund, a public entity risk pool currently operating as common risk management and insurance program for local governments. The Plant (through the commingling of funds with the Village of Ruidoso) pays an annual premium to the New Mexico Self-Insurer's Fund for its general insurance coverage, and all risk of loss is transferred.

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NOTE 8. DEFERRED COMPENSATION PLAN

The Plant offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. International City Manager Association (ICMA) administers the Plan. The assets and liabilities are held in trust by ICMA. The Plant is not required to contribute the employees' deferred compensation plan.

NOTE 9. POST-EMPLOYMENT BENEFITS – STATE 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 service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, 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 of out-of-pocket payments of eligible retirees. As authorized under Section 9D of Chapter 6, Laws of 1990, the Plant has elected not to participate in the program by adoption of an ordinance.

NOTE 10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. Substantially all of the Plant's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 4.75% of their gross salary. The Plant is required to contribute 13.55% of the gross covered salary. The contribution requirements of plan members and the Plant are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Plant's contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$50,231, \$48,543, and \$38,726 respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 11. RESTATEMENT

The Plant has recorded restatements during fiscal year 2012 to correct beginning net assets in the amount of \$3,896,675. The components of the restatements include a \$199,463 increase to prior year long-term debt, a decrease to prior year capital assets by \$11,157,552 and decrease to prior year accumulated depreciation by \$7,460,340.

NOTE 12. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance of individual fund. The plant fund did not reflect a deficit fund balance as of June 30, 2012.
- B. Excess of expenditures over appropriations. The Plant did not exceed approved budgetary authority for the year ended June 30, 2012.
- C. Designated cash appropriations exceeded prior year available balances. The Plant did not have any funds which had designated cash appropriations in excess of available balances for the year ended June 30, 2012.

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NOTE 13. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is April 3, 2013 which is the date on which the financial statements were available to be issued. No events took place subsequent to year end.

NOTE 14. TRANSFERS

Transfers out from the Plant to the Village of Ruidoso in the amount of \$545,423 were for purposes of supplementing other funding sources so that the Village can provide services to citizens. In addition, ownership of utility system infrastructure in the amount of \$21,972,014 was officially transferred to the Plant from the Village of Ruidoso on June 30, 2012.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

Statement A-1

Village of Ruidoso

Regional Wastewater Treatment Plant

A Component Unit of the Village of Ruidoso

Statement of Revenues, Expenses and Changes in Net Assets

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable)
<i>Operating revenues:</i>				
Charges for services	\$ 3,692,369	\$ 3,686,517	\$ 3,358,919	\$ (327,598)
<i>Total operating revenues</i>	<u>3,692,369</u>	<u>3,686,517</u>	<u>3,358,919</u>	<u>(327,598)</u>
<i>Operating expenses:</i>				
General and administrative	265,790	277,302	222,601	54,701
Personnel services	705,078	705,578	590,834	114,744
Contractual services	542,264	792,264	499,252	293,012
Maintenance and materials	55,000	52,988	31,009	21,979
Utilities	602,700	600,700	434,068	166,632
<i>Total operating expenses</i>	<u>2,170,832</u>	<u>2,428,832</u>	<u>1,777,764</u>	<u>651,068</u>
<i>Operating income (loss)</i>	<u>1,521,537</u>	<u>1,257,685</u>	<u>1,581,155</u>	<u>323,470</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	2,000	2,000	2,712	712
Other tax revenues	1,100,000	1,100,000	1,082,965	(17,035)
Debt service principal payment	(1,431,004)	(1,431,004)	(941,093)	489,911
Miscellaneous income	4,000	4,000	1,663	(2,337)
<i>Total non-operating revenues (expenses)</i>	<u>(325,004)</u>	<u>(325,004)</u>	<u>146,247</u>	<u>471,251</u>
Transfers out	<u>(583,507)</u>	<u>(583,507)</u>	<u>(301,581)</u>	<u>(281,926)</u>
<i>Total capital grants and net transfers</i>	<u>(583,507)</u>	<u>(583,507)</u>	<u>(301,581)</u>	<u>281,926</u>
<i>Change in net assets</i>	613,026	349,174	1,425,821	1,076,647
Designated cash (budgeted increase in cash)	<u>(613,026)</u>	<u>(349,174)</u>	<u>-</u>	<u>349,174</u>
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,826,277</u>	<u>1,826,277</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,252,098</u>	<u>\$ 3,252,098</u>
<i>Change in net assets, above</i>			\$ 1,425,821	
Adjustments for depreciation			(779,668)	
Adjustments to revenues for accounts receivable, prepaids, etc.			1,412,733	
Adjustment to transfers for utility system transfer			21,972,014	
Adjustments to expenditures for accounts payable, accrued payroll, etc.			<u>(782,088)</u>	
<i>Change in net assets (Exhibit A-2)</i>			<u>\$ 23,248,812</u>	

The accompanying notes are an integral part of these financial statements

COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

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

Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico
and
Joint Utility Board Members
Village of Ruidoso
Regional Wastewater Treatment Plant
Ruidoso, New Mexico

We have audited the financial statements of the business-type activities of the Village of Ruidoso, Regional Wastewater Treatment Plant (the “Plant”), a component unit of the Village of Ruidoso, New Mexico (the “Village”), as of and for the year ended June 30, 2012, which collectively comprise the Plant’s basic financial statements as listed in the table of contents, and have issued our report thereon dated April 3, 2013. We also have audited the budgetary comparison presented as supplementary information in the accompanying financial statements as of and for the year ended June 30, 2012 as listed in the table of contents and have issued our report thereon dated April 3, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness [see finding FS 2012-2].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plant'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.

We noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings FS 2005-7, FS 2011-2, FS 2011-7, and FS 2012-4.

The Plant's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Plant's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the New Mexico Legislature, New Mexico Department of Finance and Administration-Local Government Division, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Roswell, New Mexico
April 3, 2013

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Village of Ruidoso
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Section I – Financial Statement Findings

FS2005-7 Regional Wastewater Treatment Plant (other matter)-repeated

Condition: The Village of Ruidoso and the Village of Ruidoso Downs have entered into a joint powers agreement to create a separate entity to operate a Regional Wastewater Treatment Plant (RWWTP). The agreement was executed on July 3, 1974. A board that is composed of members of each government governs the RWWTP.

The Village performs all administrative functions for the RWWTP including all accounting functions. Each government contributes funds to maintain and operate the facility.

The Village has created a separate fund within their general ledger to account for all revenues and expenditures. The cash belonging to the RWWTP is pooled with the Village's other cash. All costs and expenses related to the payroll function are charged to the RWWTP fund; however, the employees who provide services for the RWWTP have been treated as a department of the Village.

The intention of the agreement was to create a separate entity; however the Village has not treated the RWWTP as a separate entity, rather the RWWTP has been treated as a department of the Village.

Criteria: The RWWTP was created with authority of the Joint Powers Agreement Act as defined in New Mexico State Statutes. According to Section 11-1-5B NMSA 1978, the administering agency under any such agreement shall be considered under the provision of this Joint Powers Agreements Act (11-1-1 to 11-1-7 NMSA 1978) as an entity separate from the parties to such agreement.

Effect: By treating the RWWTP as a department rather than a separate legal entity, the Village has misreported financial information to various other governments. For example, the payroll reports reported to the Internal Revenue Service contain the wages of employees who provided services to the RWWTP. All payroll activity has been reported to the Internal Revenue Service, New Mexico Taxation and Revenue Department, and the New Mexico Public Employee Retirement Association as activity belonging to the Village. The employees have accrued vacation and sick leave based on the policies established by the Village rather than the RWWTP.

Cause: In order to streamline operations, prior Village administrations and the current Village administration has accounted for the RWWTP as a department rather than as a separate entity.

Auditors' Recommendation: We recommend that the RWWTP be dissolved as a separate entity and be treated as an enterprise fund of the Village.

Views of Responsible Officials and Planned Corrective Actions: The Village as begun the process of creating a separate legal entity for the RWWTP in FY 13. A mediation process was conducted by court order and the ruling was determined to not dissolve the JUB but to create a separate legal entity for the RWWTP. The Village of Ruidoso and City of Ruidoso Downs are meeting and the legal representatives are beginning to outline the process.

FS2011-2 Lack of Internal Controls Over Voided Checks (other matter) repeated and modified

Condition: During our test work over 63 voided checks we noted 7 instances in which the checks actually cleared the bank. See checks 2091532-20981538.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions: It was determined that these checks were voided before the new system was in place. The July bank statement was still being processed on an excel spreadsheet as the old AS400 did not have a module to do bank reconciliations in the system. This can no longer occur as bank reconciliations are done within the **new Incode** system and internal controls have been put in place.

FS2011-7 Lack of Internal Controls Over the Accounts Receivable/Payable Process (other matter)-repeated and modified

Condition: The Village does not have a comprehensive documented internal control structure. We noted the following areas in which the Village does not have sufficient key internal controls in place.

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

Criteria: *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Effect: Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

Cause: For the fiscal year 2012 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 115 to provide effective oversight of internal control and the financial reporting process.

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FS2011-7 Lack of Internal Controls Over the Accounts Receivable /Payable Process (other matter)-repeated and modified (continued)

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

Views of Responsible Officials and Planned Corrective Actions:

The Finance Department is working on amending their Internal Control Policy to include the accounts receivable process. This is a work in progress.

FS 2012-2 Deficiencies in Inventory Management (material weakness)

Condition: During the test work of consumable inventory, several deficiencies were noted:

- The majority of departments are not maintaining an accurate inventory listing. There were many instances of unit price and quantity amounts missing from the listing as well as miscalculations in formulas.
- Departments are not ensuring that the only items on the listing are ones currently on hand. It was noted that several items were included on the listing that should not have been there.
- The Regional Wastewater Treatment Plant (RWWTTP) included approximately \$74,564 in capital assets on the inventory listing.
- Small tools have also been included in inventory as a consumable item.
- Material journal entries were needed for inventory.
- Year-end reconciliations and listings were not provided timely to the auditors.

Criteria: *Auditing Standards* state that the management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. Good accounting policies require maintenance of an inventory listing, an interface between all financial systems and a documented inventory process. *Auditing Standards* lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." Further, the *Standards* state that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Sections 6-5-1 through 6-5-6 NMSA, 1978 require internal accounting controls designed to prevent accounting errors and violations of state and federal laws and rules related to financial matters.

Effect: Because the internal controls are inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets and ensure compliance with internal policies, laws and regulations. Adequate controls are not in place to prevent or detect misstatements of accounting information, therefore misstatements and non-compliance with internal policies, laws and regulations may occur and not be prevented or detected by management or staff during the course of their normal duties.

Cause: For the fiscal year 2012 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 115 to provide effective oversight of internal control and the financial reporting process.

Auditors' Recommendation: The Village should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

Views of Responsible Officials and Planned Corrective Actions: The Finance Department had sent documentation to each department outlining the definition of consumable inventory and been available for any questions from department staff. The plan now is to meet with each department and review the process and therefore be more involved in the process.

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FS 2012-4 Late Audit (other matter)

Condition: The Plant's fiscal year 2012 audit was not submitted to the New Mexico State Auditor's Office by the statutory deadline of December 1, 2012. The report was submitted the state auditor's office on April 12, 2013.

Criteria: Section 2.2.2.9 Report Due Dates of the 2012 New Mexico State Audit Rule required the report to be delivered to the state auditor by December 1, 2012. State Audit rule also requires the auditor to include this instance of noncompliance as an audit finding in the audit report.

Effect: Noncompliance with section 2.2.2.9 of the state audit rule. The users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc. do not have timely audit reports and financial statements for their review. Late audit reports could impact funding from federal and state sources.

Cause: The reason for the late audit report is due to various logistical factors unique to the current audit. The Village during fiscal year 2012 implemented a new accounting system and completed a full physical inventory of capital assets. These factors required additional time for the auditors to complete the audit.

Recommendation: We recommend the Village co-develop with the auditors an expected timeline for completion of the audit that includes estimated completion dates for audit fieldwork, findings, drafting of financial statements, and submission of the report to the State Auditor. We further recommend both the Village and the auditors review the current logistical status of the current audit in process in comparison with the estimated completion dates to prevent any further unexpected outcomes.

Views of Responsible Officials and Planned Corrective Actions: The Village concurs with the above recommendations.

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Section II - Schedule of Prior Year Audit Findings

FS 2005-1	Information System Disaster Recovery Policy	Resolved
FS 2005-7	Regional Wastewater Treatment Plant	Repeated
FS 2007-11	Auditor Prepared Financial Statements	Resolved
FS 2008-2	Bank Reconciliations	Resolved
FS 2009-2	Segregation of Duties – Cash Disbursements	Resolved
FS 2009-3	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
	- Cash Disbursements	
	- Cash Receipts	
FS 2009-8	PERA Reports and General Ledger	Resolved
FS 2009-9	Capital Assets	Resolved
FS 2009-10	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-26	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-42	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-70	Deficiencies in Internal Control Structure Design, Operation and Oversight - Staffing	Resolved
FS 2009-99	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2009-100	Deficiencies in Internal Control Structure Design, Operation and Oversight	Resolved
FS 2011-1	Cash Activity Not Recorded	Resolved
FS 2011-2	Lack of Internal Controls Over Voided Checks	Repeated and modified
FS 2011-3	Lack of Internal Controls - Use of Manual Checks	Resolved
FS 2011-4	Inaccurate Cash and Accounts Payable Balances	Resolved
FS 2011-5	Deficiencies in Internal Control Structure Design, Operation and Oversight - Wire Transfers	Resolved
FS 2011-6	Deficiencies in Internal Control Structure Design, Operations, and Oversight	Resolved
	- No Approval of Checking Account Closure	
FS 2011-7	Lack of Internal Controls Over the Accounts Receivable Process	Repeated and modified
FS 2011-8	Journal Entry Listing Was not Provided	Resolved
FS 2011-9	Failure to Maintain a Separate Bank Account for the Component Unit	Resolved

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Exit Conference

An exit conference was held on April 3, 2013. In attendance were the following:

Representing the Village of Ruidoso:

Gus Raymond Alborn	Mayor
Debi Lee	Village Manager
Nancy Klingman	Finance Director
Karen Gutierrez	Staff Accountant

Representing the Regional Wastewater Treatment Plant:

Gus Raymond Alborn	Mayor
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Representing Accounting & Consulting Group, LLP:

Jeff McWhorter, CPA	Partner
Morgan Browning, CPA, CGFM	Audit Supervisor

Auditor Prepared Financial Statements

Although it would be preferred and desirable for the Plant to prepare its own financial statements, the Plant's personnel did not have the time to prepare them. Accounting & Consulting Group, LLP prepared the financial statements of the Plant from the original books and records provided to them by the management of the Plant. The responsibility remains with the Plant.