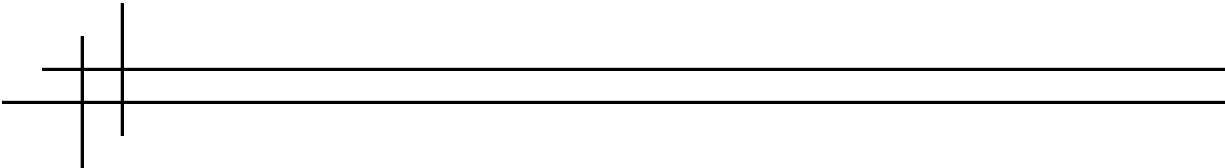


STATE OF NEW MEXICO
TOWN OF CARRIZOZO

ANNUAL FINANCIAL REPORT
June 30, 2012

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



STATE OF NEW MEXICO
TOWN OF CARRIZOZO
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STATE OF NEW MEXICO
TOWN OF CARRIZOZO
Official Roster
June 30, 2012

BOARD OF TRUSTEES

Lee Gross	Mayor
Wesley Lindsay	Mayor Pro-Tem
Chris Ventura	Trustee
Yovanne Lucero	Trustee
Jamie Gieb	Trustee

ADMINISTRATIVE OFFICIAL

Leann Weihbrecht	Clerk/Treasurer
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Independent Auditor's Report

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Members of the Town of Carrizozo

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons for the general fund and the major special revenue fund of Town of Carrizozo, (Town), as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's nonmajor governmental funds and the budgetary comparisons for the major capital project fund and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Town'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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Town as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project fund and for all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2012, on our consideration of the Town'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 Town's management has omitted the Management's Discussion and Analysis that the Governmental Accounting Standards Board require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying budget comparison is not a required part of the financial statements. The additional schedule listed as "other supplemental information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

De'Ann Willoughby CPA PC

November 29, 2012

FINANCIAL SECTION

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
 Government-Wide Statement of Net Assets
 June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 552,699	\$ 103,201	\$ 655,900
Receivables			
Accounts	0	73,819	73,819
Taxes	29,735	477	30,212
Total Current Assets	<u>582,434</u>	<u>177,497</u>	<u>759,931</u>
Noncurrent Assets			
Restricted Cash	55,376	49,365	104,741
Capital Assets	8,058,224	4,261,251	12,319,475
Less: Accumulated Depreciation	<u>(5,054,337)</u>	<u>(1,325,621)</u>	<u>(6,379,958)</u>
Total Noncurrent Assets	<u>3,059,263</u>	<u>2,984,995</u>	<u>6,044,258</u>
Total Assets	<u>3,641,697</u>	<u>3,162,492</u>	<u>6,804,189</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	8,549	6,655	15,204
Accrued Salaries & Benefits	12,881	6,736	19,617
Accrued Interest	0	8,531	8,531
Current Portion of Long-Term Debt	75,272	5,210	80,482
Total Current Liabilities	<u>96,702</u>	<u>27,132</u>	<u>123,834</u>
Noncurrent Liabilities			
Customer Deposits	0	49,365	49,365
Compensated Absences	8,423	6,999	15,422
Non Current Portion of Long Term Debt	510,594	373,930	884,524
Total Noncurrent Liabilities	<u>519,017</u>	<u>430,294</u>	<u>949,311</u>
Total Liabilities	<u>615,719</u>	<u>457,426</u>	<u>1,073,145</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,473,397	2,556,490	5,029,887
Unrestricted	552,581	148,576	701,157
Total Net Assets	<u>\$ 3,025,978</u>	<u>\$ 2,705,066</u>	<u>\$ 5,731,044</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
 Government-Wide Statement of Activities
 For the Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net(Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 300,853	\$ 71,008	\$ 187,004	\$ 0	\$ (42,841)	\$ 0	(42,841)
Public Safety	393,939	13,194	167,970	0	(212,775)	0	(212,775)
Public Works	398,355	39,700	207,607	88,155	(62,893)	0	(62,893)
Culture & Recreation	58,692	0	0	0	(58,692)	0	(58,692)
Interest	13,452	0	0	0	(13,452)	0	(13,452)
Total Governmental Activities	<u>1,165,291</u>	<u>123,902</u>	<u>562,581</u>	<u>88,155</u>	<u>(390,653)</u>	<u>0</u>	<u>(390,653)</u>
Business-type Activities							
Water & Sewer	484,409	387,716	54,956	0	0	(41,737)	(41,737)
Sanitation	115,423	108,878	0	0	0	(6,545)	(6,545)
Total Business-type Activities	<u>\$ 599,832</u>	<u>\$ 496,594</u>	<u>\$ 54,956</u>	<u>\$ 0</u>	<u>0</u>	<u>(48,282)</u>	<u>(48,282)</u>
General Revenues							
Taxes							
Property					46,946	0	46,946
Franchise					36,380	0	36,380
Gross Receipts					301,673	8,195	309,868
Gasoline					42,529	0	42,529
Other					14,545	0	14,545
Interest Income					877	0	877
Miscellaneous					15,656	0	15,656
Total General Revenues					<u>458,606</u>	<u>8,195</u>	<u>466,801</u>
Change in Net Assets					67,953	(40,087)	27,866
Net Assets - beginning					<u>2,958,025</u>	<u>2,745,153</u>	<u>5,703,178</u>
Net Assets - ending					<u>\$ 3,025,978</u>	<u>\$ 2,705,066</u>	<u>\$ 5,731,044</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2012

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Capital Projects</u>
ASSETS			
Cash and Cash Equivalents	\$ 272,936	\$ 92,603	\$ 0
Receivables (Net of Allowance for Uncollectibles if Applicable)			
Taxes	26,608	0	0
Restricted Cash	12,452	42,924	0
Total Assets	<u>\$ 311,996</u>	<u>\$ 135,527</u>	<u>\$ 0</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 6,300	\$ 665	\$ 0
Accrued Salaries Payable	12,881	0	0
Total Liabilities	<u>19,181</u>	<u>665</u>	<u>0</u>
Fund Balances			
Restricted-Reported In Special Revenue Fund	0	134,862	0
Unassigned-Reported In General Fund	292,815	0	0
Total Fund Balances	<u>292,815</u>	<u>134,862</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 311,996</u>	<u>\$ 135,527</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2012

	Non-Major Governmental Funds	Total Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 187,160	\$ 552,699
Receivables (Net of Allowance for Uncollectibles if Applicable)		
Taxes	3,127	29,735
Restricted Cash	0	55,376
Total Assets	\$ 190,287	\$ 637,810
 LIABILITIES AND FUND BALANCE		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 1,584	\$ 8,549
Accrued Salaries Payable	0	12,881
Total Liabilities	1,584	21,430
 Fund Balances		
Restricted-Reported In Special Revenue Fund	188,703	323,565
Unassigned-Reported In General Fund	0	292,815
Total Fund Balances	188,703	616,380
Total Liabilities and Fund Balances	\$ 190,287	\$ 637,810

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Assets
 June 30, 2012

Total Fund Balance - Governmental Funds \$ 616,380

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of capital assets	\$ 8,058,224	
Accumulated depreciation is	<u>(5,054,337)</u>	3,003,887

Long-term and certain other liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Loans Payable	(585,866)
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Compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.

	<u>(8,423)</u>
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Total net assets - governmental activities	\$ <u><u>3,025,978</u></u>
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The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2012

	General Fund	Fire Fund	Capital Projects
Revenues			
Taxes			
Property	\$ 46,946	\$ 0	\$ 0
Franchise	36,380	0	0
Gross Receipts	301,673	0	0
Gasoline	0	0	0
Other	7,313	0	0
Charges for Services	71,008	0	0
License, Fees and Fines	0	0	0
Federal Grant	0	0	88,155
State Grants	187,004	147,970	207,607
Interest Income	877	0	0
Assessments	0	0	0
Miscellaneous	13,702	154	0
Total Revenues	664,903	148,124	295,762
Expenditures			
Current			
General Government	290,140	0	0
Public Safety	243,002	58,548	0
Public Works	29,155	0	207,607
Culture and Recreation	30,295	0	0
Capital Outlay	0	273,293	88,155
Debt Service			
Principal	28,021	45,153	0
Interest	3,493	9,959	0
Total Expenditures	624,106	386,953	295,762
Excess (Deficiency) of Revenues Over Expenditures	40,797	(238,829)	0
Other Financing Sources (Uses)			
Loan Proceeds	0	77,653	0
Total Other Sources (Uses)	0	77,653	0
Net Change in Fund Balance	40,797	(161,176)	0
Fund Balance at Beginning of year	252,018	296,038	0
Fund Balance End of Year	\$ 292,815	\$ 134,862	\$ 0

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2012

	Non-Major Governmental Funds	Total Governmental Funds
Revenues		
Taxes		
Property	\$ 0	\$ 46,946
Franchise	0	36,380
Gross Receipts	0	301,673
Gasoline	42,529	42,529
Other	7,232	14,545
Charges for Services	0	71,008
License, Fees and Fines	13,194	13,194
Federal Grant	0	88,155
State Grants	20,000	562,581
Interest Income	0	877
Assessments	39,700	39,700
Miscellaneous	1,800	15,656
Total Revenues	<u>124,455</u>	<u>1,233,244</u>
Expenditures		
Current		
General Government	0	290,140
Public Safety	38,768	340,318
Public Works	39,912	276,674
Culture and Recreation	6,484	36,779
Capital Outlay	0	361,448
Debt Service		
Principal	0	73,174
Interest	0	13,452
Total Expenditures	<u>85,164</u>	<u>1,391,985</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>39,291</u>	<u>(158,741)</u>
Other Financing Sources (Uses)		
Loan Proceeds	<u>0</u>	<u>77,653</u>
Total Other Sources (Uses)	<u>0</u>	<u>77,653</u>
Net Change in Fund Balance	39,291	(81,088)
Fund Balance at Beginning of year	<u>149,412</u>	<u>697,468</u>
Fund Balance End of Year	<u>\$ 188,703</u>	<u>\$ 616,380</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2012

Net Change in Fund Balance \$ (81,088)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (203,822)	
Capital Outlays	<u>361,448</u>	157,626

The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net assets. (77,653)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 73,174

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2011	4,317	
Compensated Absences, June 30, 2012	<u>(8,423)</u>	<u>(4,106)</u>

Changes in Net Assets of Governmental Activities \$ 67,953

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

TOWN OF CARRIZOZO

GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Taxes				
Property	\$ 43,737	\$ 46,947	\$ 46,946	\$ (1)
Gross Receipts	280,000	296,175	304,298	8,123
Franchise	30,000	30,671	31,124	453
Motor Vehicle	6,000	7,000	7,313	313
Charges for Services	39,700	39,700	71,008	31,308
State Grants	180,500	187,003	187,003	0
Interest	1,000	1,000	877	(123)
Miscellaneous	48,800	48,800	13,703	(35,097)
Total Revenues	<u>629,737</u>	<u>657,296</u>	<u>662,272</u>	<u>4,976</u>
Expenditures				
Executive				
Personnel Services	4,500	4,500	3,956	544
Benefits	400	400	291	109
Operating Expense	6,001	6,001	6,299	(298)
Total Executive	<u>10,901</u>	<u>10,901</u>	<u>10,546</u>	<u>355</u>
Judicial				
Personnel Services	13,605	13,605	13,605	0
Benefits	16,816	16,816	16,702	114
Operating Expense	14,275	14,275	12,008	2,267
Total Judicial	<u>44,696</u>	<u>44,696</u>	<u>42,315</u>	<u>2,381</u>
Financial				
Personnel Services	73,924	73,924	73,900	24
Benefits	24,398	24,398	23,412	986
Operating Expense	73,819	110,000	100,331	9,669
Debt Service				
Principal	25,514	28,021	28,021	0
Interest	0	3,493	3,493	0
Total Financial	<u>197,655</u>	<u>239,836</u>	<u>229,157</u>	<u>10,679</u>
Profession Services				
Legal Fees	25,000	25,000	24,888	112
Audit Fees	14,265	14,265	14,265	0
Total Profession Services	<u>39,265</u>	<u>39,265</u>	<u>39,153</u>	<u>112</u>
Police				
Personnel Services	144,750	144,750	144,749	1
Benefits	56,792	56,792	55,484	1,308
Operating Expense	39,541	39,541	38,533	1,008
Total Police	<u>\$ 241,083</u>	<u>\$ 241,083</u>	<u>\$ 238,766</u>	<u>\$ 2,317</u>

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Highway & Streets				
Operating Expense	\$ 19,369	\$ 19,369	\$ 19,369	\$ 0
Total Highway & Streets	<u>19,369</u>	<u>19,369</u>	<u>19,369</u>	<u>0</u>
Airport				
Operating Expense	21,888	21,888	9,710	12,178
Total Airport	<u>21,888</u>	<u>21,888</u>	<u>9,710</u>	<u>12,178</u>
Parks and Recreation				
Personnel Services	21,569	21,569	19,092	2,477
Benefits	1,477	1,477	1,435	42
Operating Expense	<u>9,456</u>	<u>9,456</u>	<u>9,083</u>	<u>373</u>
Total Parks and Recreation	<u>32,502</u>	<u>32,502</u>	<u>29,610</u>	<u>2,892</u>
Veteran's Memorial Park				
Operating Expense	400	400	63	337
Total Veteran's Memorial Park	<u>400</u>	<u>400</u>	<u>63</u>	<u>337</u>
Total Expenditures	<u>607,759</u>	<u>649,940</u>	<u>618,689</u>	<u>31,251</u>
Excess (Deficiency) of Revenues Over Expenditures	21,978	7,356	43,583	36,227
Cash Balance Beginning of Year	<u>241,805</u>	<u>241,805</u>	<u>241,805</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 263,783</u>	<u>\$ 249,161</u>	<u>\$ 285,388</u>	<u>\$ 36,227</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 43,583	
Net Change in Taxes Receivable			2,631	
Net Change in Accounts Payable			(1,354)	
Net Change in Salaries & Benefits			(4,063)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 40,797</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
SPECIAL REVENUE FUND-FIRE FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 147,790	\$ 147,790	\$ 147,970	\$ 180
Interest	7,000	7,000	154	(6,846)
Total Revenues	<u>154,790</u>	<u>154,790</u>	<u>148,124</u>	<u>(6,666)</u>
Expenditures				
Public Safety				
Operating	130,020	59,000	58,937	63
Capital Outlay	195,640	273,293	273,293	0
Debt Service				
Principal	35,602	45,154	45,153	1
Interest	9,524	9,959	9,959	0
Total Expenditures	<u>370,786</u>	<u>387,406</u>	<u>387,342</u>	<u>64</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(215,996)</u>	<u>(232,616)</u>	<u>(239,218)</u>	<u>(6,602)</u>
Other Financing Sources (Uses)				
Loan Proceeds	0	0	77,653	77,653
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>77,653</u>	<u>77,653</u>
Net Change in Cash Balance	(215,996)	(232,616)	(161,565)	71,051
Cash Balance Beginning of Year	<u>297,092</u>	<u>297,092</u>	<u>297,092</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 81,096</u>	<u>\$ 64,476</u>	<u>\$ 135,527</u>	<u>\$ 71,051</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ (161,565)	
Net Change in Account Payable			389	
Net Change in Fund Balance			<u>\$ (161,176)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
 PROPRIETARY FUND
 Statement of Net Assets
 June 30, 2012

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 103,201
Receivables (net of allowance for uncollectible accounts)	
Accounts	73,819
Taxes	477
Total Current Assets	<u>177,497</u>

Noncurrent Assets

Restricted Cash	49,365
Capital Assets	4,261,251
Less Accumulated Depreciation	<u>(1,325,621)</u>
Total Noncurrent Assets	<u>2,984,995</u>

Total Assets	<u>3,162,492</u>
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LIABILITIES

Current Liabilities

Accounts Payable	6,655
Accrued Salaries & Benefits	6,736
Accrued Interest	8,531
Current Portion of Bonds Payable	<u>5,210</u>
Total Current Liabilities	<u>27,132</u>

Noncurrent Liabilities

Customer Deposits	49,365
Accrued Compensated Absences	6,999
Revenue Bonds	<u>373,930</u>
Total Noncurrent Liabilities	<u>430,294</u>

Total Liabilities	<u>457,426</u>
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NET ASSETS

Invested in Capital Assets, Net of

Related Debt	2,605,855
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Unrestricted

Total Net Assets	<u>99,211</u>
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\$	<u><u>2,705,066</u></u>
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The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
 PROPRIETARY FUND
 Statement of Revenue, Expenses and Changes in Fund Net Assets
 For the Year Ended June 30, 2012

Operating Revenues	
Sales & Service	\$ 496,594
Total Operating Revenues	<u>496,594</u>
Operating Expenses	
Salaries & Benefits	207,920
Operating	168,422
Contract Services	115,423
Bad Debts	8,202
Depreciation	82,688
Total Operating Expenses	<u>582,655</u>
Operating Income (Loss)	<u>(86,061)</u>
Nonoperating Revenue (Expenses)	
Environmental Taxes	8,195
Federal Grant	54,953
Interest Expense	<u>(17,174)</u>
Total Nonoperating Revenue (Expense)	<u>45,974</u>
Change in Net Assets	(40,087)
Total Net Assets - Beginning	<u>2,745,153</u>
Total Net Assets - Ending	<u>\$ 2,705,066</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
 PROPRIETARY FUND
 Combined Statement of Cash Flows
 For the Year Ended June 30, 2012

Cash Flows from Operating Activities	
Cash Received From Customers	\$ 495,921
Cash Paid to Suppliers and Employees	(495,065)
Net Cash Provided by Operating Activities	<u>856</u>
Cash Flows from Noncapital Financing Activities	
Environmental Gross Receipt Taxes	8,195
Federal Grant	54,953
Net Cash Provided by Noncapital Financing Activities	<u>63,148</u>
Cash Flows from Capital & Related Financing Activities	
Acquisition and Construction of Capital Assets	0
Principal Paid	(4,990)
Interest Paid	(17,174)
Net Cash Provided by Capital & Related Financing Activities	<u>(22,164)</u>
Net Increase (Decrease) in Cash	41,840
Cash, Beginning of Year	<u>110,726</u>
Cash, End of Year	<u>\$ 152,566</u>
Cash and Cash Equivalents	\$ 103,201
Restricted Cash	49,365
Total Cash	<u>\$ 152,566</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (86,061)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	82,688
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(2,312)
(Increase) Decrease in Taxes Receivable	68
(Increase) Decrease in Inventories	2,489
Increase (Decrease) in Accounts Payable	573
Increase (Decrease) in Accrued Salaries & Benefits	1,761
Increase (Decrease) in Accrued Interest	(112)
Increase (Decrease) in Customer Deposits	183
Increase (Decrease) in Compensated Absences	1,579
Net Cash Provided by Operating Activities	<u>\$ 856</u>

The notes to the financial statements are an integral part of this statement.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Carrizozo (Town) have been prepared in accordance with general accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) prior to November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the town's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*. In addition, in June 2001, the GASB issued Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus* - an amendment of GASB Statement No. 21 and No. 34 and Statement No. 38, *Certain Financial Note Disclosures*. These two statements clarify, modify, establish and rescind certain disclosure requirements under GASB No. 34. Both statements are being implemented in conjunction with GASB Statement No. 34. These statements do not have an impact on the results of operations or the financial position of the town.

Financial Reporting Entity

The Town of Carrizozo was incorporated under the laws of the State of New Mexico. The Town operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The Town has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected town members are financially accountable. There are no other primary governments with which the Town Board Members are financially accountable or which the Town has a significant relationship.

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the Town are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below.

Basis of Presentation

Government-Wide Financial Statements (GWFS)

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Town. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular program and 3) capital grants or contributions restricted to meeting capital requirements of a particular program. Taxes and other items not properly included amount program revenues are reported instead as general revenues.

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Town has presented the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town and accounts for all revenues and expenditures of the Town not encompassed within other funds.

Fire Fund - To account for the operation and maintenance of the Town Fire department. Financing is primarily from an annual state fire allotment. The fund was created by the authority of state grant provisions. (NMSA 59A-53-1)

Capital Projects - To account for the purchase and construction of capital assets.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets.

Additionally, the Town reports the following non-major funds types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Fiduciary Fund - The Fiduciary funds account for assets held by the Town in a trustee or agent capacity.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government wide and proprietary fund financial statements are reported using 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. Nonexchange transactions, in the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Derived tax revenue, such as franchise and sales tax revenue, is recognized when the underlying exchange transaction occurs.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Town's taxpayer or citizenry, as a whole; program revenues reduced the cost of the function to be financed from the Town's general revenues. Program revenues include charges for services or applicants who purchase, use or directly benefit from the goods or services provided by the given function. Program revenues include fees and fines for public service and charges for recreational activities. Grants include small cities assistance and fire protection and law enforcements grants and a subsidy from the county for animal control.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Budgetary Control

1. Prior to June 1, the Town's Clerk-Treasurer submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration.

3. The Town treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Trustees and the State Department of Finance and Administration.
4. Formal budgetary integration is employed as a management control device during the year for all funds.
5. The level of budget authority is at the fund level.

The Proprietary Funds group accounts for funds received in the course of the operation of self-supporting functions which receive their revenues from providing goods or services to internal or external customers. The two types of funds that make up this category are:

1. Enterprise Funds. Enterprise Funds account for operations carried out and financed like a business operation, usually designated to be self-supporting through fees for services and generating revenues from outside sources. The Town of Carrizozo has two of these funds , including the Water, Sewer and Sanitation. Enterprise Funds are budgeted as separate cost centers but as integral parts of the work programs.
2. Internal Service Fund (ISF). An ISF accounts for financing goods or services provided by an organizational unit of the Town to other units of the Town, on a self-liquidating, fee-for-service basis. The Town of Carrizozo does not have an ISF Fund.

Cash and Cash Equivalents

The Town'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.

The Town is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the Town may be invested in :

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or Town which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Prepaid Items

Prepaid balances are for payments made by the Town in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Capital Assets

Capital assets, which includes property, plant, equipment (including software), and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The construction period interest is not capitalized in the proprietary funds.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings, Improvements and Infrastructure	40-50 Years
Infrastructure	5-50 Years
Equipment and Vehicles	3-20 Years

Use of Restricted Funds

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

Revenue

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water, Waste Water and the Solid Waste Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Compensated Absences

All full-time employees are entitled to five to twenty days (depending on employment) a maximum of 20 days can be accrued. Non-salaried employees are eligible for compensation time.

Each permanent employee of the Town accrues sick leave as working days with full pay on the basis of one (1) day per each month of employment. Sick leave may be granted only from duty because of personal illness, legal quarantine, or medical, dental, or optical appointments. In case of an extended sickness in excess of the accumulated sick leave, annual leave may be applied to sick leave. The employee may be eligible to sell sick leave in excess of 10 days at the rate of 75% of regular pay, only upon approval of the board.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available it will first be applied to restricted resources.

NOTE B: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
Notes to the Financial Statements
June 30, 2012

NOTE C: CASH AND INVESTMENTS

The Town is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<u>Name of Account</u>	Balance Per Bank 6/30/12	Reconciled Balance	<u>Type</u>
Water Dept./Utility	\$ 584,448	\$ 555,922	Checking Interest Bearing
TOTAL Deposited	584,448	555,922	
Less: FDIC Coverage	(250,000)		
Uninsured Amount	334,448		
50% collateral requirement	167,224		
Pledged securities	394,296		
Over (Under) requirement	\$ 227,072		

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FN AH7905	3138A9YB4	\$ 394,296	7/1/2041	Bank of NY Melon
		\$ 394,296		

<u>Name of Account</u>	Balance Per Bank 6/30/12	Reconciled Balance	<u>Type</u>
General Fund	\$ 71	\$ 71	Checking Interest Bearing
General Fund	9,209	9,209	Checking Interest Bearing
Veterans Memorial Park	751	751	Checking Non-Interest Bearing
Town of Carrizozo	23,267	23,267	Checking Non-Interest Bearing
CDBG	50	50	Checking Non-Interest Bearing
TOTAL Deposited	33,348	\$ 33,348	
Less: FDIC Coverage	(33,348)		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	0		
Over (Under) requirement	\$ 0		

<u>Name of Account</u>	Balance Per Bank 6/30/12	Reconciled Balance	<u>Type</u>
Operating Account	\$ 115,995	\$ 115,995	Checking Interest Bearing
TOTAL Deposited	115,995	115,995	
Less: FDIC Coverage	(115,995)		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	0		
Over (Under) requirement	\$ 0		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
Notes to the Financial Statements
June 30, 2012

Bank of Albuquerque

<u>Name of Account</u>	Balance Per Bank 6/30/12	Reconciled Balance	Type
Fire Pumper Truck-IV PP-2164	\$ 28,372	\$ 28,372	Savings
First Attack Fire Truck-AGR PP-2264	1	1	Savings
Construct Town Hall-KMD PP-1758	12,452	12,452	Savings
New Service Truck Fire Depart-DC/CM RPL-2559	14,551	14,551	Savings
TOTAL Deposited	<u>\$ 55,376</u>	<u>\$ 55,376</u>	

The Bank of Albuquerque is the agent for New Mexico Finance Authority. The funds are invested in mutual funds consisting of US treasury bonds. The name of the mutual fund is Cavanal Hill US Treasury Bonds.

Custodial Credit Risk-Deposits

<u>Depository Account</u>	Bank Balance
Insured	\$ 454,719
Collateralized:	
Collateral held by the pledging bank in Town's name	334,448
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 789,167</u>

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 government does not have a deposit policy for custodial credit risk. As of June 30, 2012 none of the Town's bank balance of \$789,167 was exposed to custodial credit risk.

NOTE D: RESTRICTED CASH

There was \$12,452 in restricted cash in the General Fund and \$42,924 in the Fire Fund for debt retirement for a loan for the construction of Town Hall and fire trucks financed by New Mexico Finance Authority. The restricted cash in the Utility fund is the customer deposits held by the Town of \$49,365.

NOTE E: CAPITAL ASSETS

Capital Assets Balances and Activity for the Year Ended June 30, 2012, is as follows:

Governmental Activities	Balance 6/30/11	Increases	Adjustments	Balance 6/30/12
Capital Assets, not being Depreciated				
Land	\$ 127,102	\$ 0	\$ 0	\$ 127,102
Construction in Progress	0	0	0	0
Total Capital Assets, not being Depreciated	<u>127,102</u>	<u>0</u>	<u>0</u>	<u>127,102</u>
Capital Assets, being Depreciated				
Infrastructure	3,293,990	88,155	0	3,382,145
Buildings & Improvements	3,335,867	273,293	0	3,609,160
Equipment	939,817			939,817
Total Capital Assets, being Depreciated	<u>7,569,674</u>	<u>361,448</u>	<u>0</u>	<u>7,931,122</u>
Total Capital Assets	<u>\$ 7,696,776</u>	<u>\$ 361,448</u>	<u>\$ 0</u>	<u>\$ 8,058,224</u>

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
Notes to the Financial Statements
June 30, 2012

Less Accumulated Depreciation

Infrastructure	\$ 2,703,790	\$ 115,677	\$ 0	\$ 2,819,467
Buildings & Improvements	1,915,478	41,729	0	1,957,207
Equipment	231,247	46,416	0	277,663
Total Accumulated Depreciation	<u>4,850,515</u>	<u>203,822</u>	<u>0</u>	<u>5,054,337</u>

Capital Assets, net	\$ <u>2,846,261</u>	\$ <u>157,626</u>	\$ <u>0</u>	\$ <u>3,003,887</u>
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Depreciation expense was charged to governmental activities as follows:

General	\$ 10,000
Public Safety	50,228
Public Works	121,681
Culture & Recreation	21,913
Total depreciation expenses	<u>\$ 203,822</u>

	Balance 6/30/11	Increases	Decreases	Balance 6/30/12
Business-Type Activities				
Capital Assets not being Depreciated				
Land	\$ 8,000	\$ 0	\$ 0	\$ 8,000
Total Capital Assets not being Depreciated	8,000	0	0	8,000
Capital Assets, being Depreciated				
Utility System	4,150,746	0	0	4,150,746
Equipment	102,505	0	0	102,505
Total Capital Assets at Historical Cost	<u>4,261,251</u>	<u>0</u>	<u>0</u>	<u>4,261,251</u>
Less Accumulated Depreciation				
Utility System	1,161,094	78,831	0	1,239,925
Equipment	81,839	3,857	0	85,696
Total Accumulated Depreciation	<u>1,242,933</u>	<u>82,688</u>	<u>0</u>	<u>1,325,621</u>
Capital Assets, net	\$ <u>3,018,318</u>	\$ <u>(82,688)</u>	\$ <u>0</u>	\$ <u>2,935,630</u>

NOTE F: LONG TERM DEBT

Notes Payable

A summary of activity in the Long-Term Debt is as follows:

	Balance 6/30/11	Additions	Reductions	Balance 6/30/12	Amounts Due Within One Year
Governmental Activities					
Notes Payable					
NMFA-Town Hall	\$ 111,552	\$ 0	\$ 7,839	\$ 103,713	\$ 7,859
NMFA-Fire Truck	213,150	0	8,432	204,718	8,509
NMFA-Fire Truck	203,480	0	27,170	176,310	27,707
NMFA-Fire Truck	0	77,653	9,551	68,102	9,584
Total Notes Payable	\$ <u>528,182</u>	\$ <u>77,653</u>	\$ <u>52,992</u>	\$ <u>552,843</u>	\$ <u>53,659</u>

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
Notes to the Financial Statements
June 30, 2012

Other Liabilities										
Compensated										
Absences	\$	4,318	\$	8,053	\$	3,948	\$	8,423	\$	0
Total Other										
Liabilities		<u>4,318</u>		<u>8,053</u>		<u>3,948</u>		<u>8,423</u>		<u>0</u>
Long-Term										
Liabilities	\$	<u>532,500</u>	\$	<u>85,706</u>	\$	<u>56,940</u>	\$	<u>561,266</u>	\$	<u>53,659</u>

Description	Maturity	Annual Payments	Interest Rate	Balance
NMFA-Town Hall	2025	\$ 8,117	3-4%	103,713
NMFA-Fire Truck	2021	\$ 12,979	3-4%	204,718
NMFA-Fire Truck	2017	31,767	2%	176,310
NMFA-Fire Truck	2019	9,985	0%	68,102
				<u>\$ 552,843</u>

The annual requirements to amortize the loans as of June 30, 2012, including interest payments are as follows:

	Principal	Interest	Total
2013	\$ 53,659	\$ 8,805	\$ 62,464
2014	54,423	8,040	62,463
2015	55,270	7,194	62,464
2016	56,216	6,247	62,463
2017	57,262	5,202	62,464
20185-2022	251,779	8,332	260,111
2023-2025	24,234	121	24,355
	<u>\$ 552,843</u>	<u>\$ 43,941</u>	<u>\$ 596,784</u>

Business-Type Activities

A summary of activity in the Long-Term Debt is as follows:

	Balance 6/30/11	Additions	Reductions	Balance 6/30/12	Amounts Due Within One Year
USDA Bonds	\$ 384,130	\$ 0	\$ 4,990	\$ 379,140	\$ 5,210
Other Liabilities					
Compensated					
Absences	6,816	5,398	5,215	6,999	0
Total Other					
Liabilities	<u>6,816</u>	<u>5,398</u>	<u>5,215</u>	<u>6,999</u>	<u>0</u>
Long-Term					
Liabilities	\$ <u>390,946</u>	\$ <u>5,398</u>	\$ <u>10,205</u>	\$ <u>386,139</u>	\$ <u>5,210</u>

Description	Maturity	Annual Payments	Interest Rate	Balance
USDA Bonds	2044	\$ 22,273	4.50%	<u>\$ 379,140</u>

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
Notes to the Financial Statements
June 30, 2012

The annual requirements to amortize the loans as of June 30, 2012, including interest payments are as follows:

	Principal	Interest	Total
2013	\$ 5,210	\$ 17,061	\$ 22,271
2014	5,450	16,827	22,277
2015	5,690	16,582	22,272
2016	5,950	16,326	22,276
2017	6,220	16,058	22,278
2018-2022	35,550	75,830	111,380
2023-2027	44,300	67,079	111,379
2028-2032	55,190	56,174	111,364
2033-2037	68,780	42,588	111,368
2038-2042	85,720	25,655	111,375
2043-2045	61,080	5,570	66,650
	<u>\$ 379,140</u>	<u>\$ 355,750</u>	<u>\$ 556,865</u>

Computer and Software Lease

The Town is obligated under a lease for a computer system and accounting software acquired in December 2008 at a cost of \$73,000. During the year ended June 30, 2010, it was discovered the Town owed the computer vendor another \$19,409 for the initial installation. The lease was increased by this amount. The remaining monthly payment were increase to \$1,942.59. This lease is accounted for as a capital lease. The leased asset and the related obligation are accounted for in the Capital Assets and the Long-Term Debt of the government-wide financial statements. The leasing company is DivLend Equipment Leasing, LLC. The lease was assigned to American State Bank Lubbock, Texas.

A summary of activity in the lease purchase is as follows:

Balance 6/30/11	Additions	Reductions	Balance 6/30/12	Amounts Due Within One Year
\$ 53,205	\$ 0	\$ 20,182	\$ 33,023	\$ 21,613
Schedule of Payments		2013	\$ 23,308	
		2014	11,654	
		Total Lease Payments	34,962	
		Less Imputed Interest	(1,939)	
			<u>\$ 33,023</u>	

NOTE G: PROPERTY TAXES

The County collects the Town's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the Town on a monthly basis. The Town accounts for its share of property taxes in the General, Debt Service and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

NOTE H: DEFINED BENEFIT PENSION PLAN

Plan Description. Substantially all of the Town's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees 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 7% of the gross salary. The Town is required to contribute 7% for all employee's with the exception of police officers which require the Town to contribute 10% of the gross covered salary. The contribution requirements of plan members and the Town are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Town's contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$33,552, \$23,754, and \$26,706 respectively, which equal the amount of the required contributions for each fiscal year.

NOTE I: POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act (10-7C-1 to 10-7C-16 NMSA 1978 provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. As authorized under Section 9D. Of Chapter 6 Laws of 1990, the Town has elected not to participate in the program.

NOTE J: RISK MANAGEMENT

The Town participates in the New Mexico Self-Insurers Fund for medical insurance coverage for their employees. Commercial Insurance covers all other losses. 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. There are no claim liabilities at year end. The officials and certain employees of the Town are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

NOTE K: JOINT POWERS AGREEMENTS

The Lincoln County Solid Waste Authority (Authority) was established in 1991 and has no stated termination date. It acts as its own fiscal agent as do other such cooperative organizations and provides an independent audit. All powers rest with the Authority including budgetary, finance and bonded debt. The participants in the Authority have also entered into a joint powers agreement with Otero County, Alamogordo, Tularosa and Cloudcroft for the purpose of forming the Otero/Lincoln County Regional Landfill. The financial information for this venture is included in the fiscal agent's (Alamogordo) audit report. The Town of Carrizozo has committed the Environmental Gross Receipts Tax collected (current year's amount was \$7,824) to service bonds issued by Alamogordo to construct the facility. The bonds matured during this fiscal year. The Town represents approximately 1/6 of the total JPA.

There are no required capital contributions to the joint power entities and the only financial transactions are for charges for services in the normal course of business.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
 CAPITAL PROJECTS FUND
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Non-GAAP-Budgetary Basis)
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 268,732	\$ 268,732	\$ 207,607	\$ (61,125)
Federal Grant	88,155	88,155	88,155	0
Total Revenues	<u>356,887</u>	<u>356,887</u>	<u>295,762</u>	<u>(61,125)</u>
Expenditures				
Public Works				
Operating Expenses	278,832	278,832	207,607	71,225
Capital Outlay	<u>78,000</u>	<u>78,000</u>	<u>88,155</u>	<u>(10,155)</u>
Total Expenditures	<u>356,832</u>	<u>356,832</u>	<u>295,762</u>	<u>61,070</u>
Excess (Deficiency) of Revenues Over Expenditures	55	55	0	(55)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 55</u>	<u>\$ 55</u>	<u>\$ 0</u>	<u>\$ 55</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

**SUPPLEMENTAL INFORMATION RELATED TO
NON MAJOR FUNDS**

NONMAJOR SPECIAL REVENUE FUNDS

Law Enforcement Fund

To account for funds received from the State of New Mexico for law enforcement purposes. The fund was created by the authority of state grant provisions. (NMSA 29-13-3)

Correction Fund

To account for the collection of fines which are used to supplement the cost of prisoner housing. The fund was created by the authority of state statute. (Section 29-1301 NASA 1978)

Municipal Streets

To account for the receipts and expenditures of special gasoline tax which is restricted for use in repairing and maintaining roads and streets within the municipality. Authority for this fund is NMSA 7-1-6.9 and 7-13-1 to 18.

Valle Del Sol-Infrastructure Fund

To account for a reserve account used to improvements to roads, sewer system, and the water system. The fund was created by the authority of state statute.

Lodgers Tax Fund

To account for a Lodger's Tax which is to be used for cultural and recreational purposes. The fund was created by the authority of state statute. (NMSA 3-38-13 to 24)

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2012

	Law Enforcement Fund	Correction Fund	Municipal Streets Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 5,037	\$ 56,959	\$ 48,466
Receivables			
Taxes	0	0	2,454
Total Assets	<u>\$ 5,037</u>	<u>\$ 56,959</u>	<u>\$ 50,920</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 125	\$ 0	\$ 0
Total Liabilities	<u>125</u>	<u>0</u>	<u>0</u>
Fund Balance			
Restricted-Reported In			
Special Revenue	<u>4,912</u>	<u>56,959</u>	<u>50,920</u>
Total Fund Balance	<u>4,912</u>	<u>56,959</u>	<u>50,920</u>
Total Liabilities and Fund Balance	<u>\$ 5,037</u>	<u>\$ 56,959</u>	<u>\$ 50,920</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2012

	Valle Del Sol Infrastructure Fund	Lodgers Tax Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 62,211	\$ 14,487	\$ 187,160
Receivables			
Taxes	0	673	3,127
Total Assets	<u>\$ 62,211</u>	<u>\$ 15,160</u>	<u>\$ 190,287</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 959	\$ 500	\$ 1,584
Total Liabilities	<u>959</u>	<u>500</u>	<u>1,584</u>
Fund Balance			
Restricted-Reported In			
Special Revenue	<u>61,252</u>	<u>14,660</u>	<u>188,703</u>
Total Fund Balance	<u>61,252</u>	<u>14,660</u>	<u>188,703</u>
Total Liabilities and Fund Balance	<u>\$ 62,211</u>	<u>\$ 15,160</u>	<u>\$ 190,287</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2012

	Law Enforcement Fund	Correction Fund	Municipal Streets Fund
Revenues			
Taxes			
Gasoline	\$ 0	\$ 0	\$ 42,529
Other	0	0	0
License, Fees and Fines	0	13,194	0
State Grants	20,000	0	0
Assessments	0	0	0
Miscellaneous	1,800	0	0
Total Revenues	<u>21,800</u>	<u>13,194</u>	<u>42,529</u>
Expenditures			
Current			
Public Safety	34,698	4,070	0
Public Works	0	0	26,891
Culture & Recreation	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>34,698</u>	<u>4,070</u>	<u>26,891</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(12,898)</u>	<u>9,124</u>	<u>15,638</u>
Other Financing Sources (Uses)			
Transfers In/Out	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(12,898)	9,124	15,638
Fund Balances at Beginning of Year	<u>17,810</u>	<u>47,835</u>	<u>35,282</u>
Fund Balance End of Year	<u>\$ 4,912</u>	<u>\$ 56,959</u>	<u>\$ 50,920</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2012

	Valle Del Sol Infrastructure Fund	Lodgers Tax Fund	Total
Revenues			
Taxes			
Gasoline	\$ 0	\$ 0	\$ 42,529
Other	0	7,232	7,232
License, Fees and Fines	0	0	13,194
State Grants	0	0	20,000
Assessments	39,700	0	39,700
Miscellaneous	0	0	1,800
Total Revenues	<u>39,700</u>	<u>7,232</u>	<u>124,455</u>
Expenditures			
Current			
Public Safety	0	0	38,768
Public Works	13,021	0	39,912
Culture & Recreation	0	6,484	6,484
Capital Outlay	0	0	0
Total Expenditures	<u>13,021</u>	<u>6,484</u>	<u>85,164</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>26,679</u>	<u>748</u>	<u>39,291</u>
Other Financing Sources (Uses)			
Transfers In/Out	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	26,679	748	39,291
Fund Balances at Beginning of Year	<u>34,573</u>	<u>13,912</u>	<u>149,412</u>
Fund Balance End of Year	<u>\$ 61,252</u>	<u>\$ 14,660</u>	<u>\$ 188,703</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
SPECIAL REVENUE FUND-LAW ENFORCEMENT FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 21,000	\$ 21,000	\$ 20,000	\$ (1,000)
Miscellaneous	0	0	1,800	1,800
Total Revenues	<u>21,000</u>	<u>21,000</u>	<u>21,800</u>	<u>800</u>
Expenditures				
Public Safety				
Operating	<u>38,810</u>	<u>38,810</u>	<u>35,830</u>	<u>2,980</u>
Total Expenditures	<u>38,810</u>	<u>38,810</u>	<u>35,830</u>	<u>2,980</u>
Excess (Deficiency) of Revenues Over Expenditures	(17,810)	(17,810)	(14,030)	3,780
Cash Balance Beginning of Year	<u>19,067</u>	<u>19,067</u>	<u>19,067</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1,257</u>	<u>\$ 1,257</u>	<u>\$ 5,037</u>	<u>\$ 3,780</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (14,030)	
Net Change in Accounts Payables			<u>1,132</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (12,898)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
SPECIAL REVENUE FUND-CORRECTION FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Correction Fees	\$ 17,434	\$ 17,434	\$ 13,194	\$ (4,240)
Total Revenues	<u>17,434</u>	<u>17,434</u>	<u>13,194</u>	<u>(4,240)</u>
Expenditures				
Public Safety				
Fees	864	1,740	1,730	10
Judicial Education	835	1,367	1,367	0
Housing of Prisoners	6,600	1,008	1,008	0
Total Expenditures	<u>8,299</u>	<u>4,115</u>	<u>4,105</u>	<u>10</u>
Excess (Deficiency) of Revenues Over Expenditures	9,135	13,319	9,089	(4,230)
Cash Balance Beginning of Year	<u>47,870</u>	<u>47,870</u>	<u>47,870</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 57,005</u>	<u>\$ 61,189</u>	<u>\$ 56,959</u>	<u>\$ (4,230)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 9,089	
Net Change in Accounts Payables			<u>35</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 9,124</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
SPECIAL REVENUE FUND-MUNICIPAL STREETS FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Gas Tax	\$ 37,593	\$ 37,593	\$ 43,281	\$ 5,688
Total Revenues	<u>37,593</u>	<u>37,593</u>	<u>43,281</u>	<u>5,688</u>
Expenditures				
Public Works				
Operating Expense	<u>36,600</u>	<u>36,600</u>	<u>29,207</u>	<u>7,393</u>
Total Expenditures	<u>36,600</u>	<u>36,600</u>	<u>29,207</u>	<u>7,393</u>
Excess (Deficiency) of Revenues Over Expenditures	993	993	14,074	13,081
Cash Balance Beginning of Year	<u>34,392</u>	<u>34,392</u>	<u>34,392</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 35,385</u>	<u>\$ 35,385</u>	<u>\$ 48,466</u>	<u>\$ 13,081</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ 14,074	
Net Change in Taxes Receivable			(752)	
Net Change in Account Payables			<u>2,316</u>	
Net Change in Fund Balance			<u>\$ 15,638</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
SPECIAL REVENUE FUND-VALLE DEL SOL-INFRASTRUCTURE FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Assessments	\$ 39,700	\$ 39,700	\$ 39,700	\$ 0
Total Revenues	<u>39,700</u>	<u>39,700</u>	<u>39,700</u>	<u>0</u>
Expenditures				
Public Works				
Operating Expense	<u>12,000</u>	<u>12,722</u>	<u>12,720</u>	<u>2</u>
Total Expenditures	<u>12,000</u>	<u>12,722</u>	<u>12,720</u>	<u>2</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>27,700</u>	<u>26,978</u>	<u>26,980</u>	<u>2</u>
Cash Balance Beginning of Year	<u>35,231</u>	<u>35,231</u>	<u>35,231</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 62,931</u>	<u>\$ 62,209</u>	<u>\$ 62,211</u>	<u>\$ 2</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 26,980	
Net Change in Account Payables			<u>(301)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 26,679</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
SPECIAL REVENUE FUND-LODGERS TAX FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Non-GAAP-Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Lodgers Tax	\$ 7,000	\$ 7,142	\$ 7,141	\$ (1)
Total Revenues	<u>7,000</u>	<u>7,142</u>	<u>7,141</u>	<u>(1)</u>
Expenditures				
Culture & Recreation				
Operating Expense	<u>8,344</u>	<u>8,344</u>	<u>6,158</u>	<u>2,186</u>
Total Expenditures	<u>8,344</u>	<u>8,344</u>	<u>6,158</u>	<u>2,186</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,344)	(1,202)	983	2,185
Cash Balance Beginning of Year	<u>13,504</u>	<u>13,504</u>	<u>13,504</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 12,160</u>	<u>\$ 12,302</u>	<u>\$ 14,487</u>	<u>\$ 2,185</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 983	
Net Change in Taxes Receivable			91	
Net Change in Accounts Payable			<u>(326)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 748</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
 PROPRIETARY FUND-UTILITY
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Non-GAAP-Budgetary Basis)
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Sales & Service				
Water & Sewer	\$ 400,162	\$ 400,162	\$ 378,781	\$ (21,381)
Sanitation	110,770	110,770	108,878	(1,892)
Environmental Gross Receipt Tax	0	0	8,262	8,262
Federal Grants	0	0	54,953	54,953
Total Revenues	<u>510,932</u>	<u>510,932</u>	<u>550,874</u>	<u>39,942</u>
Expenditures				
Water & Sewer				
Personal Services	154,825	154,825	153,749	1,076
Benefits	52,874	52,874	52,225	649
Operating Expenses	111,508	161,760	165,360	(3,600)
Capital Outlay	3,600	3,600	0	3,600
Debt Service				
Principal	4,990	4,990	4,990	0
Interest	17,286	17,286	17,286	0
Sanitation				
Contract Services	125,000	115,425	115,423	2
Total Expenditures	<u>470,083</u>	<u>510,760</u>	<u>509,033</u>	<u>1,727</u>
Excess (Deficiency) of Revenues Over Expenditures	40,849	172	41,841	41,669
Cash Balance Beginning of Year	<u>110,725</u>	<u>110,725</u>	<u>110,725</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 151,574</u>	<u>\$ 110,897</u>	<u>\$ 152,566</u>	<u>\$ 41,669</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ 41,841	
Principal Paid			4,990	
Depreciation			(82,688)	
Capital Outlay			0	
Net Change in Accounts Receivable			2,312	
Net Change in Taxes Receivable			(68)	
Net Change in Inventories			(2,489)	
Net Change in Accounts Payable			(573)	
Net Change in Accrued Salaries			(1,762)	
Net Change in Accrued Interest			112	
Net Change in Compensated Absences			(183)	
Net Change in Customer Deposits			(1,579)	
Net Change in Net Assets-GAAP Basis			<u>\$ (40,087)</u>	

The notes to the financial statements are an integral part of this statement.

De'Aun Willoughby CPA, PC

Certified Public Accountant

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(855) 253-4313

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*

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Members of the Town of Carrizozo

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund, major special revenue fund, and the budgetary comparisons for the major capital project funds and the combining individual funds and related budgetary comparison presented as supplemental information of the Town of Carrizozo (Town) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and correct on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting; 10-1, 10-4, 10-5, 12-1, 12-2 and 12-3. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses; 10-1, 10-4, 10-5, 12-1, 12-2 and 12-3 .

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

This report is intended solely for the information and use of management, the New Mexico State Legislature and its committees, the Office of the State Auditor, the New Mexico Department of Finance and Administration - Local Government and 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.

De'Ann Willoughby CPA PC

November 29, 2012

STATE OF NEW MEXICO
TOWN OF CARRIZOZO
 Schedule of Findings and Responses
 For the Year Ended June 30, 2012

Prior Year Audit Findings		<u>Status</u>
10-1	SAS 115	Repeated
10-3	State Unemployment Reporting	Resolved
10-4	Fringe Benefits not reported on W-2's.	Repeated & Modified
10-5	Customer Utility Deposits	Repeated & Modified
11-1	Fire Department Spending Public Monies	Resolved

Current Year Audit Findings

10-1 SAS 115-Compliance and Internal Control-Significant Deficiency Condition

According to Statement on Auditing Standards 115 (SAS 115), identification by the auditor of a material misstatement of the financial statements under audit, in circumstances that indicate that the misstatement would not have been detected by the entity's internal control, is considered a material weakness.

Criteria

Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 115, paragraph 3 states the following: "Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting." Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP or at a minimum; management should have the ability to comprehend the requirements for financial reporting. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, as applicable, and notes.

Cause

The Towns staff has not been trained on Governmental Accounting Standards and related procedures to prepare financial statements.

Effect

Since the Town's personnel lack the ability to prepare, and did not prepare, the financial statements, there is an increased risk that a misstatement of the Town's financial statements, that is more than inconsequential, will not be prevented or detected.

Recommendation

We understand the Town Council has to be mindful of the economic conditions facing the State of New Mexico and the Town when considering budget appropriations and charges to such appropriations; however, the Council should place proper financial resources in training the accounting staff. Such training at the minimum would include accounting courses that would instruct the staff of GAAP considerations in regards to government financial reporting. With that in mind, we recommend the Town staff receive the proper training in regards to financial reporting in accordance with GAAP.

Response

The Town will continue to rely on the auditor to prepare the financial statements.

10-4 Fringe Benefits and W-2's-Compliance and Internal Control-Significant Deficiency Condition

During our audit process we noticed that the medical insurance paid by the Town is reducing wages in box 1 of the W-2's by \$951.52.

Criteria

Internal Revenue Service 2012 General Instructions for Forms W-2 and W-3 list what should be included and excluded in box 1 of the W-2.

Cause

The payroll setup is not correct. It changes when an update was received from the software company.

Effect

Gross wages were understated. Employees owe additional federal and state income tax including penalties and interest.

Recommendation

We recommend the payroll setup be tested each time there is an update received from the software company.

Response

We will include fringe benefits on all W-2s.

10-5 Customer Utility Deposits-Internal Control-Material Weakness

Condition

During the testing of customer utility deposits at year-end, we discovered the following:

The Town has failed to complete the process of reconciling the customer utility deposit balance of \$49,365 with the individual customer utility deposit ledger pages.

Criteria

New Mexico State Statutes Section 6-6-3 provides that every local body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Within Title 2, Chapter 20, Part 5, Public Finance Accounting by Governmental Entities of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Cause

The Town failed to maintain the ledger book on a regular basis and reconcile them to the computers cash in bank reserved for customer deposits. Without maintaining the records, accounts which have been closed, deposit applied to or payment issued and new deposits were not recorded correctly.

Effect

The Town believes the balance on the financial statements for the customer deposits is reasonable, but may not be completely accurate. With an incorrect liability, the financial statements for the Joint Water, Sewer Fund & Solid Waste could have been reported incorrectly.

Recommendation

Records should be corrected based on daily logs and information and reconciled to the cash reserved for customer deposits.

Response

We are in the process of reconciling the customer deposits to the ledger book and the computer.

12-1 Reconciliation-Compliance and Internal Control-Significant Deficiency

Condition

The bank reconciliation, general ledger and audited cash balance do not agree.

Bank Reconciliation Balance	\$	733,790
General Ledger		706,710
Audited Cash Balance		760,641

Criteria

New Mexico State Statutes Section 6-6-3 provides that every local body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Within Title 2, Chapter 20, Part 5, Public Finance Accounting by Governmental Entities of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Cause

The software has never been set up correctly. A representative from the software has been on site for five days, a CPA has assisted for two days and employees have attended three days of training to reconcile the bank statements to the general ledger. All have been unsuccessful.

Effect

The incorrect cash balances could result in poor management decisions and an opportunity for undiscovered mistakes and fraud.

Recommendation

We believe there is no other choice but to change software.

Response

We are in the process of changing software now.

12-2 Fuel Logs-Compliance and Internal Control-Significant Deficiency**Condition**

We calculated miles per gallon on various vehicles based on the mileage noted on the fuel tickets and found a range of 0.05 to 18 miles per gallon. Controls are not adequate to determine who is responsible for the fuel purchased.

Criteria

N.M.S.A 1978, Section 30.16.8 Embezzlement consists of a person embezzling or converting to the person's own use anything of value, with which the person has been entrusted, with fraudulent intent to deprive the owner thereof.

Cause

There are no fuel logs and no controls on the fuel cards to determine if there is fraud and who is responsible for the act.

Effect

Lack of controls and oversight provides an opportunity for abuse and potential for embezzlement and fraud.

Recommendation

Fuel Logs and other controls should be implemented to assure all fuel purchased is for the benefit of the Town.

Response

We have immediately implemented fuel logs and other controls.

12-3 Late Audit Report - Compliance**Condition**

The audit report was not submitted to the State Auditor after the required deadline of December 1, 2012.

Criteria

All audit reports should be submitted to the State Auditor by the required due date according the State Auditors Rule 2.2.2 9 A (1) (c).

Cause

The audit was submitted timely but the audit was rejected by OSA because the dollar amount was not included in finding 10-4. A rejection fax causes the audit to be considered late.

Effect

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 report could have an effect on state and federal funding.

Recommendation

The audit should be filed timely.

Response

We will encourage the auditor to include dollar amounts in the audit finding to avoid a late filed report.

Exit Conference

An exit conference was held on November 29, 2012 in attendance was Lee Gross-Mayor, Yovanne Lucero-Trustee, Leann Weihbrecht-Town Clerk, and De'Aun Willoughby, CPA.