



ricci & company llc

Certified Public Accountants

**STATE OF NEW MEXICO
TOWN OF COCHITI LAKE**

FINANCIAL STATEMENTS

JUNE 30, 2011



**STATE OF NEW MEXICO
TOWN OF COCHITI LAKE**

Official Roster	1
Independent Accountant's Agreed Upon Procedures Report	2
AGREED UPON PROCEDURES	
Procedures Performed and Related Results	3
Independent Accountant's Compilation Report	8
COMPILED FINANCIAL STATEMENTS	
Fund Financial Statements	
Balance Sheet - Governmental Funds	10
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	11
Schedule of Revenues and Expenditures – Budget and Actual General Fund	12
Special Revenue Fund	13
Statement of Fiduciary Assets and Liabilities Agency Fund - Cochiti Lake Community Fund	14
Notes to Financial Statements	15
Schedule of Findings and Responses	25
Exit Conference	26

**STATE OF NEW MEXICO
TOWN OF COCHITI LAKE**

Official Roster

Town Assembly

<u>Name</u>	<u>Title</u>
Ken Kiesling	Mayor
Mac Poling	Mayor Pro Tem
Freda Donica	Assembly Person
Sue Kinzie	Assembly Person
Linda Bradshaw	Assembly Person

Administrative Staff

Mary F. Wheeler	Town Administrator
Annette Narvaiz	Town Clerk

Independent Accountant's Agreed Upon Procedures Report

Hector Balderas
New Mexico State Auditor
and
Mayor and Town Assembly
Town of Cochiti Lake
Cochiti Lake, New Mexico

We have performed the procedures enumerated below, which were agreed to by the Town of Cochiti Lake (Town) and the New Mexico State Auditor's Office, solely to assist in determining if the Town is in compliance with New Mexico State Audit Rule, Tier 6, as of June 30, 2011. The Town is the responsible party and the subject matter is the responsibility of the Town. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are included in a supplemental attachment.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Tier 6 agreed upon procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Mayor and Town Assembly and others within the Town, the State Auditor, the Department of Finance and Administration – Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Ricci & Company LLC

Albuquerque, New Mexico
November 4, 2011

AGREED UPON PROCEDURES

TOWN OF COCHITI LAKE
AGREED UPON PROCEDURES
June 30, 2011

PROCEDURES PERFORMED AND RELATED RESULTS

1. Cash

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on hand.

Bank reconciliations are included as part of the financial presentation for monthly board meetings. We reviewed bank reconciliations for the months of July 2010, October 2010, November 2010 and June 2011 in order to ensure that they were performed timely and accurately. No exceptions were noted. The reconciliations selected for review were performed prior to the subsequent Town Assembly meeting which we consider to be timely.

The Town has four banking accounts and two investment accounts. These accounts consist of four checking, one money market, and one fixed income and preferred securities investment account. All reconciliations are complete and on hand.

- b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA - Local Government Division.

We selected the months of July 2010, October 2010, November 2010 and June 2011 to test reconciliations which were all accurate and tied to the general ledger as well as the financial reports submitted to DFA – Local Government Division.

- c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

We determined upon review of the monthly bank statements and bank reconciliations that the Town is exposed to investment and custodial risk for a significant portion of their funds maintained in an investment account. They currently do not have any pledged collateral for these funds. All other bank accounts have maintained balances below \$250,000 in all accounts; therefore, additional procedures were not performed.

TOWN OF COCHITI LAKE
AGREED UPON PROCEDURES
June 30, 2011

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

2. Capital Assets

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

An annual physical inventory of capital assets was completed. We reviewed the inventory listing prepared by the office manager. We also observed the invoices related to the construction of an ambulance during our field work. The Town utilizes Microsoft Excel to maintain its inventory listing.

3. Debt

None

4. Revenue

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

We compared budget to actual for each type of revenue. Please see the Budget-Actual Schedules (pages 12-13) for amounts. We inquired on the following variance:

The variance in ambulance services revenues relates to billings made in the prior year which were collected in the current year. The variance in the interest account relates to account classification of interest income checking which went to an unbudgeted line item. All other variances were immaterial.

Test 50% of the total amount of revenues for the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

TOWN OF COCHITI LAKE
AGREED UPON PROCEDURES
June 30, 2011

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

To obtain the 50% coverage, we selected three of the contracts entered into by the Town which included the State Fire Fund, State of New Mexico – LCAA, and Sandoval County EMS contracts which amounted to \$258,900. We analytically determined whether the collections were reasonable in relation to the billing reports obtained from the client. We then traced the amounts recorded to the bank statements to ensure the funds were actually received. No exceptions were noted.

5. Expenditures

Select a sample of cash disbursements and test at least 25 transactions and 50% of the total amount of expenditures for the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

To meet the requirements of the expenditures, we tested twenty five expenditures which included two payroll disbursements to employees in order to obtain a representative sample. The twenty five sample items were randomly selected using the number from the check range of the Town for the fiscal year. We then analytically tested 100% of the Town's payroll. The above attributes were tested without exception for all of the transactions.

**TOWN OF COCHITI LAKE
AGREED UPON PROCEDURES
June 30, 2011**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

6. Journal Entries

If nonroutine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

We noted that the Town made many adjusting journal entries for investments in the current year. All entries agree to supporting statements and appear to be valid.

7. Budget

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.

We verified the Town Assembly approved the original budget on July 29, 2010 which was approved by the DFA on August 3, 2010. We also verified that there were sixteen line item budget adjustments made during the fiscal year. These adjustments were approved by the DFA and the Town's Assembly.

- b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.

It was determined that the Town did not exceed the final budget at the legal level of budgetary control.

- c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual, or modified accrual basis) for each individual fund. See attached Statement of Revenues and Expenditures - Budget and Actual - General Fund and Special Revenue Fund which are prepared on the cash basis of accounting.

**TOWN OF COCHITI LAKE
AGREED UPON PROCEDURES
June 30, 2011**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

8. Capital Outlay Appropriations

None – Capital outlay during the current year was not made with legislatively appropriated funds.

Other

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(I)(3)(C) NMAC.

During fieldwork there were no instances that came to our attention which indicated any instances of fraud, illegal acts, noncompliance, or internal control deficiencies.

COMPILED FINANCIAL STATEMENTS

Independent Accountant's Compilation Report

Hector Balderas
New Mexico State Auditor
and
Mayor and Town Assembly
Town of Cochiti Lake
Cochiti Lake, New Mexico

We have compiled the accompanying Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds, and the Statement of Fiduciary Assets and Liabilities Agency Fund – Cochiti Lake Community Fund for the Town of Cochiti Lake, New Mexico (Town) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the management of the Town in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. During our compilation, we did become aware of certain departures from accounting principles generally accepted in the United States of America that are described in the following paragraphs.

Government-wide financials have not been presented as required by generally accepted accounting principles. As a result, management has not recorded a liability for compensated absences and, accordingly, has not recorded an expenditure for the current period change in that liability. Accounting principles generally accepted in the United States of America require that compensated absences attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenditures of the governmental activities. The amount by which this departure would affect the liabilities and expenditures of the governmental fund activities has not been determined.

Investment in capital assets, and the associated accumulated depreciation normally reflected in government-wide financials have not been presented in the fund financial statements, nor have the disclosures associated with these transactions been included. The amount by which these departures would affect the assets and expenditures of the governmental fund activities has not been determined.

A statement of cash flows for the year ended June 30, 2011, has not been presented. Accounting principles generally accepted in the United States require that such a statement be presented when financial statements purport to present financial position and results of operations.

Ricci & Company LLC

Albuquerque, New Mexico
November 4, 2011

**STATE OF NEW MEXICO
TOWN OF COCHITI LAKE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

See Independent Accountant's Compilation Report.

	General	Special Revenue	Total
ASSETS			
Cash	\$ 80,574	277,278	357,852
Investments	781,252	-	781,252
Property taxes receivable	8,725	-	8,725
Accounts receivable	1,320	32,718	34,038
	<hr/>		
Total assets	\$ 871,871	309,996	1,181,867
	<hr/>		
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 10,310	430	10,740
Accrued payroll and taxes	4,528	1,793	6,321
Deferred property taxes	4,425	-	4,425
Deferred ambulance revenues	-	30,241	30,241
	<hr/>		
Total liabilities	19,263	32,464	51,727
	<hr/>		
Fund Balance			
Unassigned	879,072	251,068	1,130,140
	<hr/>		
Total liabilities and fund balance	\$ 898,335	283,532	1,181,867
	<hr/>		

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
TOWN OF COCHITI LAKE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2011
*See Independent Accountant's Compilation Report.***

	General Fund	Special Revenue	Total
Revenues			
Town property taxes	\$ 33,973	-	33,973
Franchise fees	6,720	-	6,720
Charges for services	-	48,670	48,670
Local sources	6,688	55,000	61,688
State sources	128,900	86,468	215,368
Investment income	22,051	-	22,051
Capital outlay award	-	75,000	75,000
Other	8,334	10,150	18,484
	<hr/>		
Total revenues	206,666	275,288	481,954
	<hr/>		
Expenditures			
Current:			
General government	132,414	-	132,414
Public works and utilities	58,415	-	58,415
Culture and recreation	16,313	-	16,313
Fire services	-	47,517	47,517
Emergency services	-	96,831	96,831
Capital outlay	-	80,895	80,895
	<hr/>		
Total expenditures	207,142	225,243	432,385
	<hr/>		
Net change in fund balance	(476)	50,045	49,569
Fund balance, beginning of year	879,548	201,023	1,080,571
	<hr/>		
Fund balance, end of year	\$ 879,072	251,068	1,130,140
	<hr/>		

The Notes to the Financial Statements are an integral part of this statement.

TOWN OF COCHITI LAKE
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 34,484	34,484	33,973	(511)
Franchise fees	6,700	6,700	6,720	20
Grants - State	151,901	151,901	149,765	(2,136)
Interest on investments	47,873	47,873	22,051	(25,822)
Miscellaneous	7,851	7,851	8,334	483
Total revenues	<u>248,809</u>	<u>248,809</u>	<u>220,843</u>	<u>(27,966)</u>
Expenditures				
Current:				
Finance and Administration	179,973	179,973	151,589	28,384
Culture and Recreation	68,836	68,836	68,087	749
Total expenditures	<u>248,809</u>	<u>248,809</u>	<u>219,676</u>	<u>29,133</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures and other financing sources	<u>\$ -</u>	<u>-</u>	<u>1,167</u>	<u>1,167</u>

Revenues	
Total revenues, budgetary basis	\$ 220,843
Decrease in property tax receivable	(1,124)
Decrease in accounts receivable	(442)
Decrease in deferred revenues	570
GO Bonds received in prior year	(13,181)
Total revenues, GAAP basis	<u>\$ 206,666</u>

Expenses	
Total expenses, budgetary basis	\$ 219,676
Decrease in accounts payable	(8,203)
Decrease in accrued liabilities	(4,331)
Total expenses, GAAP basis	<u>\$ 207,142</u>

TOWN OF COCHITI LAKE
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Grants - State EMS	\$ 137,000	137,000	137,000	-
State fire marshall allotment	79,468	79,468	79,468	-
Miscellaneous	44,790	44,790	58,564	13,774
	<hr/>			
Total revenues	261,258	261,258	275,032	13,774
<hr/>				
Expenditures				
Current:				
Capital Outlay	95,000	95,000	80,895	14,105
Public Safety	161,540	161,540	165,467	(3,927)
	<hr/>			
Total expenditures	256,540	256,540	246,362	10,178
<hr/>				
Other Financing Sources (Uses):				
Transfers in	145,800	145,800	-	(145,800)
Transfers out	145,800	145,800	-	(145,800)
	<hr/>			
Total other financing sources	-	-	-	-
<hr/>				
Excess of revenues over expenditures and other financing sources	\$ 4,718	4,718	28,670	23,952
<hr/>				
Revenues				
Total revenues, budgetary basis			\$ 275,032	
Increase in ambulance receivables			3,382	
Increase in deferred revenues			(3,126)	
Total revenues, GAAP basis			<u>\$ 275,288</u>	
Expenses				
Total expenses, budgetary basis			\$ 246,362	
Decrease in accounts payable			(19,931)	
Decrease in accrued liabilities			(1,188)	
Total expenses, GAAP basis			<u>\$ 225,243</u>	

**STATE OF NEW MEXICO
TOWN OF COCHITI LAKE
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND - COCHITI LAKE COMMUNITY FUND
June 30, 2011
*See Independent Accountant's Compilation Report.***

Assets	
Cash	\$ 2,922
Certificates of deposit	<u>34,367</u>
Total assets	<u><u>\$ 37,289</u></u>
Liabilities	
Deposits held for others	<u>\$ 37,289</u>
Total liabilities	<u><u>\$ 37,289</u></u>

The Notes to the Financial Statements are an integral part of this statement.

TOWN OF COCHITI LAKE
NOTES TO FINANCIAL STATEMENTS
As of June 30, 2011

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

A. Function and Definition of Entity

The Town of Cochiti Lake (Town) is located on property leased in 1969 from the Pueblo de Cochiti (Pueblo), a federally recognized Native American tribe, for a period of ninety-nine years. The Town operates under a 1970 Charter granted by the Pueblo.

The Town is governed by a Town Assembly, which consists of five persons elected for four-year terms. The Assembly elects one member as Mayor, one as Mayor Pro-Tem and one as Secretary-Treasurer, and hires a Town Administrator.

Under the terms of an agreement with the Pueblo, the Town is required to provide fire and rescue services to the Town and the Pueblo. The Pueblo must also approve the Town's grants, contracts and other activities. In October 2004, the Pueblo took over operation of the Town's utilities, as permitted by the original Master Lease.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town had no component units during the fiscal year ended June 30, 2011.

The financial statements of the reporting entity do not include those of the Cochiti Lake Improvement Trust Fund (ITF), which was presented as a discrete component unit in years before 2006. The ITF was originally established as a legally separate Trust Fund for the purpose of improving the infrastructure of the Town. However, this Trust Fund is now under the control of the Pueblo, and neither the funds or the financial information are available to the Town.

The financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below. Pronouncements of the Financial Accounting Standards Board issued after November 30, 1989 are applicable to any business-type activity of the Town. However, the Town did not have any business-type activities during the year ended June 30, 2011.

TOWN OF COCHITI LAKE
NOTES TO FINANCIAL STATEMENTS
As of June 30, 2011

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONTINUED)**

B. Financial Statements - GASB Statement #34

The fund financial statements categorize primary activities as either governmental or business-type activities. Emphasis here is on the major funds in either the governmental or business-type categories. The General Fund and the Special Revenue Fund have been classified as major funds. There were no nonmajor funds.

The Town's policy for when an expense is incurred for purposes for which both restricted and unrestricted net assets are available is to utilize the restricted net assets first. No such expenses occurred during the year ended June 30, 2011.

Program revenues are funds received for utility and ambulance emergency services, operating grants and capital grants. General revenue includes property taxes, franchise fees, and the State of New Mexico Leasehold Community Assistance appropriation.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Town's actual experience conforms to the budget or fiscal plan.

The Town's fiduciary fund (agency fund) is presented in the Statement of Fiduciary Net Assets - Agency Fund Cochiti Lake Community Fund. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government.

C. Basis of Presentation

The financial transactions of the Town are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

TOWN OF COCHITI LAKE
NOTES TO FINANCIAL STATEMENTS
As of June 30, 2011

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONTINUED)**

C. Basis of Presentation (Continued)

The new reporting model, GASB Statement #34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined. Due to the fund structure of the Town, both funds have been classified as major funds.

The focus of governmental fund measurement (in the fund financial statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town.

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund

The Special Revenue Fund is used to account for the operations of the Volunteer Fire Department and the Emergency Medical Services (EMS) Department.

Fiduciary Funds

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the Town. The Town only had one agency fund during the year ended June 30, 2011.

Agency funds are used to account for assets that the government holds for others in an agency capacity. The agency fund is as follows:

Cochiti Lake Community Fund

Accounts for assets held by the Town as an agent for the separate Cochiti Lake Community Fund.

TOWN OF COCHITI LAKE
NOTES TO FINANCIAL STATEMENTS
As of June 30, 2011

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONTINUED)**

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditure/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The governmental funds in the fund financial statements are presented on a modified accrual basis. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, and the Town uses sixty days after year end as the period in which they have to be received. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due. In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

Property taxes are recognized when levied. Derived tax revenues are recognized when the exchange transaction takes place. Major revenue sources susceptible to accrual include Town property taxes, franchise fees, and interest income. Town taxes are considered available if collected within sixty days of year-end. The remaining amounts, if any, are deferred. Franchise taxes and interest income are recorded as earned since they are measurable and available. Other revenues are generally recorded as revenue when received in cash.

E. Reservations and Designations of Fund Balances

In the fund financial statements, the Department has adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement is intended to enhance the usefulness of fund balance information by providing clearer fund balance classifications and clarifying the existing fund balance definitions.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. *Nonspendable* - includes amounts that cannot be spent because (1) they are either not in spendable form or (2) they are legally or contractually required to be maintained intact.

TOWN OF COCHITI LAKE
NOTES TO FINANCIAL STATEMENTS
As of June 30, 2011

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONTINUED)**

E. Reservations and Designations of Fund Balances (Continued)

2. *Restricted* - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* - fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government's highest level of decision-making authority removes or changes the specified use by taking the same action it employed to previously commit those amounts.
4. *Assigned* - fund balance classification intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. *Unassigned* - fund balance is the residual classification for the government's General Fund and includes all spendable amounts not contained in the other classifications.

The Town would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

F. Budgetary Accounting

Budgets for all funds are adopted on the cash basis. This method does not conform with accounting principles generally accepted in the United States of America, which require the use of the modified accrual basis as described above. At year-end, budgeted appropriations lapse. The Town Assembly approves the original budget at a public meeting for which legal notices are published. The public is invited to comment at the meeting. Within each fund, transfers may be made between line items with the approval of the Town Assembly. Transfers between funds and any increase in the original budget, in addition to approval by the Town Assembly, must be presented to the Local Government Division of the New Mexico Department of Finance and Administration for their approval. The original budget, approved by the Town Assembly and the Local Government Division, may be subsequently amended if approved by the Town Assembly and the Local Government Division. Actual expenditures for each budget may not legally exceed the appropriations, including budgeted beginning cash balances, at the fund level. The Town's budget for the fiscal year ended June 30, 2011, was properly approved by the Town Assembly and by the Local Government Division.

TOWN OF COCHITI LAKE
NOTES TO FINANCIAL STATEMENTS
As of June 30, 2011

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONTINUED)**

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2. CASH

A. Cash

Cash consists of the following at June 30, 2011:

General account	\$ 38,338
Library	50
Fire	138,595
EMS	138,683
Investment account money market	<u>42,186</u>
Total non-agency fund cash	<u>357,852</u>
Agency fund:	
Cash	2,922
Certificates of deposit	<u>34,367</u>
Total agency fund	<u>37,289</u>
Total cash	<u>\$ 395,141</u>

B. Pledged Collateral

New Mexico statutes provide that deposits of public monies in financial institutions must be secured by pledged collateral in an aggregate value equal to one-half of the amount of the public monies deposited after deducting the amount of FDIC insurance coverage for each financial institution.

C. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy regarding custodial credit risk is to comply with Section 6-10-17, NMSA (1978 Comp). As of June 30, 2011, the Town had deposits that were not fully insured (see Finding 04-01).

TOWN OF COCHITI LAKE
NOTES TO FINANCIAL STATEMENTS
As of June 30, 2011

NOTE 3. INVESTMENTS

The Town of Cochiti Lake invests its funds in accordance with resolutions by its Town Assembly. Pursuant to Sections 6-10-10, 6-10-36, and 6-10-44, NMSA (1978), funds not immediately necessary for public use and not deposited into qualified banks may be invested in U.S. and State government obligations and securities issued and backed by the U.S. Government. As noted below, the Town has preferred securities that do not meet this requirement.

As of June 30, 2011, the Town had the following investments, which are held by a financial services company.

	Fair Value	Weighted Average Maturity (Years)	Average Credit Quality Rating
Certificates of deposit	\$ 615,372	2.1	N/A
Preferred securities:			
Gen. Elec. Cap. Corp.	24,064	21.5	Moody's Aa2
Household Fin. Corp.	25,160	22.5	Moody's A3
Tenn. Vall. Auth. PARRS A	40,592	18	Moody's Aaa
Gen. Elec. Cap. Corp. Min	<u>76,064</u>	23.5	Moody's Aaa/AAA
Total	<u>\$ 781,252</u>		

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not recover the value of the investments in the possession of the counterparty. The Town General Fund investments are held by and in the name of the broker, Raymond James Financial Services, Inc., on behalf of the Town. In the event of the failure of the broker, the Security Investor Protection Act coverage would provide coverage up to \$500,000. State statute limits investments to obligations of the United States, New Mexico local governments or those backed by the United States Government.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Town policy is to rely on the judgment of the brokerage firm handling the Town investments.

Concentration of credit risk is the risk of loss attributed to the Town's investment in a single issue. GASB #40 requires that investments in any one issue that represents 5% or more of total investments be disclosed (investments in U.S. government-backed securities are excluded). Of the investments above, Tennessee Valley Authority PARRS A, and General Electric Capital Corporation MIN fall into this category.

TOWN OF COCHITI LAKE
NOTES TO FINANCIAL STATEMENTS
As of June 30, 2011

NOTE 4. RECEIVABLES

Of the total property taxes receivable, \$4,300 in the General Fund are considered available financial resources and considered fully collectible. Delinquent property taxes of \$8,725 have also been recorded in the General Fund financial statements, which includes receivables for all uncollected levied taxes, net of an estimated allowance for doubtful accounts of \$4,985. Delinquent property taxes do not represent measurable available resources so they are considered to be deferred revenue in the fund financial statements.

The following are the receivables outstanding at June 30, 2011:

Property taxes, net of allowance of \$4,985	\$ 8,725
Accounts receivable	<u>34,038</u>
Total	<u>\$ 42,763</u>

Accounts receivable consist of the following:

The Pueblo assumed control of the Water, Waste Water and Trash Pickup Utility as of October 1, 2004. However, the Town retained the right to attempt to collect accounts receivable at that time.

Utility (water, sewer, trash) accounts receivable	\$ 49,106
Allowance for uncollectible accounts	<u>(49,106)</u>
Net utility accounts receivable	\$ -
Franchise taxes receivable	1,320
Ambulance (EMS) accounts receivable	\$ 405,037
Allowance for uncollectible accounts	<u>(372,319)</u>

Of the net ambulance receivable above, \$32,718 is reported in the Special Revenue Fund, with \$30,241 of this deferred, since it was not available within 60 days of year-end

Total accounts receivable	<u>\$ 34,038</u>
----------------------------------	------------------

TOWN OF COCHITI LAKE
NOTES TO FINANCIAL STATEMENTS
As of June 30, 2011

NOTE 5. RISK MANAGEMENT

The Town 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 Town carries commercial insurance for these risks of loss, including workers' compensation coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6. REVENUES

A. Leasehold Community Assistance

The Town receives an appropriation each year under the Leasehold Community Assistance Act, laws of 1985, Chapter 214. For the current year, this amount was \$128,900 and was recorded in the General Fund.

B. Town Property Tax

The Town adopted an ad valorem property tax as of December 15, 2004. The assessed valuations as supplied by the Sandoval County Treasurer are utilized and a rate of 0.1569 is applied. The tax was levied August 1, 2011 and due December 31, 2011.

C. Library

The Town received \$5,765 from the State of New Mexico Office of Cultural Resources for library resources, and \$923 in funds from the State of New Mexico General Obligation Bond issue.

D. Fire and Emergency Services

The Town received \$79,468 from the State Fire Fund, \$7,000 from the State EMS Fund, and \$55,000 from a contract with Sandoval County to provide response services.

TOWN OF COCHITI LAKE
NOTES TO FINANCIAL STATEMENTS
As of June 30, 2011

NOTE 7. CONTINGENCIES

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 Town. The amount, if any, of expenses which may be disallowed by the grantors cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town has been named as a defendant in a lawsuit. The Town is vigorously contesting the claim. No amount has been accrued in the financial statements since the outcome of this matter is uncertain, and since the resulting liability, if any, cannot be determined.

**TOWN OF COCHITI LAKE
AGREED UPON PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011**

FINDINGS – AGREED UPON PROCEDURES

04-01 – Investments

CONDITION

The Town has two investment accounts held in depository institutions where the institutions do not provide any type of insurance or pledged collateral. Within these depository institutions investments held include uninsured preferred securities of \$165,880 and money market securities of \$42,186. The depository institution has not provided pledged collateral for these monies.

CRITERIA

Per New Mexico Statute sections 6-10-10, 6-10-36, and 6-10-44 NMSA (1978), investments of a local public body are limited to bank deposits, obligations of the United States and New Mexico local governments, and obligations collateralized or backed by the U.S. Government.

CAUSE

The Town holds significant investments which are not included in the aforementioned investment categories and their investment advisor believes that they are not in violation of State Statutes.

EFFECT

The Town is at risk of loss of funds and they appear to be in violation of State Statutes as mentioned above.

RECOMMENDATION

The Town should monitor their investments and ensure that they are in compliance with all applicable State Statutes.

MANAGEMENT RESPONSE

The Town of Cochiti Lake is a Leasehold Community and has not been provided with a legal opinion that specifically states that the Town is required to be in compliance with Section 6-10-10 NMSA 1978. In the absence of such an opinion, the Town has elected not to follow Section 6-10-10 NMSA 1978. The investments in question are monitored closely by the Town Assembly and the Account Supervisor. The Town has taken great care to treat this investment account prudently.

**TOWN OF COCHITI LAKE
EXIT CONFERENCE
For the Year Ended June 30, 2011**

Exit Conference

An exit conference was held on November 18, 2011 to discuss the agreed upon procedures and compilation report. Attending were the following:

Representing the Town of Cochiti Lake:

Mary F. Wheeler, Town Administrator
Linda Bradshaw, Assembly Member

Representing the Independent Auditor:

Shawn Mortensen, CPA

Note: Management is responsible for the context of the report, even though the financial statements were compiled substantially by the independent accountant.