

State of New Mexico Town of Edgewood

*Basic Financial Statements and
Required Supplementary Information
For the Year Ended June 30, 2012
and Independent Auditors' Report*

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

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JUNE 30, 2012

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TOWN OF EDGEWOOD

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**STATE OF NEW MEXICO
TOWN OF EDGEWOOD**

DIRECTORY OF OFFICIALS

ELECTED OFFICIALS

Brad Hill
Sherry Abraham
John Abrams
Chuck Ring
Rita Loy Simmons

Mayor
Councilor
Councilor
Councilor
Councilor

ADMINISTRATIVE OFFICIALS

Kay Davis
Estefanie Muller

Administrator
Clerk-Treasurer

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas,
New Mexico State Auditor
Mayor and Town Council
Town of Edgewood
Edgewood, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the fiduciary fund, and the budgetary comparisons for the general fund and major special revenue funds of the Town of Edgewood (the "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 funds, major debt service 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, the aggregate remaining fund information, and the fiduciary 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 general fund and major special revenue funds 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, 2011, and the respective changes in financial position thereof and the respective budgetary comparisons for the major enterprise funds, major capital projects funds, debt service funds, and all nonmajor governmental 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 21, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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.

White + Samaniego + Campbell, LLP

El Paso, Texas
November 21, 2012

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

This section of Town of Edgewood's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2012. Please read it in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

- The assets of the Town of Edgewood exceeded its liabilities at the close of the most recent fiscal year end by \$13,602,503 (net assets). Of this amount, \$2,398,017 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$382,353 during the fiscal year. The majority of this is due to the Town's ability to maintain expenses at a low level despite the changes in federal and state funding.
- As of June 30, 2012, the Town's governmental funds reported combined ending fund balances of \$4,685,211. Of this total, \$838,488 is restricted for special revenue, capital projects and other restricted items.
- At the close of the current fiscal year, unassigned fund balance of the general fund was \$2,227,078.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the Town's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Edgewood's finances, in a manner similar to a private-sector business.

The *statements of net assets* presents information on all of the Town of Edgewood's assets and liabilities, with the

difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Edgewood is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Edgewood that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Edgewood include general government, public safety, highways and streets and culture and recreation. The business-type activities of the Town include waste water services.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Edgewood, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Edgewood can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Town's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains ten individual governmental funds organized according to their type (general, special revenue and capital projects). Information is presented separately in governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Municipal Street Fund, Police Fund, Capital Projects Fund and Wind Turbine Fund, all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Town of Edgewood adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the all of the governmental funds to demonstrate compliance with this budget.

Proprietary Funds

Proprietary funds are generally used to account for services for which the Town charges customers -either outside customers or internal units or departments of the Town. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The Town maintains one proprietary fund, the Waste Water Fund. The proprietary fund is used to report the same functions presented as business-type activities in the government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 27 of this report.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$13,602,503 at the close of the current fiscal year.

The largest portion of the Town of Edgewood's net assets represent the Town's investment of \$8,941,358 in capital assets (e.g., land, construction in progress, improvements, buildings, infrastructure, and machinery and equipment), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$2,263,128 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net assets, for the government as a whole as well as for the business-type activities.

Analysis of Changes in Net Assets

During the current fiscal year, the Town's net assets in governmental and business-type activities increased by \$382,353. These increases are explained in the governmental activities discussion that follows.

Governmental Activities

Governmental activities increased the Town's net assets by \$112,472. Revenues net of transfers decreased from \$3,810,179 for the year ended June 30, 2011 to \$2,996,787 for the year ended June 30, 2012. The decrease in revenues is primarily because the net transfers to the business-type activities decreased \$390,620. Governmental expenses increased from \$2,876,000 for the year ended June 30, 2011 to \$2,884,315 for the year ended June 30, 2012, primarily because the Town increased its budget and spending slightly. Total revenues and expenses from governmental activities are summarized below.

Business-Type Activities

Business-type activities increased the Town's net assets by \$269,881 after transfers of \$727,574 in from governmental activities, compared to the prior year's decrease of \$138,077 after transfers of \$336,954 from the general fund.

A summary of the statement of net assets is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current and other assets	\$ 4,816,331	\$ 3,131,442	\$ 46,267	\$ 39,211	\$ 4,862,598	\$ 3,170,653
Capital assets, net of accumulated depreciation	3,996,630	4,087,888	6,940,256	6,691,838	10,936,886	10,779,726
Total assets	\$ 8,812,961	\$ 7,219,330	\$ 6,986,523	\$ 6,731,049	\$15,799,484	\$13,950,379
LIABILITIES						
Current and other liabilities	\$ 237,283	\$ 292,382	\$ 30,147	\$ 28,003	\$ 267,430	\$ 320,385
Long-term liabilities	1,558,561	22,303	370,990	387,541	1,929,551	409,844
Total liabilities	1,795,844	314,685	401,137	415,544	2,196,981	730,229
NET ASSETS						
Invested in capital assets, net of related debt	2,388,643	4,087,888	6,552,715	6,288,228	8,941,358	10,376,116
Restricted	2,263,128	753,721	-	-	2,263,128	753,721
Unrestricted	2,365,346	2,063,036	32,671	27,277	2,398,017	2,090,313
Total net assets	7,017,117	6,904,645	6,585,386	6,315,505	13,602,503	13,220,150
Total liabilities and net assets	\$ 8,812,961	\$ 7,219,330	\$ 6,986,523	\$ 6,731,049	\$15,799,484	\$13,950,379

A summary of the statement of activities is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program revenue:						
Charges for services	\$ 107,998	\$ 114,985	\$ 13,960	\$ 27,912	\$ 121,958	\$ 142,897
Operating grant and contributions	98,117	78,283	-	-	98,117	78,283
Capital grants and contributions	260,879	764,207	-	-	260,879	764,207
General revenues:						
Taxes	3,216,941	3,173,521	-	-	3,216,941	3,173,521
Other income	40,426	16,137	-	-	40,426	16,137
Total revenues	<u>3,724,361</u>	<u>4,147,133</u>	<u>13,960</u>	<u>27,912</u>	<u>3,738,321</u>	<u>4,175,045</u>
EXPENSES						
General government	759,499	646,239	-	-	759,499	646,239
Public safety	1,073,534	1,335,725	-	-	1,073,534	1,335,725
Highways and streets	841,110	653,980	-	-	841,110	653,980
Cultural and recreation	210,172	240,056	-	-	210,172	240,056
Waste water expenses	-	-	471,653	502,943	471,653	502,943
Total expenses	<u>2,884,315</u>	<u>2,876,000</u>	<u>471,653</u>	<u>502,943</u>	<u>3,355,968</u>	<u>3,378,943</u>
Changes in net assets before transfers	840,046	1,271,133	(457,693)	(475,031)	382,353	796,102
Transfers	(727,574)	(336,954)	727,574	336,954	-	-
Changes in net assets	<u>112,472</u>	<u>934,179</u>	<u>269,881</u>	<u>(138,077)</u>	<u>382,353</u>	<u>796,102</u>
Net assets - beginning	<u>6,904,645</u>	<u>5,970,466</u>	<u>6,315,505</u>	<u>6,453,582</u>	<u>13,220,150</u>	<u>12,424,048</u>
Net assets - ending	<u>\$ 7,017,117</u>	<u>\$ 6,904,645</u>	<u>\$ 6,585,386</u>	<u>\$ 6,315,505</u>	<u>\$13,602,503</u>	<u>\$13,220,150</u>

Financial Analysis of the Town of Edgewood as a Whole

As noted earlier, the Town of Edgewood uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the Town of Edgewood's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *expendable* resources. Such information is useful in assessing the Town of Edgewood's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Town include the General Fund, Special Revenue Funds and Capital Project Funds.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,685,211, an increase of \$1,815,284 in comparison with the prior year. Approximately 48% of this total amount, or \$2,227,078, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, \$2,263,128, is restricted to indicate that it is not available for new spending because it has already been restricted to pay special revenue, capital projects and other restricted items.

Revenues for governmental functions overall totaled \$3,724,149 in the year ended June 30, 2012, which represents a increase of \$1,920,055 from the year ended June 30, 2011. Expenditures for governmental functions totaled \$3,356,626 in the year ended June 30, 2012. This was a decrease of \$161,318 from the fiscal year-ended June 30, 2011. In the fiscal year-ended June 30, 2012, revenues for governmental functions

exceeded expenditures by approximately \$367,523.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the fund balance of the General Fund was \$2,422,083, which consisted of \$195,005 restricted fund balance and \$2,227,078 unassigned fund balance.

The fund balance of the Town's General Fund increased \$234,798 during the current fiscal year.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets for the Waste Water Fund were \$32,671. The total increase in net assets for the proprietary fund was \$269,881.

General Fund Budgetary Highlights

The discussion that follows presents financial data based upon the budgetary basis of accounting. Please refer to the notes of the financial statements for an explanation of the differences of accounting regarding the budget.

During the current fiscal year, the Town budgeted general fund revenues at \$2,856,151. The actual revenues for the fiscal year were \$2,248,371, an excess of \$607,780. Taxes were over budgeted by \$558,076 because of the increases in the GRT for the year.

Increases in the original budget were made due to additional income received during the fiscal year, allowing the Town to increase the budgeted expenditures.

For the year ended June 30, 2012, general government combined with public safety and culture and recreation expenditures were under budget by \$188,604.

Capital Asset and Debt Administration

Capital Assets

The Town of Edgewood's capital assets for its governmental and business-type activities as of June 30, 2012 amount to \$14,747,065 (net of accumulated depreciation). Capital assets include land, construction in progress, improvements, buildings, machinery and equipment, and infrastructure. The total increase in the Town's capital assets (excluding accumulated depreciation) for the current fiscal year was \$808,770 for governmental activities. Improvements and infrastructure costing \$665,321 was purchased for the Town and land and construction in progress of \$143,449 was added in the year ended June 30, 2012. The total increase in business-type capital assets (excluding accumulated depreciation) for the current fiscal year was \$-, due to purchases related to the waste water system. The total increase in business-type capital assets (excluding accumulated depreciation) for the current fiscal year was \$537,927, due to transfers between funds. There were no deletions in the governmental activities or in the business-type during 2012.

The following is a schedule showing the Net Value of the Capital Assets and the application of the principal balances of the notes as of the fiscal year end:

**Capital Assets, Net of Depreciation
June 30, 2012 and 2011**

	Governmental Activities		Business - Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and Construction in Progress	\$ 297,060	\$ 691,537	\$ -	\$ -	\$ 297,060	\$ 691,537
Buildings, Equipment and Infrastructure	3,699,570	3,396,351	-	-	3,699,570	3,396,351
Waste water system	-	-	10,750,435	6,691,838	10,750,435	6,691,838
Capital Assets, Net of A/D	\$ 3,996,630	\$ 4,087,888	\$10,750,435	\$ 6,691,838	\$14,747,065	\$10,779,726

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

The Statement of Net Assets shows the Investment in Capital Assets-Governmental Funds in the amount of \$2,388,643. This investment includes the land, construction in progress, buildings, improvements, infrastructure, machinery and equipment and the waste water system net of all applicable debt service.

The Town's long term debt is summarized as follows:.

**Long Term Debt
June 30, 2012 and 2011**

	Governmental Activities		Business - Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Notes Payable	\$ 1,607,986	\$ -	\$ 387,541	\$ 403,610	\$ 1,995,527	\$ 403,610
Compensated Absences	56,738	53,170	-	-	56,738	53,170
Total Long Term Debt	\$ 1,664,724	\$ 53,170	\$ 387,541	\$ 403,610	\$ 2,052,265	\$ 456,780

Contacting the Town of Edgewood's Financial Management

This financial report is designed to provide a general overview of the Town of Edgewood's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Edgewood Administration; PO Box 3610, Edgewood NM 87015.

STATE OF TEXAS, COUNTY OF DALLAS, DEPARTMENT OF HEALTH SERVICES, PUBLIC HEALTH DIVISION, DALLAS, TEXAS

STATE OF TEXAS, COUNTY OF DALLAS, DEPARTMENT OF HEALTH SERVICES, PUBLIC HEALTH DIVISION, DALLAS, TEXAS

STATE OF TEXAS, COUNTY OF DALLAS, DEPARTMENT OF HEALTH SERVICES, PUBLIC HEALTH DIVISION, DALLAS, TEXAS

STATE OF TEXAS, COUNTY OF DALLAS, DEPARTMENT OF HEALTH SERVICES, PUBLIC HEALTH DIVISION, DALLAS, TEXAS

STATE OF TEXAS, COUNTY OF DALLAS, DEPARTMENT OF HEALTH SERVICES, PUBLIC HEALTH DIVISION, DALLAS, TEXAS

BASIC FINANCIAL STATEMENTS

STATE OF TEXAS, COUNTY OF DALLAS, DEPARTMENT OF HEALTH SERVICES, PUBLIC HEALTH DIVISION, DALLAS, TEXAS

STATE OF TEXAS, COUNTY OF DALLAS, DEPARTMENT OF HEALTH SERVICES, PUBLIC HEALTH DIVISION, DALLAS, TEXAS

STATE OF TEXAS, COUNTY OF DALLAS, DEPARTMENT OF HEALTH SERVICES, PUBLIC HEALTH DIVISION, DALLAS, TEXAS

STATE OF TEXAS, COUNTY OF DALLAS, DEPARTMENT OF HEALTH SERVICES, PUBLIC HEALTH DIVISION, DALLAS, TEXAS

STATE OF TEXAS, COUNTY OF DALLAS, DEPARTMENT OF HEALTH SERVICES, PUBLIC HEALTH DIVISION, DALLAS, TEXAS

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Investments	\$ 4,256,259	\$ 45,161	\$ 4,301,420
Receivables:			
Taxes	530,563	-	530,563
Intergovernmental	29,509	-	29,509
Other	-	1,106	1,106
Capital assets, net of accumulated depreciation	3,996,630	6,940,256	10,936,886
Total assets	\$ 8,812,961	\$ 6,986,523	\$ 15,799,484
LIABILITIES AND NET ASSETS			
Accounts payable	\$ 95,418	\$ 13,596	\$ 109,014
Impact fee deposits	4,065	-	4,065
Accrued compensation and benefits	31,637	-	31,637
Noncurrent liabilities:			
Note payable - Due within one year	73,225	16,551	89,776
Note payable - Due after one year	1,534,761	370,990	1,905,751
Compensated absences:			
Due within one year	32,938	-	32,938
Due after one year	23,800	-	23,800
Total liabilities	1,795,844	401,137	2,196,981
NET ASSETS			
Invested in capital assets, net of related debt	2,388,643	6,552,715	8,941,358
Restricted for:			
Reserved for capital projects funds	1,619,645	-	1,619,645
Reserved for special revenue funds	643,483	-	643,483
Reserved for debt services	-	-	-
Unrestricted	2,365,346	32,671	2,398,017
Total net assets	7,017,117	6,585,386	13,602,503
Total liabilities and net assets	\$ 8,812,961	\$ 6,986,523	\$ 15,799,484

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenues			Primary Government		
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
General government	\$ 759,499	\$ 39,090	\$ -	\$ (623,286)	\$ -	\$ (623,286)
Public safety	1,073,534	24,800	-	(1,037,859)	-	(1,037,859)
Highways and streets	841,110	-	233,313	(587,797)	-	(587,797)
Culture and recreation	210,172	34,227	7,566	(168,379)	-	(168,379)
Total governmental activities	2,884,315	98,117	260,879	(2,417,321)	-	(2,417,321)
Business-type Activities:						
Waste water	471,653	-	-	-	(457,693)	(457,693)
Total business-type activities	471,653	-	-	-	(457,693)	(457,693)
Total primary government	\$ 3,355,968	\$ 121,958	\$ 260,879	(2,417,321)	(457,693)	(2,875,014)
General Revenues and Transfers:						
Gross receipt taxes				3,090,216	-	3,090,216
Gasoline taxes				126,713	-	126,713
Cigarette taxes				12	-	12
Investment income				1,934	-	1,934
Other				38,492	-	38,492
Transfers				(727,574)	727,574	-
Total general revenues and transfers				2,529,793	727,574	3,257,367
Change in net assets				112,472	269,881	382,353
Net assets - beginning				6,904,645	6,315,505	13,220,150
Net assets - ending				\$ 7,017,117	\$ 6,585,386	\$ 13,602,503

See accompanying notes to financial statements and independent auditors' report.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Municipal Streets	Police Fund	Capital Projects	Public Works	Total Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and Investments	\$ 2,109,587	\$ 122,146	\$ 236,022	\$ 242,469	\$ 1,347,014	\$ 199,021	\$ 4,256,259
Receivables:							
Taxes							
Gross receipts tax	356,736	50,617	101,234	29,508	-	-	538,095
Gasoline tax	-	21,390	-	-	-	-	21,390
Other	587	-	-	-	-	-	587
Grants	-	-	-	-	-	-	-
Total assets	\$ 2,466,910	\$ 194,153	\$ 337,256	\$ 271,977	\$ 1,347,014	\$ 199,021	\$ 4,816,331
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 33,210	\$ 28,863	\$ 12,562	\$ 9,313	\$ -	\$ 11,470	\$ 95,418
Impact fee deposits	4,065	-	-	-	-	-	4,065
Accrued compensation and benefits	7,552	3,956	19,281	-	-	848	31,637
Total liabilities	44,827	32,819	31,843	9,313	-	12,318	131,120
Fund balances:							
Restricted, reported in:							
General fund	195,005	-	-	-	-	-	195,005
Special revenue fund	-	161,334	305,413	-	-	176,736	643,483
Capital projects funds	-	-	-	262,664	1,347,014	9,967	1,619,645
Unassigned, reported in:							
General fund	2,227,078	-	-	-	-	-	2,227,078
Total fund balances	2,422,083	161,334	305,413	262,664	1,347,014	186,703	4,685,211
Total liabilities and fund balances	\$ 2,466,910	\$ 194,153	\$ 337,256	\$ 271,977	\$ 1,347,014	\$ 199,021	\$ 4,816,331

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Amounts reported for government activities in the statement of net assets are different because:

Fund balances - total governmental funds	\$ 4,685,211
Accrued compensated absences not payable from current revenue	(56,738)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	3,996,630
Notes payable are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(1,607,986)</u>
Net assets - Statement of Net Assets	<u>\$ 7,017,117</u>

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Municipal Streets	Police Fund	Capital Projects	Public Works	Total Nonmajor Funds	Total
Revenues:							
Taxes	\$ 2,079,518	\$ 412,351	\$ 571,275	\$ 134,960	\$ -	\$ 18,837	\$ 3,216,941
Licenses, permits fees and fines	97,123	-	-	-	-	10,875	107,998
Intergovernmental	39,090	-	-	239,167	-	54,527	332,784
Grant	-	-	-	-	-	26,000	26,000
Interest	1,815	-	-	-	-	119	1,934
Miscellaneous	30,825	-	7,667	-	-	-	38,492
Total revenues	2,248,371	412,351	578,942	374,127	-	110,358	3,724,149
Expenditures:							
Current:							
General government	609,904	-	-	-	177,394	-	787,298
Public safety	355,134	-	789,014	-	-	24,800	1,168,948
Highways and streets	-	717,631	-	-	-	-	717,631
Culture and recreation	7,053	-	-	-	-	182,290	189,343
Capital outlay	-	-	-	390,735	-	45,556	436,291
Debt service:							
Loan payment	-	-	-	-	-	29,208	29,208
Interest	-	-	-	-	-	27,907	27,907
Total expenditures	972,091	717,631	789,014	390,735	177,394	309,761	3,356,626
Excess (deficiency) of revenues over expenditures	1,276,280	(305,280)	(210,072)	(16,608)	(177,394)	(199,403)	367,523
Other financing sources (uses):							
Operating transfers in	56,171	379,309	239,624	88,018	-	179,915	943,037
Operating transfers out	(1,097,653)	-	-	-	-	(35,031)	(1,132,684)
Loan proceeds	-	-	-	-	1,524,408	113,000	1,637,408
Total other financing sources (uses)	(1,041,482)	379,309	239,624	88,018	1,524,408	257,884	1,447,761
Net changes in fund balances	234,798	74,029	29,552	71,410	1,347,014	58,481	1,815,284
Fund balance - beginning of year	2,187,285	87,305	275,861	191,254	-	128,222	2,869,927
Fund balance - end of year	\$ 2,422,083	\$ 161,334	\$ 305,413	\$ 262,664	\$ 1,347,014	\$ 186,703	\$ 4,685,211

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
JUNE 30, 2012

The changes in net assets reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 1,815,284

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.

Depreciation expense	(218,653)	
Transferred to business-type activities	(537,926)	
Capital outlay	<u>665,321</u>	
Excess of capital outlay over depreciation expense		(91,258)

Governmental funds report loan proceeds as other financing source. However, in the statement of activities, these proceeds are not recognized as revenue. (1,637,195)

Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, the payments are not recognized as expenses. 29,209

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method. (3,568)

Change in net assets of governmental activities \$ 112,472

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JUNE 30, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Taxes	\$ 2,635,106	\$ 2,637,594	\$ 2,079,518	\$ (558,076)
Licenses, permits, fees and fines	83,847	85,059	97,123	12,064
Intergovernmental	35,000	35,000	39,090	4,090
Interest	-	-	1,815	1,815
Grant	-	-	-	-
Miscellaneous	40,153	98,498	30,825	(67,673)
Total revenues	<u>2,794,106</u>	<u>2,856,151</u>	<u>2,248,371</u>	<u>(607,780)</u>
Expenditures:				
Current:				
General government	1,116,933	974,120	609,904	364,216
Public safety	-	-	355,134	(355,134)
Culture and recreation	184,162	186,575	7,053	179,522
Total expenditures	<u>1,301,095</u>	<u>1,160,695</u>	<u>972,091</u>	<u>188,604</u>
Excess (deficiency) of revenues over expenditures	<u>1,493,011</u>	<u>1,695,456</u>	<u>1,276,280</u>	<u>(419,176)</u>
Other financing sources (uses):				
Operating transfers out	(316,804)	(1,039,949)	(1,041,482)	(1,533)
Total other financing sources (uses)	<u>(316,804)</u>	<u>(1,039,949)</u>	<u>(1,041,482)</u>	<u>(1,533)</u>
Net changes in fund balances	1,176,207	655,507	234,798	(420,709)
Fund balance - beginning of year	<u>2,187,285</u>	<u>2,187,285</u>	<u>2,187,285</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,363,492</u>	<u>\$ 2,842,792</u>	<u>\$ 2,422,083</u>	<u>\$ (420,709)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 234,798	
Change in:				
Accounts receivable			-	
Accounts payable			-	
Accrued compensation and benefits			-	
Net changes in fund balance GAAP basis			<u>\$ 234,798</u>	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

MUNICIPAL STREETS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JUNE 30, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Taxes	\$ 403,502	\$ 403,502	\$ 412,351	\$ 8,849
Licenses, permits, fees and fines	-	-	-	-
Intergovernmental	-	-	-	-
Interest	-	-	-	-
Grant	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>403,502</u>	<u>403,502</u>	<u>412,351</u>	<u>8,849</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	573,046	879,033	717,631	161,402
Total expenditures	<u>573,046</u>	<u>879,033</u>	<u>717,631</u>	<u>161,402</u>
Excess (deficiency) of revenues over expenditures	<u>(169,544)</u>	<u>(475,531)</u>	<u>(305,280)</u>	<u>170,251</u>
Other financing sources (uses):				
Operating transfers in	129,493	435,480	379,309	(56,171)
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>129,493</u>	<u>435,480</u>	<u>379,309</u>	<u>(56,171)</u>
Net changes in fund balances	(40,051)	(40,051)	74,029	114,080
Fund balance - beginning of year	<u>87,305</u>	<u>87,305</u>	<u>87,305</u>	<u>-</u>
Fund balance - end of year	<u>\$ 47,254</u>	<u>\$ 47,254</u>	<u>\$ 161,334</u>	<u>\$ 114,080</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 74,029	
Change in:				
Accounts receivable			-	
Accounts payable and accruals			-	
Accrued compensation and benefits			-	
Net changes in fund balance GAAP basis			<u>\$ 74,029</u>	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

POLICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JUNE 30, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Taxes	\$ 553,895	\$ 553,895	\$ 571,275	\$ 17,380
Licenses, permits, fees and fines	-	-	-	-
Intergovernmental	-	-	-	-
Interest	-	-	-	-
Grant	-	-	-	-
Miscellaneous	-	-	7,667	7,667
Total revenues	<u>553,895</u>	<u>553,895</u>	<u>578,942</u>	<u>25,047</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	988,304	1,008,152	789,014	219,138
Culture and recreation	-	-	-	-
Total expenditures	<u>988,304</u>	<u>1,008,152</u>	<u>789,014</u>	<u>219,138</u>
Excess (deficiency) of revenues over expenditures	<u>(434,409)</u>	<u>(454,257)</u>	<u>(210,072)</u>	<u>244,185</u>
Other financing sources (uses):				
Operating transfers in	-	-	239,624	239,624
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>239,624</u>	<u>239,624</u>
Net changes in fund balances	(434,409)	(454,257)	29,552	483,809
Fund balance - beginning of year	<u>275,861</u>	<u>275,861</u>	<u>275,861</u>	<u>-</u>
Fund balance - end of year	<u>\$ (158,548)</u>	<u>\$ (178,396)</u>	<u>\$ 305,413</u>	<u>\$ 483,809</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 29,552	
Change in:				
Accounts receivable			-	
Accounts payable			-	
Accrued compensation and benefits			-	
Net changes in fund balance GAAP basis			<u>\$ 29,552</u>	

See accompanying notes to financial statements and independent auditors' report.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - WASTE WATER FUND
JUNE 30, 2012

ASSETS:

Current Assets

Cash and cash equivalents	\$	45,161
Accounts receivable		<u>1,106</u>

Total current assets 46,267

Noncurrent Assets

Capital assets, net of accumulated depreciation		<u>6,940,256</u>
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Total assets \$ 6,986,523

LIABILITIES AND NET ASSETS:

Current Liabilities:

Accounts payable	\$	13,596
Current maturities of note payable		<u>16,551</u>

Total current liabilities 30,147

Noncurrent Liabilities:

Note payable		<u>370,990</u>
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Total liabilities 401,137

Net Assets:

Invested in capital assets, net of related debt		6,552,715
Unrestricted		<u>32,671</u>

Total net assets 6,585,386

Total liabilities and net assets \$ 6,986,523

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS - WASTE WATER FUND
JUNE 30, 2012

Operating Revenues:	
Service fees	\$ 12,960
Connection fees	1,000
	<hr/>
Total operating revenues	13,960
Operating Expenses:	
Professional services	125,856
Supplies	170
Utilities	43,397
Depreciation	289,509
State shared taxes	612
	<hr/>
Total operating expenses	459,544
Operating loss	<hr/> <u>(445,584)</u>
Non-Operating Expenses:	
Interest expense	12,109
	<hr/>
Loss before transfers	(457,693)
Transfers:	
Transfers in	727,574
	<hr/>
Change in net assets	269,881
Net assets - beginning of year	<hr/> <u>6,315,505</u>
Net assets - end of year	<hr/> <u>\$ 6,585,386</u>

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - WASTE WATER FUND
JUNE 30, 2012

Cash Flows From Operating Activities:	
Cash received from customers	\$ 13,931
Cash payments to vendors for goods and services	<u>(168,374)</u>
Net cash used in operating activities	<u>(154,443)</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition of capital assets	(537,926)
Payments on notes payable	(16,069)
Payments for interest on notes payable	(12,109)
Transfers in	<u>727,574</u>
Net cash provided by capital and related financing activities	<u>161,470</u>
Net increase in cash and cash equivalents	7,027
Cash and cash equivalents, beginning of year	<u>38,134</u>
Cash and cash equivalents, end of year	<u>\$ 45,161</u>

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (445,584)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation	289,509
Change in:	
Accounts receivable	(29)
Accounts payable	<u>1,661</u>
Total adjustments	<u>291,141</u>
Net cash used in operating activities	<u>\$ (154,443)</u>

See accompanying notes to financial statements and independent auditors' report.

FIDUCIARY FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2012

ASSETS

Cash \$ 16,384

Total assets \$ 16,384

LIABILITIES

Due to other entities \$ 16,384

Total liabilities \$ 16,384

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Edgewood ("Town") was incorporated in July 1999 under the laws of the state of New Mexico, operates under the Mayor-Council form of government. The Town provides the following authorized services: public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, education, public improvements, planning and zoning, general administrative services and a waste water utility.

The Town's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Financial Reporting Entity

As required by GAAP, the financial statements present the Town and entities for which the Town is considered to be financially accountable. There are no component units for the fiscal year ended June 30, 2012.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity 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 function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and enterprise funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Enterprise 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 proprietary fund's principle ongoing operations.

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

Governmental financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

The Town follows the following revenue recognition principles applied to nonexchange transactions which are in accordance with GASB *Statement 33, Accounting and Reporting for Nonexchange Transactions*:

Derived tax revenues are recognized as revenue in the period when the underlying exchange transaction has occurred and the resources are available. Derived tax revenues include gross receipts tax, gasoline taxes, and cigarette taxes.

Imposed nonexchange revenue other than property taxes are recognized in the period when an enforceable legal claim has arisen and the resources are available.

Government-mandated nonexchange transactions and voluntary nonexchange transactions are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

Other revenues susceptible to accrual are investment income and charges for services. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Town reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has legal claim to the resources, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The Town reports the following major governmental funds:

General Fund. The general fund is the Town's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Municipal Streets. A special revenues fund that accounts for funds used to maintain roads for which the Town is responsible. Funding is provided by the gas tax. Expenditures are restricted to the construction and maintenance of Town roads. Authority is NMSA 7-1-6.27.

Police Fund. A special revenues fund that accounts for revenues and expenditures relating to the Town police force. Financing is provided by gross receipts taxes.

Capital Projects Fund. A capital projects fund that accounts for money received and expended for capital projects.

Public Works. A debt service fund that accounts for the grants, appropriations, and other receipts and expenditures related to the public works building. Authority is by Town resolution.

The Town reports the following major proprietary fund:

Waste Water Fund. This fund accounts for all the financial resources and expenditures related to the waste water system.

B. Cash and Investments

Cash includes amounts in demand deposits. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

All investments are stated at fair value which is determined by using selected bases. Interest income and realized gains and losses on investment transactions are included for financial statement purposes as investment income.

C. Capital Assets

Capital assets which include software, library books, property, plant, equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. 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.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments allows phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The Town has elected not to retroactively record infrastructure assets.

Assets are recorded at historical cost or estimated historical cost if purchased or construction. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are

capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	10 - 40 years
Road Equipment	10 years
Furniture, fixtures and equipment	7 years
Vehicles	7 years
Infrastructure	25 years
Waste water system	25 years

D. Accrued Employee Benefits

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

E. Fund Balance

In the fund financial statements, governmental fund balances are classified as follows:

Nonspendable - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

Restricted - Fund balance should be reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.
- c. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

Unassigned - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Town's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

F. 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 borrowings used for the acquisition, construction or improvements of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

G. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

H. Cash Flows

For purposes of the Statement of Cash Flows, the various enterprise funds consider all highly liquid assets with a maturity of three months or less when purchased to be cash equivalents.

I. Budgetary Information

Actual amounts on the budgetary basis are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general and special revenue funds.

The Town follows the following procedures for establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Town Administrator submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Community Center to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Town Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Town Council and the New Mexico State Department of Finance, Division of Local Governments.
3. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, and capital projects funds.
4. The level of classification detail in which expenditures of expenses may not legally

exceed appropriations for each budget is in fund total.

J. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Implementation of New Accounting Standards

In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010, and earlier application is encouraged. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Town is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year. The Town incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, which is effective upon issuance for certain provisions of the statement and for periods beginning after June 15, 2011 for other provisions. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit plans. The Town is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 58 Accounting and Financial Reporting for Chapter 9 Bankruptcies, which is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The Town incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In June 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 59 Financial Instruments Omnibus, which is effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement provides for the following amendments: National Council on Governmental Accounting Statement 4, Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences, is updated to be consistent with the amendments to GASB Statement No. 53,

Accounting and Financial Reporting for Derivative Instruments, regarding certain financial guarantees. Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Statement 31, is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Statement No. 40, Deposit and Investment Risk Disclosures, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool. Statement 53 is amended to: – Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance – Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit – Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53 – Provide that one of the “leveraged yield” criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield. The Town is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements, which is effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The Town is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 61 The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, which is effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The Town is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. That Statement supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. Statement 62 is effective for financial statements for periods beginning after December 15, 2011, with early application encouraged. The objective of this statement is to provide non-conflicting pronouncements between FASB and GASB. The Town is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the GASB issued Statement No. 63, Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position, which is effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Town is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53, which is effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The Town is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65 Items Previously Reported as Assets and Liabilities, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The Town is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 66 Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Town is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

2. CASH AND INVESTMENTS

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is, in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Town's name. As of June 30, 2012, the Town's bank balance total of \$3,670,768 was exposed to credit risk in the amount of \$3,808 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Town's name	\$3,808
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In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Town is required to collateralize an amount equal to one-half of the public money in excess of FDIC insurance at each financial institution. At June 30, 2012, FDIC insurance is unlimited for non-interest bearing accounts and \$250,000 on interest bearing accounts.

The total balance in any single financial institution may at times exceed the FDIC coverage available to individual depositors. The Town is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account.

Credit Risk. The Town has no formal policy on managing credit risk. State law limits investments to United States Government obligations, commercial paper with A-1 or better ratings, corporate bonds with a BBB+ or better rating, asset backed obligations with an AAA or better rating, or repurchase agreements.

Investments

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town's investment policy allows only investments in the State Treasurer's Local Government Investment Pool.

The State Treasurer's Local Government Investment Pool (LGIP) is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Section 6-10-10 I through 6-10-10 P and Sections

6-10-10.1 A and E, NMSA 1978. The investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The New Mexico State Treasurer is responsible for approving all changes in the pledged collateral and monitoring the collateral requirements for all deposits maintained by the State Treasurer. The State Treasurer's office issues separate financial statements which disclose the collateral pledged to secure those deposits.

During the year ending June 30, 2012, the State Treasurers office placed \$716 of the Town's LGIP investment into a contingency account. The funds are not accessible by the Town. The funds may be used to cover losses from the failure of a money market in which the LGIP was invested. The Town does not know if the money will be returned.

LGIP does not have unit shares. Per Section 6-10-10.1 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in this pool is voluntary. The independent auditors' report, together with the financial statements, the accompanying notes to the financial statements, and the independent auditors' report on compliance and internal controls are available from the State Investment Council, 2055 South Pacheco Street, Suite 100, Santa Fe, New Mexico 87505, upon written request.

Interest Rate Risk - Interest rate risk is the risk that interest rate variations may adversely affect the fair value of an investment. The LGIP's weighted average maturity at June 30, 2012 was 52 days.

3. CAPITAL ASSETS

Governmental fund capital asset activity for the year was as follows:

	Balance June 30, 2011	Additions	Transfers	Balance June 30, 2012
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 257,449	\$ -	\$ -	\$ 257,449
Construction in progress	<u>434,088</u>	<u>143,449</u>	<u>(537,926)</u>	<u>39,611</u>
Total capital assets not being depreciated	<u>691,537</u>	<u>143,449</u>	<u>(537,926)</u>	<u>297,060</u>
Capital assets being depreciated:				
Buildings, structures and improvements	888,891	-	-	888,891
Road equipment	555,397	-	-	555,397
Furniture, fixtures and equipment	162,401	6,535	-	168,936
Vehicles	412,464	-	-	412,464
Infrastructure	<u>2,839,431</u>	<u>515,337</u>	<u>-</u>	<u>3,354,768</u>
Total capital assets being depreciated	<u>4,858,584</u>	<u>665,321</u>	<u>-</u>	<u>5,380,456</u>
Less accumulated depreciation for:				
Buildings, structures and improvements	155,578	26,704	-	182,282
Road equipment	445,738	28,803	-	474,541
Furniture, fixtures and equipment	116,486	12,366	-	128,852
Vehicles	223,143	46,784	-	269,927
Infrastructure	<u>521,288</u>	<u>103,996</u>	<u>-</u>	<u>625,284</u>
Total accumulated depreciation	<u>1,462,233</u>	<u>218,653</u>	<u>-</u>	<u>1,680,886</u>
Total capital assets being depreciated, net	<u>3,396,351</u>	<u>446,668</u>	<u>-</u>	<u>3,699,570</u>

Governmental activities capital assets, net	\$	4,087,888	\$	590,117	\$	(537,926)	\$	3,996,630
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Depreciation expense for the year ended June 30, 2012 was charged to the following functions:

General government	\$	26,308
Public safety		48,036
Highways and streets		123,479
Culture and recreation		20,830
Total Governmental Activities depreciated expense	\$	218,653

Enterprise fund capital asset activity for the year was as follows:

	Balance June 30, 2011	Additions	Transfers	Balance June 30, 2012
Business-Type Activities:				
Capital assets being depreciated:				
Waste Water System	\$ 7,073,351	\$ -	\$ 537,927	\$ 7,611,278
Total capital assets being depreciated	7,073,351	-	537,927	7,611,278
Less accumulated depreciation for:				
Waste Water System	381,513	289,509	-	671,022
Total accumulated depreciation	381,513	289,509	-	671,022
Total capital assets being depreciated, net	6,691,838	(289,509)	537,927	6,940,256
Business type activities capital assets, net	\$ 6,691,838	\$ (289,509)	\$ 537,927	\$ 10,750,435

4. LONG TERM OBLIGATIONS

Long term liability activity for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Governmental Activities:					
NMFA Loan	\$ -	\$ 1,637,195	\$ (29,209)	\$ 1,607,986	\$ 73,225
Compensated absences	53,170	51,355	(47,787)	56,738	32,938
Total governmental debt	\$ 53,170	\$ 1,688,550	\$ (76,996)	\$ 1,664,724	\$ 106,163
Business Type Activities:					
RIP Loan	\$ 403,610	\$ -	\$ (16,069)	\$ 387,541	\$ 16,551

Accrued Compensated Absences. Employees accrue either eight or ten hours per month depending on if the employee has been with the Town less than or more than five years, respectively. The maximum number of annual leave hours which may be accrued is either 96 or 120 hours depending on if the employee has been with the Town less than or more than five years, respectively. Compensated absence balances have been liquidated within the general fund in prior years.

The Town obtained a new loan during 2012 in the amount of \$1,637,195, from the New Mexico Finance Authority. The loan requires variable annual payments from \$54,919 to of \$109,985 including interest at

2.98% and matures May 2031. Loan debt service requirements to maturity are as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 73,225	\$ 39,647	\$ 112,872
2014	73,473	39,335	112,808
2015	73,828	38,853	112,681
2016	74,406	38,159	112,565
2017	75,168	37,269	112,437
2018-2023	478,529	192,850	671,379
2024-2029	559,322	105,785	665,107
2030-2031	<u>200,035</u>	<u>7,928</u>	<u>207,963</u>
	<u>\$ 1,607,986</u>	<u>\$ 499,826</u>	<u>\$ 2,107,812</u>

The Town obtained a Rural Infrastructure Program loan during 2010 in the amount of \$419,211, from the New Mexico Environment Department. The loan requires annual payments of \$28,178 including interest at 3% and matures March 2030. Loan debt service requirements to maturity are as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 16,551	\$ 11,627	\$ 28,178
2014	17,048	11,130	28,178
2015	17,559	10,619	28,178
2016	18,086	10,092	28,178
2017	18,628	9,550	28,178
2018-2023	124,114	44,954	169,068
2024-2029	148,196	20,872	169,068
2030	<u>27,359</u>	<u>819</u>	<u>28,178</u>
	<u>\$ 387,541</u>	<u>\$ 119,663</u>	<u>\$ 507,204</u>

5. FUND BALANCES

Fund balance restrictions in the General Fund at June 30, 2012 consisted of the following:

Fire protection	\$ 65,979
Animal shelter	10,147
Grants	5,879
PW Reserve	<u>113,000</u>
Total General Fund	<u>\$ 195,005</u>

6. 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 and natural disasters for which the Town carries commercial insurance.

7. PERA 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, 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. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 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 9.15% (16.3% for police officers) of their gross salary and the Town is required to make a matching contribution of 9.15% (18.5% for police officers). The contribution requirements of plan members and the Town are established 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 years ending June 30, 2012, 2011, and 2010 were \$114,687, \$115,763, and \$116,378, respectively, equal to the amount of the required contributions for each year.

8. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Plan Description. The Town contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the

administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

(1) The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) during the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 2.084% of each participating employee's annual salary, and each participating employee was required to contribute 1.042% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for both employees and employers will rise as follows::

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.500%	1.250%

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Town began participating in RHCA in 2009. The Town's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$17,142, \$17,062 and \$12,311, respectively, which equal the required contributions for each year.

9. SPECIAL APPROPRIATIONS

The Town has received the following special appropriations:

	<u>Original Appropriation</u>	<u>Expended</u>	<u>Appropriation Period</u>
08-L-G-3263 Athletic Complex	\$ 200,000	\$ 150,377	2008 - 2012

This appropriation was amended to have a maximum grant amount of \$159,835. The Town has no encumbrances on this appropriation and does not expect to receive the remaining balance.

10. DEFICIT FUND BALANCE

The PW Intercept fund had a deficit fund balance as of June 30, 2012 of \$3,251.

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SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
TOWN OF EDGEWOOD

NONMAJOR FUNDS
JUNE 30, 2012

SPECIAL REVENUE FUNDS

Corrections. To establish an additional source of funds for municipalities to offset the costs of corrections. The source of funds is a five-dollar fee which must be paid by all persons violating laws relating the operations of a motor vehicle. Authority is NMSA 339-3.

Law Enforcement Protection. To account for the expenditures from the State of New Mexico for training, equipment and capital outlay. Authority is NMSA 29-13-4.

Library. To account for the receipts and expenditures related to the Library fund. Authority is by Town resolution.

Recreation. To account for revenues and expenditures relating to Town recreational facilities and programs. Financing is provided by cigarette taxes and federal and state grants. Such revenue provides for payment of all current operating costs and may be used for that purpose only. Authority is NMSA 7-12-15.

CAPITAL PROJECTS FUNDS

Wind Turbine. To account for the grants, appropriations, and other receipts and expenditures related to the wind turbine. Authority is by Town resolution.

DEBT SERVICE FUNDS

Public Works Reserve. To account for the grants, appropriations, and other receipts and expenditures related to the public works building. Authority is by Town resolution.

Public Works Intercept. To account for the grants, appropriations, and other receipts and expenditures related to the public works building. Authority is by Town resolution.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Corrections	Law Enforcement Protection	Library	Recreation	Wind Turbine	PW Reserve	PW Intercept	Total Nonmajor
ASSETS								
Cash and investments	\$ 32,594	\$ -	\$ 51,433	\$ 26,939	\$ 9,967	\$ 78,088	\$ -	\$ 199,021
Receivables	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-
Gross receipts tax	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Total assets	\$ 32,594	\$ -	\$ 51,433	\$ 26,939	\$ 9,967	\$ 78,088	\$ -	\$ 199,021
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ 4,964	\$ 3,255	\$ -	\$ -	\$ 3,251	\$ 11,470
Accrued compensation and benefits	-	-	848	-	-	-	-	848
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	-	-	5,812	3,255	-	-	3,251	12,318
Fund balances:								
Restricted, reported in:								
Special revenue funds	32,594	-	45,621	23,684	-	78,088	(3,251)	176,736
Capital projects funds	-	-	-	-	9,967	-	-	9,967
Total Fund Balance	32,594	-	45,621	23,684	9,967	78,088	(3,251)	186,703
Total liabilities and fund balances	\$ 32,594	\$ -	\$ 51,433	\$ 26,939	\$ 9,967	\$ 78,088	\$ -	\$ 199,021

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Corrections	Law Enforcement Protection	Library	Recreation	Wind Turbine	P/W Reserve	P/W Intercept	Total Non-major
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ 4	\$ -	\$ -	\$ 18,833	\$ 18,837
Licenses, permits, fees and fines	10,843	-	32	-	-	-	-	10,875
From non-federal sources	-	24,800	27,722	2,005	-	-	-	54,527
Intragovernmental	-	-	-	4,500	21,500	-	-	26,000
Grants	-	-	-	-	-	-	-	119
Interest	-	-	-	-	-	-	-	-
Total revenues	10,843	24,800	27,754	6,509	21,500	119	18,833	110,358
Expenditures:								
Current:								
Public safety	-	24,800	-	-	-	-	-	24,800
Culture and recreation	-	-	151,947	30,343	-	-	-	182,290
Capital outlay	-	-	-	-	45,556	-	-	45,556
Debt service:								
Loan payment	-	-	-	-	-	-	29,208	29,208
Interest	-	-	-	-	-	-	27,907	27,907
Total expenditures	-	24,800	151,947	30,343	45,556	-	57,115	309,761
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	10,843	-	(124,193)	(23,834)	(24,056)	119	(38,282)	(199,403)
Other financing sources (uses):								
Operating transfer in	-	-	134,884	-	10,000	-	35,031	179,915
Operating transfer out	-	-	-	-	-	-	-	(35,031)
Loan proceeds	-	-	-	-	-	113,000	-	113,000
Total other financing sources (uses)	-	-	134,884	-	10,000	77,969	35,031	257,884
Net changes in fund balances	10,843	-	10,691	(23,834)	(14,056)	78,088	(3,251)	58,481
Fund balance - beginning of year	21,751	-	34,930	47,518	24,023	-	-	128,222
Fund balance - end of year	\$ 32,594	\$ -	\$ 45,621	\$ 23,684	\$ 9,967	\$ 78,088	\$ (3,251)	\$ 186,703

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

CORRECTIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Licenses, permits, fees and fines	\$ 9,263	\$ 10,324	\$ 10,843	\$ 519
Expenditures:				
Public safety	18,000	18,000	-	18,000
Net change in fund balance	(8,737)	(7,676)	10,843	18,519
Fund balance - beginning of year	21,751	21,751	21,751	-
Fund balance - end of year	\$ 13,014	\$ 14,075	\$ 32,594	\$ 18,519
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 10,843	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ 10,843</u>	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

LAW ENFORCEMENT PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 24,800	\$ 24,800	\$ 24,800	\$ -
Expenditures:				
Current:				
Public safety	24,800	24,800	24,800	-
Total expenditures	24,800	24,800	24,800	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JUNE 30, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, fees and fines	-	-	32	32
Intergovernmental	142,968	142,968	27,722	(115,246)
Interest	-	-	-	-
Grant	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>142,968</u>	<u>142,968</u>	<u>27,754</u>	<u>(115,214)</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	184,162	186,575	151,947	34,628
Total expenditures	<u>184,162</u>	<u>186,575</u>	<u>151,947</u>	<u>34,628</u>
Excess (deficiency) of revenues over expenditures	<u>(41,194)</u>	<u>(43,607)</u>	<u>(124,193)</u>	<u>(80,586)</u>
Other financing sources (uses):				
Operating transfers in	-	-	134,884	134,884
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>134,884</u>	<u>134,884</u>
Net changes in fund balances	(41,194)	(43,607)	10,691	54,298
Fund balance - beginning of year	<u>34,930</u>	<u>34,930</u>	<u>34,930</u>	<u>-</u>
Fund balance - end of year	<u>\$ (6,264)</u>	<u>\$ (8,677)</u>	<u>\$ 45,621</u>	<u>\$ 54,298</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 10,691	
Change in:				
Accounts receivable			-	
Accounts payable			-	
Impact fee deposits			-	
Accrued compensation and benefits			-	
Net changes in fund balance GAAP basis			<u>\$ 10,691</u>	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JUNE 30, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Taxes	\$ -	\$ 4	\$ 4	\$ -
Licenses, permits, fees and fines	-	-	-	-
Intergovernmental	-	-	2,005	2,005
Interest	-	-	-	-
Grant	-	-	4,500	4,500
Miscellaneous	-	6,505	-	(6,505)
Total revenues	<u>-</u>	<u>6,509</u>	<u>6,509</u>	<u>-</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	16,464	31,963	30,343	1,620
Total expenditures	<u>16,464</u>	<u>31,963</u>	<u>30,343</u>	<u>1,620</u>
Excess (deficiency) of revenues over expenditures	<u>(16,464)</u>	<u>(25,454)</u>	<u>(23,834)</u>	<u>1,620</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(16,464)	(25,454)	(23,834)	1,620
Fund balance - beginning of year	<u>47,518</u>	<u>47,518</u>	<u>47,518</u>	<u>-</u>
Fund balance - end of year	<u>\$ 31,054</u>	<u>\$ 22,064</u>	<u>\$ 23,684</u>	<u>\$ 1,620</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (23,834)	
Change in:				
Accounts receivable			-	
Accounts payable			-	
Impact fee deposits			-	
Accrued compensation and benefits			-	
Net changes in fund balance GAAP basis			<u>\$ (23,834)</u>	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

WIND TURBINE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JUNE 30, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, fees and fines	-	-	-	-
Intergovernmental	-	-	-	-
Interest	-	-	-	-
Grant	-	420,000	21,500	(398,500)
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>420,000</u>	<u>21,500</u>	<u>(398,500)</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	430,000	45,556	384,444
Total expenditures	<u>-</u>	<u>430,000</u>	<u>45,556</u>	<u>384,444</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(10,000)</u>	<u>(24,056)</u>	<u>(14,056)</u>
Other financing sources (uses):				
Operating transfers in	-	10,000	10,000	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net changes in fund balances	-	-	(14,056)	(14,056)
Fund balance - beginning of year	<u>24,023</u>	<u>24,023</u>	<u>24,023</u>	<u>-</u>
Fund balance - end of year	<u>\$ 24,023</u>	<u>\$ 24,023</u>	<u>\$ 9,967</u>	<u>\$ (14,056)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (14,056)	
Change in:				
Accounts receivable			-	
Accounts payable			-	
Impact fee deposits			-	
Accrued compensation and benefits			-	
Net changes in fund balance GAAP basis			<u>\$ (14,056)</u>	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

PUBLIC WORKS RESERVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JUNE 30, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, fees and fines	-	-	-	-
Intergovernmental	-	-	-	-
Interest	-	-	119	119
Grant	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>119</u>	<u>119</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>119</u>	<u>119</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(35,031)	(35,031)	(35,031)	-
Loan proceeds	113,000	113,000	113,000	-
Total other financing sources (uses)	<u>77,969</u>	<u>77,969</u>	<u>77,969</u>	<u>-</u>
Net changes in fund balances	77,969	77,969	78,088	119
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ 77,969</u>	<u>\$ 77,969</u>	<u>\$ 78,088</u>	<u>\$ 119</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 78,088	
Change in:				
Accounts receivable			-	
Accounts payable			-	
Impact fee deposits			-	
Accrued compensation and benefits			-	
Net changes in fund balance GAAP basis			<u>\$ 78,088</u>	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

PUBLIC WORKS INTERCEPT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JUNE 30, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Taxes	\$ 18,833	\$ 18,833	\$ 18,833	\$ -
Licenses, permits, fees and fines	-	-	-	-
Intergovernmental	-	-	-	-
Interest	-	-	-	-
Grant	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>18,833</u>	<u>18,833</u>	<u>18,833</u>	<u>-</u>
Expenditures:				
Debt Service:				
Loan payments	29,208	29,208	29,208	-
Public safety	24,656	24,656	24,656	-
Total expenditures	<u>53,864</u>	<u>53,864</u>	<u>53,864</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(35,031)</u>	<u>(35,031)</u>	<u>(35,031)</u>	<u>-</u>
Other financing sources (uses):				
Operating transfers in	35,031	35,031	35,031	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>35,031</u>	<u>35,031</u>	<u>35,031</u>	<u>-</u>
Net changes in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Change in:				
Accounts receivable			-	
Accounts payable			3,251	
Impact fee deposits			-	
Accrued compensation and benefits			-	
Net changes in fund balance GAAP basis			<u>\$ (3,251)</u>	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

CAPITAL PROJECTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ -	\$ -	\$ 134,960	\$ 134,960
Intergovernmental	-	-	239,167	239,167
Grants	-	-	-	-
Miscellaneous	721,673	721,673	-	(721,673)
Total revenue	<u>721,673</u>	<u>721,673</u>	<u>374,127</u>	<u>(347,546)</u>
Expenditures:				
Capital outlay	986,448	1,082,337	390,735	691,602
Total expenditures	<u>986,448</u>	<u>1,082,337</u>	<u>390,735</u>	<u>691,602</u>
Excess (deficiency) of revenues over expenditures	<u>(264,775)</u>	<u>(360,664)</u>	<u>(16,608)</u>	<u>344,056</u>
Other financing sources (uses)				
Operating transfers in	-	98,018	88,018	(10,000)
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>98,018</u>	<u>88,018</u>	<u>(10,000)</u>
Net change in fund balances	(264,775)	(262,646)	71,410	334,056
Fund balance - beginning of year	191,254	191,254	191,254	-
Fund balance - end of year	<u>(73,521)</u>	<u>(71,392)</u>	<u>\$ 262,664</u>	<u>\$ 334,056</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 71,410	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ 71,410</u>	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

PUBLIC WORKS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JUNE 30, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, fees and fines	-	-	-	-
Intergovernmental	-	-	-	-
Interest	-	-	-	-
Grant	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
General government	177,394	177,394	177,394	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Total expenditures	<u>177,394</u>	<u>177,394</u>	<u>177,394</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(177,394)</u>	<u>(177,394)</u>	<u>(177,394)</u>	<u>-</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Loan proceeds	<u>1,524,408</u>	<u>1,524,408</u>	<u>1,524,408</u>	<u>-</u>
Total other financing sources (uses)	<u>1,524,408</u>	<u>1,524,408</u>	<u>1,524,408</u>	<u>-</u>
Net changes in fund balances	1,347,014	1,347,014	1,347,014	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,347,014</u>	<u>\$ 1,347,014</u>	<u>\$ 1,347,014</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 1,347,014	
Change in:				
Accounts receivable			-	
Accounts payable			-	
Impact fee deposits			-	
Accrued compensation and benefits			-	
Net changes in fund balance GAAP basis			<u>\$ 1,347,014</u>	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW YORK
OFFICE OF THE COMPTROLLER

FOR THE YEAR 1988

STATE OF NEW YORK
OFFICE OF THE COMPTROLLER

FOR THE YEAR 1988

STATE OF NEW YORK
OFFICE OF THE COMPTROLLER
FOR THE YEAR 1988

PROPRIETARY FUNDS

(The following table contains extremely faint and illegible text, likely representing a detailed financial statement or schedule of assets and liabilities for Proprietary Funds.)

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

PROPRIETARY FUND - WASTE WATER
STATEMENT OF REVENUES AND EXPENSES
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
Operating revenues	\$ 21,342	\$ 24,705	\$ 13,960	\$ (10,745)
Operating expenses	246,786	249,122	459,544	(210,422)
Operating loss	(225,444)	(224,417)	(445,584)	(221,167)
Non-operating expenses:				
Interest expense	-	-	12,109	(15,151)
Deficiency of revenues over expenditures	(225,444)	(224,417)	(457,693)	(233,276)
Other financing sources				
Operating transfers in	187,311	189,647	727,574	537,927
Net change in fund balance	(38,133)	(34,770)	269,881	304,651
Fund balance, beginning of year	6,315,505	6,315,505	6,315,505	-
Fund balance, end of year	\$ 6,277,372	\$ 6,280,735	\$ 6,585,386	\$ 304,651
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 269,881	
Net revenue accruals			-	
Net expenditure accruals			-	
Depreciation			-	
Principal payments on debt			-	
Net changes in fund balance GAAP basis			\$ 269,881	

See accompanying notes to financial statements and independent auditors' report.

STATE OF CALIFORNIA
DEPARTMENT OF REVENUE

STATE OF CALIFORNIA
DEPARTMENT OF REVENUE
FIDUCIARY FUNDS
STATE OF CALIFORNIA
DEPARTMENT OF REVENUE

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FIDUCIARY FUNDS

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STATE OF CALIFORNIA
DEPARTMENT OF REVENUE

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD**

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Balance June 30, 2011	Increase/ Receipts	Decrease/ Disbursements	Balance June 30, 2012
IMPACT FEE FUND				
Assets:				
Cash	\$ 14,289	\$ 20,203	\$ 18,108	\$ 16,384
Total assets	\$ 14,289	\$ 20,203	\$ 18,108	\$ 16,384
Liabilities:				
Due to other entities	\$ 14,289	\$ 20,203	\$ 18,108	\$ 16,384
Total liabilities	\$ 14,289	\$ 20,203	\$ 18,108	\$ 16,384

See accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

SCHEDULE OF DEPOSIT ACCOUNTS
JUNE 30, 2012

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
<i>Wells Fargo Bank</i>				
General Pooled Cash	Checking	\$ 3,400,476	\$ (77,448)	\$ 3,323,028
Certificate of Deposit	CD	253,808	-	253,808
		3,654,284	(77,448)	3,576,836
Petty Cash		100	-	100
Total deposits - non-agency		3,654,384	(77,448)	3,576,936
<i>NM State Treasurer</i>				
Local Gov't Investment Pool	Investment	\$ 723,769	\$ -	\$ 723,769
LGIP - Contingency Account	Investment	716	-	716
Total investments		724,485	-	724,485
Total deposit and investment accounts- non-agency		\$ 4,378,869	\$ (77,448)	\$ 4,301,421
<i>Agency Fund Cash Account</i>				
<i>Wells Fargo Bank</i>				
Impact Fee Account	Checking	\$ 16,384	\$ -	\$ 16,384

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD**

**SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2012**

	Wells Fargo
Deposits at June 30, 2012	\$ 3,670,768
Less: FDIC coverage	<u>3,666,960</u>
Uninsured public funds	3,808
Pledged collateral held by the pledging bank's trust department or agent but not in the Town's name	<u>4,594</u>
Uninsured and uncollateralized	<u>\$ -</u>
50% pledged collateral requirement per statute	\$ 1,904
Total pledged collateral	<u>4,594</u>
Pledged collateral over the requirements	<u>\$ 2,690</u>

Pledged collateral at June 30, 2012 consists of the following:

Security	CUSIP	Maturity	Market Value
FNMA Pool 981294	3145AUT6	3/1/2041	\$ 4,594

The custodian of the pledged securities for Wells Fargo Bank is Wells Fargo Bank Safekeeping/Custodial Services in San Francisco, California.

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2012

Joint Powers Agreement	Participant	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Town	Amount Contributed by Town during fiscal year	Audit Responsibility	Fiscal agent and responsible reporting entity
Emergency Services	County of Santa Fe Town of Edgewood	County of Santa Fe	Provision of emergency medical services, fire suppression, rescue services, communications and fire prevention	02/08/00, until cancelled	1/3 of the Town's Shared Gross Receipts Tax Receipts	\$276,554	Santa Fe County	Santa Fe County
Regional Emergency Communications Center	County of Santa Fe Town of Edgewood	County of Santa Fe	Jointly operate, maintain and administer the Santa Fe Regional Emergency Communications Center to provide emergency 911 telephone access for residents	10/11/2006 until cancelled	\$75,000 per year \$20,000 in capital expenditures in year one	\$75,000	Santa Fe County	Santa Fe County

**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 H. Balderas, State Auditor and
Mr. Robert Stearly, Mayor and
The Town Council
Town of Edgewood, New Mexico

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Town of Edgewood (the Town), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 21, 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 agency 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 our auditing procedures for the purpose of expressing our 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 corrected on a timely basis. We identify one deficiency in internal control over financial reporting that we consider to be material weakness, as item 12-01.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We identify one deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency in internal control over financing reporting, as item 12-03.

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 no 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 as item 12-02

This report is intended solely for the information and use of the Town of Edgewood's management, Town Councilors, the Department of Finance and Administration, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

White + Samaniego + Campbell, LLP

El Paso, Texas
November 21, 2012

The following information is provided for your information. It is not intended to constitute an offer of insurance or any other financial product. The information is provided for your information only and should not be relied upon as a basis for any investment decision. The information is provided for your information only and should not be relied upon as a basis for any investment decision.

The information is provided for your information only and should not be relied upon as a basis for any investment decision. The information is provided for your information only and should not be relied upon as a basis for any investment decision.

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COMPLIANCE SECTION

STATE OF NEW MEXICO
TOWN OF EDGEWOOD

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012

STATUS OF PRIOR YEAR FINDINGS

None

CURRENT YEAR FINDINGS:

FINDINGS - FINANCIAL STATEMENT AUDIT

12-01 Deficiencies in Design over Internal Control - Material Weakness

Condition

During our process of understanding the Town and its environment we noted an instance where the Town's internal control framework was nonexistent or deficient. We noted that the Animal Control Manager is allowed to price adoption fees as see fit. Out of 29 samples selected, 13 transactions were under priced according to resolution 2012-12.

Criteria

The Town's policy according to resolution 2012-12 states the following:

ADOPTION FEES

- | | | |
|----|---|------|
| a) | Pre-sterilized dogs (excludes special adoption events) | \$75 |
| b) | Pre-sterilized cats (excludes special adoption events) | \$65 |
| c) | Unsterilized companion animals | \$30 |

Effect

Because certain internal controls have a weakness in design, key controls are not in place to properly safeguard assets and prevent or detect misstatements within the animal control fund.

Cause

The Town has not performed a recent risk assessment for those key controls in place to prevent and detect errors or fraud.

Recommendation

The Town should ensure that a comprehensive internal control structure over financial information is designed, documented, and implemented. Management should follow and ensure that all staff follows the Town's documented internal control procedures as well as pricing set forth by resolutions. The Town Council is charged with governance and should provide effective oversight of the internal control and financial reporting process.

Management's Response

The Town has no excuse or explanation for the inadequate oversight of animal adoption fees. The Town will closely monitor all transactions in the future to ensure compliance with Town law. The Town will perform a risk assessment to identify control weaknesses in order to set in place key controls. The Town of Edgewood will revise its resolution to allow management discretion for free adoptions or reduced price adoptions with updates to the Council.

12-02 Other - Gas Credit Cards

Condition

During our test work of 95 credit card transactions totaling \$4,271.49 it was noted that there was a purchase of gasoline with a Town gas credit card for an un-authorized vehicle of \$55.

Criteria

The Town policy is that a gas credit card is assigned by the Town to each vehicle. Each is assigned an ID number that needs to be keyed in when fueling the vehicle. The employee is to use the credit card to fuel the assigned vehicle.

Effect

If the Town does not monitor the use of gas credit cards, it runs the risk that Town funds may be misused through un-authorized purchases.

Cause

The unauthorized purchase occurred because the gas credit card was removed from the authorized vehicle and was used on a different Town vehicle due to employee error.

Recommendation

We recommend that the Town administration inform Town employees on the gas credit card policy, and increase oversight on gas credit card purchases to identify misuse.

Management's Response

The Town will review the gas credit card policy with employees and will increase oversight to mitigate error. The Town of Edgewood will adopt a policy for all employees with gas credit cards on procedures with each employee signature on the policy.

12-03 Internal Control Deviation - Disbursements - Significant Deficiency

Condition

Based on our testing of 25 disbursements, we noted five payments were made without proper signature indicating approval.

Criteria

The Town's disbursement policy states that the check signers must review supporting documentation.

Effect

Without both authorizing signatures, unauthorized payment could be made.

Cause

Lack of adherence to the Town's policies and inadequate management oversight.

Recommendation

The City should enforce their policies on internal controls to ensure proper payment of disbursements. The City should review all postings when reconciling bank accounts to ensure all payments are reasonable and accurate.

Management's Response

The Town concurs with this finding. The Clerk and the Town Administrator will work on following policy to ensure proper procedures are followed. The Clerk-Treasurer will review bank statements and attached cancelled checks for signatures. The Administrator will review documents attached to checks and signatures. The Finance Specialist will also review signatures on checks prior to mailing of AP.

**STATE OF NEW MEXICO
TOWN OF EDGEWOOD**

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2012**

An exit conference was conducted on November 1, 2011 with the following individuals in attendance:

Town of Edgewood Officials

Brad Hill

Kay Davis
Estefanie Muller
Dora Garcia

Mayor
Councilor
Administrator
Clerk - Treasurer
Accounting Assistant

White, Samaniego & Campbell, LLP

Dahlia Garcia

Audit Staff

Financial Statement Preparation

The financial statements were prepared by White + Samaniego + Campbell, LLP from the books and records of the Town of Edgewood. However, the contents of these financial statements remain the responsibility of the Town's management.

