

**TOWN OF LAKE ARTHUR
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**TOWN OF LAKE ARTHUR
OFFICIAL ROSTER
JUNE 30, 2011**

Town of Lake Arthur Officials

Ysidro Salazar, Mayor

Edward M. Rubio, Jr., Council Member

Johnny Teel, Council Member

Robert Schneider, Council Member

Jennifer Fields, Council Member

Principal Employees

Desiree Calvillo, Clerk / Treasurer



Independent Accountants' Report on Applying Agreed-Upon Procedures

To:
Honorable Tim Keller
New Mexico State Auditor
And
Honorable Town Council and Ysidro Salazar, Mayor
Town of Lake Arthur

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

1. Cash

Procedures:

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
- b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division (DFA-LGD).
- c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Results:

- a) Bank reconciliations were available and were examined for the general fund bank account and no exceptions were found there. However, bank reconciliations for Town's other bank accounts were neither available nor performed during the year under examination. See finding 2010-01.

b) No bank reconciliations were performed by the client for any bank account other than the general fund. See finding 2010-01. Also, the client was unable to produce a trial balance so we constructed one using ending bank balance amounts in lieu of client-reconciled balances. See Finding 2010-02.

c) A review of the ending balances of all the bank statements determined that the average balances are below \$250,000 in all accounts; therefore, additional procedures were not performed.

2. Capital Assets

Procedures:

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

Results:

a) The Town is not performing an annual physical inventory of capital assets as required. See finding 2010-03.

3. Debt

Procedures:

a) If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

Results:

a) For the fiscal year 2011, the NMFA statements were unavailable. We relied on July 31, 2010 statements to gather the numbers used in the statements and schedules presented in this report. Since we could not verify directly that the required payments were made, please see finding 2010-04.

4. Revenue

Procedures:

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

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

Select a sample of revenues based on auditor judgment and test using the following attributes:

b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

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

Results:

a)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual - Budget Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 39,981	\$ 39,981	\$ 55,290	\$ 15,309
Charges for Services	7,250	7,250	7,055	(195)
Licenses	5,500	5,500	6,793	1,293
State Funding	57,162	57,162	-	(57,162)
Fines and Forfeits	-	-	-	-
Grants	120,000	120,000	101,219	(18,781)
Other	21,000	21,000	26,039	5,039
Total Revenues	<u>\$ 250,893</u>	<u>\$ 250,893</u>	<u>\$ 196,396</u>	<u>\$ (54,497)</u>

All revenues are considered reasonable.

b) We selected 10 revenue transactions for testwork for the year ended June 30, 2011, totaling \$170,097, or 47% of total revenue, for the above attributes. Of the 10 transactions selected, no supporting documentation was found for seven. See finding 2011-01

c) It was found that the Town is not posting revenue transactions to the general ledger properly. See finding 2010-02.

5. Expenditures

Procedures:

Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled checks, as appropriate.

b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Results:

- a) We selected 14 expenditure transactions for testwork, totaling 30% of total expenditures. The Town was unable to provide us with documentation for any other transactions. The transactions were tested for the above attributes and no exceptions were noted.
- b) Of the 14 transactions selected, no supporting documentation was found for three. See finding 2011-01.
- c) No documentation relating to the bid process for any transaction was available. See finding 2010-05.

6. Journal Entries

Procedures:

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

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

Results:

- a) Our performance of the agreed upon procedures showed no non-routine journal entries for the year ended June 30, 2011; therefore additional procedures were not performed.
- b) No non-routine journal entries were posted.

7. Budget

Procedures:

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

- a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

Results:

- a) We reviewed the final version of the budget for the year ended June 30, 2011. It was approved by DFA – Local Government Division. We also reviewed the minutes of the Town Council meetings and noted where the Town Council approved the budget. Therefore, the Town is in compliance with this requirement and additional procedures were not performed.

- b) In the course of performing our agreed upon procedures, we found that the Town had submitted all the DFA Quarterly reports on a timely basis as required.

- c) Our review of the budgeted expenditures compared to the actual expenditures at the level of budgetary control showed one instance of actual expenditures exceeding budgeted expenditures. A unfavorable variance of \$14,986 occurred in the proprietary fund. See finding 2011-02. See attached Statement of Revenues and Expenditures – Budget (Non-GAAP Budgetary Basis) and Actual (Non-GAAP Budgetary Basis).

8. Capital Outlay Appropriations

Procedures:

Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year.

Test all capital outlay expenditures during the fiscal year to:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date, and description agree to the purchase order, contract, vendor's invoice, and canceled check, as appropriate.

- b) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.

- c) Determine that the bid process (or request for proposal services if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).

- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.

- e) Verify that the status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.

- f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.

- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.

h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.

i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

Results:

a) As described in the Expenditure section, we selected 14 expenditure transactions for the above attributes. Supporting documentation for three could not be located.

b) The expenditure transactions tested were reviewed for proper authorization and approval in accordance with budget, legal requirements and established policies and procedures. No exceptions were noted.

c) As related in the Expenditures section, no bid-related documents were located and reviewed. See finding 2010-05.

d) The capital assets purchased with the three loans through NMFA were a tractor, a fire truck and two police cars. The existence of these items was verified and all are still in service.

e) No status reports to state agencies for any of the projects were located. See finding 2010-06.

f) Funds were distributed for all projects on a cost-reimbursement basis. Therefore, further work was not performed.

g) At June 30, 2011, none of the projects listed on the accompanying project completion schedule were complete. Therefore, additional procedures were not performed.

h) The capital outlay award agreements did not require that the cash received be kept in a separate fund or bank account. Therefore, additional procedures were not performed.

i) We were unable to verify that reimbursement requests were submitted. See finding 2010-06.

Other Procedures:

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

Results:

Per State Audit Rule 2011, this report was due to the Office of the State Auditor on December 1, 2011. See finding 2010-07.

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

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

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC

Albuquerque, New Mexico
September 30, 2015

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP
BUDGETARY BASIS)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual - Budget Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 39,981	\$ 39,981	\$ 55,290	\$ 15,309
Charges for Services	7,250	7,250	7,055	(195)
Licenses	5,500	5,500	6,793	1,293
State Funding	57,162	57,162	-	(57,162)
Fines and Forfeits	-	-	-	-
Grants	120,000	120,000	101,219	(18,781)
Other	21,000	21,000	26,039	5,039
Total Revenues	<u>250,893</u>	<u>250,893</u>	<u>196,396</u>	<u>(54,497)</u>
Expenditures:				
Current:				
General Government	143,500	143,500	107,695	35,805
Public Safety	93,543	93,543	38,791	54,752
Public Works	8,500	8,500	10,386	(1,886)
Culture & Recreation	500	500	-	500
Capital Outlay	-	-	-	-
Total Expenditures	<u>246,043</u>	<u>246,043</u>	<u>156,872</u>	<u>89,171</u>
Excess of Revenues Over Expenditures				
	<u>\$ 4,850</u>	<u>\$ 4,850</u>	<u>\$ 39,524</u>	<u>\$ (143,668)</u>

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP
BUDGETARY BASIS)
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual - Budget Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Charges for Services	\$ 75,750	\$ 75,750	\$ 85,292	\$ 9,542
Other	<u>2,500</u>	<u>2,500</u>	<u>1,021</u>	<u>(1,479)</u>
Total Revenues	<u>78,250</u>	<u>78,250</u>	<u>86,313</u>	<u>8,063</u>
Expenditures:				
Other Costs	<u>70,750</u>	<u>70,750</u>	<u>85,736</u>	<u>(14,986)</u>
Total Expenditures	<u>70,750</u>	<u>70,750</u>	<u>85,736</u>	<u>(14,986)</u>
Excess of Revenues Over Expenditures				
	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ 577</u>	<u>\$ 23,049</u>

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
PROJECTS SCHEDULE - SUMMARY
FOR THE YEAR ENDED JUNE 30, 2011**

Grant No.	Collateral	Pay Request	Certification Request Date	Amount Awarded	Amount Requested / Received *	Actual Amount Expended	Remaining Balance	Enabling Legislation	Effective Dates
JT PP-1556	Fire Pumper, Class A	1	7/1/2009	\$ 126,731	\$ 126,731	\$ 64,040	\$ 62,691	Loan Agreement	Through June 30, 2011
					-	-	-		
				<u>\$ 126,731</u>	<u>\$ 126,731</u>	<u>\$ 64,040</u>	<u>\$ -</u>		
AGR PP-1962	Police Vehicles	1	7/1/2009	\$ 23,944	\$ 23,944	\$ 11,972	\$ 11,972	Loan Agreement	Through June 30, 2011
					-	-	-		
				<u>\$ 23,944</u>	<u>\$ 23,944</u>	<u>\$ 11,972</u>	<u>\$ -</u>		
ZD PP-2191	New tractor / repairs	1	7/1/2009	\$ 44,657	\$ 44,657	\$ 6,562	\$ 38,095	Loan Agreement	Through June 30, 2011
					-	-	-		
				<u>\$ 44,657</u>	<u>\$ 44,657</u>	<u>\$ 6,562</u>	<u>\$ -</u>		

* - Held and administered by New Mexico Finance Authority

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011**

FS 2010-01 – Bank reconciliations not performed (repeated)

Condition:

Although bank reconciliations for the Town's general fund bank account were performed and were found to be without exception, None of the bank statements for any of the Town's other bank accounts were reconciled for the year under review.

Criteria:

Best accounting practices dictate that monthly bank reconciliations be performed by the Town to ensure accurate reporting and secure management of assets.

Effect:

Cash balances per bank may not reflect outstanding checks and deposits in transit. The ending cash balances each month may be misstated.

Cause:

This condition was caused by a combination of understaffing and lack of expertise on the part of the management at the time.

Accountants' Recommendation:

The Town council should mandate monthly bank reconciliation be performed and should review them at regular council meetings.

Management's Response:

The Town concurs. Bank reconciliations will be performed monthly and be reviewed at council meetings.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011**

FS 2010-02 – The Town could not provide a trial balance (repeated)

Condition:

For 2011, the Town could not produce a trial balance. Instead, the trial balance had to be assembled from documents and reports such as bank statements and loan agreements. Additionally, it was found that the Town is not posting revenues to the general ledger properly.

Criteria:

Best accounting practices dictate that a trial balance should be produced and reconciled on a regular basis and at fiscal year-end. Revenues should be posted to the general ledger promptly and should be reconciled on a regular basis.

Effect:

A trial balance pieced together by an external accountant from various reports and documents may not be complete and accurate. If revenues are not posted timely and accurately, they may be misstated on the financial statements.

Cause:

This condition was caused by a combination of understaffing and lack of expertise on the part of the management at the time.

Accountants' Recommendation:

The Town council should run a monthly trial balance and reconcile the accounts.

Management's Response:

The Town concurs. Trial balances will be run monthly and be reviewed at council meetings.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011**

FS 2010-03 – The Town is not conducting an annual physical inventory of capital assets (repeated)

Condition:

The Town does not conduct an inventory of capital assets and does not maintain a historical list of capital assets and depreciation.

Criteria:

Best accounting practices recommend that an annual capital asset inventory be conducted and that the Town keep an accurate detail listing of capital assets and related depreciation.

Effect:

The amount of capital assets and deprecation reported may not be accurate.

Cause:

This condition was caused by a combination of understaffing and lack of expertise on the part of the management at the time.

Accountants' Recommendation:

The Town council should conduct an annual physical inventory of capital assets and maintain an accurate detail list of capital assets and depreciation.

Management's Response:

The Town concurs. An annual physical inventory will be conducted and an accurate listing will be maintained by Town management.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011**

FS 2010-04 – Unable to verify that the required debt payments were made during the year (repeated)

Condition:

Tier 6 reporting requirements include verification that the required debt payments were made during the fiscal year. Because the Town was unable to locate NMFA loan statements for the fiscal year ended June 30, 2011, and because of the lack of a reliable general ledger and trial balance, we were unable to complete this requirement.

Criteria:

The requirements for Tier 6 relating to this read: "If the local public body has any debt, verify that the required payments were made during the year."

Effect:

The Town may be out of compliance with the NMFA loan agreements.

Cause:

This condition was caused by a lack of organization in the business office during FY 2011.

Accountants' Recommendation:

The Town must keep and organize records relating to loan agreements so that compliance with loan requirements can be verified.

Management's Response:

The Town concurs. New personnel in the business office and effective training will alleviate this problem in the future.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011**

FS 2010-05 – Unable to locate documentation related to the bid process for the assets purchased through NMFA loans (repeated)

Condition:

In performing the required expenditure testwork we reviewed invoices for assets purchased but no bid-related documents were located.

Criteria:

Tier 6 reporting requirements relating to expenditure testwork requires that the bid process for assets purchased be documented in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and state purchasing regulations.

Effect:

The Town may be out of compliance with the New Mexico Procurement Code.

Cause:

This condition was caused by a lack of organization in the business office during FY 2011.

Accountants' Recommendation:

The Town must keep and organize records relating to purchases so that compliance with the state procurement code can be verified.

Management's Response:

The Town concurs. New personnel in the business office and effective training will alleviate this problem in the future.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011**

FS 2010-06 – Unable to verify that loan status reports were submitted (repeated)

Condition:

There was no documentation that loan status reports were submitted to the proper oversight agencies.

Criteria:

Tier 6 budget reporting requires verification that “the status reports were submitted to the state agency per terms of agreement”.

Effect:

The Town may be out of compliance with loan requirements.

Cause:

This condition was caused by a lack of organization in the business office during FY 2011.

Accountants’ Recommendation:

Town must ensure that all requirements relating to loans and loan agreements be fulfilled on a timely basis.

Management’s Response:

The Town concurs. The council will review these procedures.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011**

FS 2010-07 – Late Report (repeated)

Condition:

The report was due to the Office of the State Auditor on December 1, 2011. It was submitted on September 30, 2015.

Criteria:

State Audit Rule 2011 required reports for municipalities be submitted by December 1 each year.

Effect:

The Town was out of compliance with State Audit Rule 2011.

Cause:

This condition was caused by a lack of organization in the business office during FY 2011.

Accountants' Recommendation:

Town must keep their records up to date so as to ensure a timely submission of the report.

Management's Response:

The Town concurs. The council will review these procedures.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011**

FS 2011-01 – Supporting Documentation for Transactions Not Available

Condition:

Of the ten revenue transactions selected for testwork, supporting documentation for seven was not located. Of the 14 transactions selected for expenditure testwork, three were not located.

Criteria:

State Audit Rule 2011 required specific procedures for testing revenue and expenditure transactions for Tier 6 engagements. The Town is out of compliance with these procedures.

Effect:

The Town was out of compliance with State Audit Rule 2011.

Cause:

This condition was caused by a lack of organization in the business office during FY 2011.

Accountants' Recommendation:

Town should scan electronically all supporting documentation for revenue and expenditure transactions and store them for easy retrieval.

Management's Response:

The Town concurs. The council will review the procedures.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011**

FS 2011-02 – Actual Expenditures Exceeded Budget Expenditures

Condition:

Actual expenditures exceeded budgeted expenditures by \$14,986 in the proprietary fund

Criteria:

State Audit Rule 2011 required a compliance finding if total actual expenditures exceeded the final budget at the legal level of budgetary control.

Effect:

The Town was out of compliance with State Audit Rule 2011.

Cause:

This condition was caused by a failure by management and the governing board to compare actual and budgeted expenditures on a regular basis throughout the fiscal year.

Accountants' Recommendation:

Town should review actual and budgeted revenues and expenditures on a regular basis throughout the fiscal year.

Management's Response:

The Town concurs. The council will draft and implement such procedures.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

FS 2010-01 – Bank reconciliations not performed (repeated)

FS 2010-02 – The Town could not provide a trial balance (repeated)

FS 2010-03 – The Town is not conducting an annual physical inventory of capital assets (repeated)

FS 2010-04 – Unable to verify that the required debt payments were made during the year (repeated)

FS 2010-05 – Unable to locate documentation related to the bid process for the assets purchased through NMFA loans (repeated)

FS 2010-06 – Unable to verify that loan status reports were submitted (repeated)

FS 2010-07 – Late Report (repeated)

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
EXIT CONFERENCE
JUNE 30, 2011**

Pursuant to Audit Rule 2015, Section 2.2.2.16(F)(3), a telephonic exit conference was held on October 5, 2015, to discuss the Tier 6 agreed upon procedures.

Participating were the following:

Ysidro Salazar, Mayor, Town of Lake Arthur
Desiree Calvillo, Clerk / Treasurer
Don Wittman, CPA, Kubiak Melton & Associates, LLC

**TOWN OF LAKE ARTHUR
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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JUNE 30, 2011**

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**TOWN OF LAKE ARTHUR
OFFICIAL ROSTER
JUNE 30, 2011**

Town of Lake Arthur Officials

Ysidro Salazar, Mayor

Edward M. Rubio, Jr., Council Member

Johnny Teel, Council Member

Robert Schneider, Council Member

Jennifer Fields, Council Member

Principal Employees

Desiree Calvillo, Clerk / Treasurer



Independent Accountants' Compilation Report

To:
Honorable Tim Keller
New Mexico State Auditor
And
Honorable Town Council and Ysidro Salazar, Mayor
Town of Lake Arthur

We have compiled the accompanying financial statements of the governmental and business-type activities of the Town of Lake Arthur (Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

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

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit the statement of cash flows – proprietary fund, which is required by accounting principles generally accepted in the United States of America. If this omitted disclosure was included in the financial statements, it might influence the user's conclusions about the Town's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Management has omitted the management's discussion and analysis that is required to be presented for purposes of additional analysis. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC

Albuquerque, New Mexico

September 30, 2015

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Governmental Funds	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 190,281	\$ 7,793	\$ 198,074
Total Current Assets	190,281	7,793	198,074
Capital Assets	1,799,958	-	1,799,958
Less: Accumulated Depreciation	(1,469,783)	-	(1,469,783)
Capital Assets - Net	330,175	-	330,175
TOTAL ASSETS	\$ 520,456	\$ 7,793	\$ 528,249
LIABILITIES AND NET ASSETS			
Current Liabilities			
Current Portion of Long-Term Debt	\$ 26,397	\$ -	\$ 26,397
Total Current Liabilities	26,397	-	26,397
Noncurrent Liabilities			
Long-term Debt Due After One Year	86,361	-	86,361
Total Noncurrent Liabilities	86,361	-	86,361
TOTAL LIABILITIES	112,758	-	112,758
NET ASSETS			
Invested in Capital Assets - Net of Related Debt	330,175	-	330,175
Unrestricted	77,523	7,793	85,316
Total Net Assets	407,698	7,793	415,491
TOTAL LIABILITIES AND NET ASSETS	\$ 520,456	\$ 7,793	\$ 528,249

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Functions and Programs	Expenses	Program Revenues			Governmental	Business-Type	Total
		Charges for Services	Operating Grants and Contributions	Inter-Governmental and Other Sources	Activities (Expenses) Revenues and Changes in Net Assets	Activities (Expenses) Revenues and Changes in Net Assets	
PRIMARY GOVERNMENT							
Governmental Activities							
General Government	\$ 107,695	\$ 17,766	\$ 101,219	\$ -	\$ 11,290	\$ -	\$ 11,290
Public Safety	96,484	-	-	75,588	(20,896)	-	(20,896)
Public Works	10,386	-	-	-	(10,386)	-	(10,386)
Culture and Recreation	3,918	-	-	-	(3,918)	-	(3,918)
Depreciation	60,072	-	-	-	(60,072)	-	-
Long Term Debt	(26,651)	-	-	-	26,651	-	26,651
Total Governmental Activities	251,904	17,766	101,219	75,588	(57,331)	-	2,741
Business-Type Activities							
Water Fund	85,736	85,292	-	1,021	-	577	577
Total Business-Type Activities	85,736	85,292	-	1,021	-	577	577
General Revenues:							
Taxes:							
Gross Receipts					55,290	-	55,290
Local Source Revenue Not Restricted to Specific Purposes					26,039	-	26,039
Interest and Investment Earnings					-	-	-
Subtotal, General Revenues					81,329	-	81,329
Change in Net Assets					23,998	577	24,575
Beginning Net Assets					383,700	7,216	390,916
Ending Net Assets					<u>\$ 407,698</u>	<u>\$ 7,793</u>	<u>\$ 415,491</u>

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Governmental Funds</u>
ASSETS			
Cash in Banks	\$ 154,040	\$ 36,241	\$ 190,281
Due from Other Funds	-	-	-
Taxes Receivable	-	-	-
Other Assets	-	-	-
TOTAL ASSETS	<u>\$ 154,040</u>	<u>\$ 36,241</u>	<u>\$ 190,281</u>
 LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Other Liabilities	-	-	-
TOTAL LIABILITIES	-	-	-
 FUND BALANCES			
Unreserved - Special Revenue	-	36,241	36,241
Unreserved	154,040	-	154,040
TOTAL FUND BALANCES	<u>154,040</u>	<u>36,241</u>	<u>190,281</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 154,040</u>	 <u>\$ 36,241</u>	 <u>\$ 190,281</u>

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total Fund Balances for Governmental Funds	\$ 190,281
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Amounts reported for governmental activities in the statement of net assets are different as follows:

Capital Assets, Net	330,175
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These assets consist of:

Long-Term Debt	(86,361)
Current Portion of Long-Term Debt	<u>(26,397)</u>

Net Assets of Governmental Activities	<u>\$ 407,698</u>
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**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Non-Major Special Revenue Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 55,290	\$ 75,588	\$ 130,878
Licenses and Permits	6,793	-	6,793
Intergovernmental	-	-	-
Severance Tax Bonds	-	-	-
Fines and Forfeits	-	-	-
Miscellaneous	26,039	-	26,039
Interest	-	-	-
Grants	101,219	-	101,219
Fees	-	-	-
Charges for Services	7,055	3,918	10,973
TOTAL REVENUES	<u>196,396</u>	<u>79,506</u>	<u>275,902</u>
EXPENDITURES			
Current			
General Government	107,695	-	107,695
Public Safety	38,791	57,693	96,484
Public Works	10,386	-	10,386
Culture and Recreation	-	3,918	3,918
Debt Service			-
Principal			-
Interest and Other Charges			-
Capital Outlay	-	-	-
TOTAL EXPENDITURES	<u>156,872</u>	<u>61,611</u>	<u>218,483</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	39,524	17,895	57,419
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Sale of Assets	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	39,524	17,895	57,419
FUND BALANCE, BEGINNING OF YEAR	<u>114,516</u>	<u>18,346</u>	<u>132,862</u>
FUND BALANCE, END OF YEAR	<u>\$ 154,040</u>	<u>\$ 36,241</u>	<u>\$ 190,281</u>

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Total Governmental Funds **\$ 57,419**

Amounts reported for governmental activities in the statement of activities are different because:
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	-	
Depreciation Expense	<u>(60,072)</u>	
Excess of capital outlay over depreciation expense		(60,072)

Expenses recognized in the statement of activities, not reported in the governmental funds:

Change in Long-Term Debt	<u>26,651</u>
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Change in Net Assets of Governmental Activities	<u>\$ 23,998</u>
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**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP
BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual - Budget Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 39,981	\$ 39,981	\$ 55,290	\$ 15,309
Charges for Services	7,250	7,250	7,055	(195)
Licenses	5,500	5,500	6,793	1,293
State Funding	57,162	57,162	-	(57,162)
Fines and Forfeits	-	-	-	-
Grants	120,000	120,000	101,219	(18,781)
Other	21,000	21,000	26,039	5,039
Total Revenues	<u>250,893</u>	<u>250,893</u>	<u>196,396</u>	<u>(54,497)</u>
Expenditures:				
Current:				
General Government	143,500	143,500	107,695	35,805
Public Safety	93,543	93,543	38,791	54,752
Public Works	8,500	8,500	10,386	(1,886)
Culture & Recreation	500	500	-	500
Capital Outlay	-	-	-	-
Total Expenditures	<u>246,043</u>	<u>246,043</u>	<u>156,872</u>	<u>89,171</u>
Excess of Revenues Over Expenditures				
	<u>\$ 4,850</u>	<u>\$ 4,850</u>	<u>\$ 39,524</u>	<u>\$ (143,668)</u>

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011**

	<u>Enterprise Fund</u>
ASSETS	
Current Assets	
Pooled Cash and Cash Equivalents	\$ 7,793
TOTAL ASSETS	<u>\$ 7,793</u>
LIABILITIES AND NET ASSETS	
NET ASSETS	
Unrestricted	\$ 7,793
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,793</u>

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Enterprise Fund
OPERATING REVENUES	
Taxes	\$ -
Service fees	85,292
Investment Income	-
Other Income	1,021
Total Revenues	86,313
 OPERATING EXPENSES	
Personnel	85,736
Contracts	-
Other	-
Capital Outlay	-
Depreciation	-
Total Expenses	85,736
OPERATING INCOME	577
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	-
Interest Expense	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	-
NET INCOME BEFORE TRANSFERS	577
Transfers - Net	-
NET INCOME AFTER TRANSFERS	577
NET ASSETS - BEGINNING OF YEAR	7,216
NET ASSETS - END OF YEAR	\$ 7,793

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP
BUDGETARY BASIS)
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual - Budget Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Charges for Services	\$ 75,750	\$ 75,750	\$ 85,292	\$ 9,542
Other	<u>2,500</u>	<u>2,500</u>	<u>1,021</u>	<u>(1,479)</u>
Total Revenues	<u>78,250</u>	<u>78,250</u>	<u>86,313</u>	<u>8,063</u>
Expenditures:				
Other Costs	<u>70,750</u>	<u>70,750</u>	<u>85,736</u>	<u>(14,986)</u>
Total Expenditures	<u>70,750</u>	<u>70,750</u>	<u>85,736</u>	<u>(14,986)</u>
Excess of Revenues Over Expenditures				
	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ 577</u>	<u>\$ 23,049</u>

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The Town of Lake Arthur (Town) is incorporated under the laws of the State of New Mexico. The Town operates under a Mayor – Board of Trustees form of government, providing services as authorized by its charter: public safety (police and fire), streets, sanitation, health and welfare, and culture and recreation, public improvements, and general administrative services.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June, 1999, GASB approved Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus” and Statement No. 38 “Certain Financial Statement Note Disclosures.” Statement No. 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies, establishes and rescinds certain financial statement disclosure requirements. The Town implemented the provisions of the above statements effective July 1, 2003.

Reporting Entity – The Town has a five-member town council; staggering positions expire each election. Therefore, the Town is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, “The Financial Reporting Entity”. There are no component units included within the reporting entity as defined by Statement No. 14. The financial statements of the town consist of the various departments, agencies and organizational units under oversight of the council.

The basic criteria determining the Town’s reporting entity is the exercise of oversight responsibility by the Town Council. The specific criteria used for establishing oversight responsibility are:

- Selection of Governing Authority
- Designation of Management
- Ability to significantly influence operations
- Accountability for Fiscal Matters

Factors other than oversight which may significantly influence the entity relationship are:

- Scope of Public Service
- Special Financing Relationships

Based on these criteria, the Town has no component units. Additionally, the Town is not a component unit of any other reporting entity as defined by the Governmental Accounting Standards Board.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

Government-Wide and Fund Financial Statements – The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Town's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, State funds, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the Town operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the Town. Examples include user charges at recreation facilities, municipal court fines, licenses and fees and other administrative related items. The "operating grants and contributions" and "capital grants and contributions" columns include amounts paid by organizations outside to help meet the operational or capital requirements of a given function. Examples include grants under Housing and Urban Development's Community Development Block Grants or contributions from the State of New Mexico. If a revenue receipt is not considered program revenue, it is considered general revenue used to support all of the Town's functions. Taxes are always considered general revenues.

Interfund activities between governmental funds or between governmental funds and proprietary funds appear as due to / due from on the Governmental Fund Balance Sheet and / or Proprietary Fund Statement of Net Assets if any pending transfers exist at the end of the fiscal year, and as transfers in / transfers out on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and / or Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories: governmental and proprietary. The Town considers some governmental funds major and their financial condition and results of operations are reported in separate columns from the non-major governmental funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations. they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As do the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt., which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The Town considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property, franchise, and gross receipts taxes. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts and property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from gross receipts taxes are recognized when the underlying transaction takes place. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Miscellaneous revenues are recorded as revenue when received because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

Grants funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes may require the Town to refund all or part of the unused amount.

The government-wide and business-type activities fund statements utilize a net asset presentation. Net assets are categorized as follows:

Investment in Capital Assets, Net of Related Debt – This category reflects the portion of net assets that are associated with capital assets less any outstanding capital asset related debt.

Restricted Net Assets – Restricted net assets result from constraints placed on the use of net assets when externally imposed by creditors, grantors, laws and regulations of other governments, and imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category reflects net assets of the Town, not restricted for any project or other purpose.

Fund Accounting – The Town uses funds to report its financial position and results of its operations. Fund accounting segregates funds according to their intended purpose and is designated to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which include assets, liabilities, fund balance / net assets, revenues and expenditures / expenses.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Town records reserves to indicate that a portion of fund balance is legally restricted for a specific future use of is not available for appropriation and / or expenditure.

Governmental Funds – Are those funds through which most of the governmental functions of the Town are financed. The Town reports the following major governmental funds:

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

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Enterprise Funds – Those funds which are used for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred and / or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Beginning in FY 2007, the Town reports the following enterprise fund:

Water Department Fund – The Water Department fund was taken over by the Town in FY 2007. It is used to account for the provision of water and sewer services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including administration, customer billing and collection, and maintenance.

Governmental Funds with Deficit Balances – While the total unreserved fund balance is not in a deficit position, the Town had no funds with a deficit balance as of June 30, 2011. The Town has made encumbrances in these funds in anticipation of additional revenues and transfers.

Other Accounting Policies

Inventories – The Town reports inventories of supplies at cost including consumable maintenance and office items. Supplies are recorded as expenditures when they are consumed.

Long-term Debt – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences – It is the Town’s policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. All sick pay and vacation pay is accrued when incurred in the government-wide or proprietary fund financial statements.

Capital Assets – Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend useful assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest expense during construction is capitalized in enterprise funds but not in governmental funds. Library books are not capitalized.

Buildings, furniture and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Life</u>
Buildings	50
Building improvements	50
Water system	30-50
Machinery and equipment	5-15

Customer Deposits – Cash held in the General and Special Revenue Funds for customer deposits is restricted.

Use of Restricted Cash – When the Town incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

Interfund Activity – In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the fund have either been eliminated or reclassified. Interfund payables and receivables were eliminated to minimize their effect on assets and liabilities within the governmental activities column.

Risk Management – The Town is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Insurance coverage through New Mexico Self Insurers Fund (a State of New Mexico governmental agencies risk pool) is purchased for claims arising from such matters. Any settled claims have not exceeded this coverage in any preceding years.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data – The Town adopts an annual approved budget for the General Fund and Special Revenue Funds. The Town is required to present the adopted and final amended budgeted revenues and expenditures / expenses for each of these funds. The Town compares the final amended budget to actual revenues and expenditures / expenses.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. The Town clerk submits a proposed operating budget for the fiscal year commencing July 1, prior to June 30. The operating budget includes proposed expenditures and the means of financing them. A budget is proposed for the General and Special Revenue and Funds.
2. Public Hearings are conducted to obtain taxpayer comments. The budgets are then submitted to the Department of Finance and Administration for review, adjustment and approval.
3. Prior to June 30, the budget is legally enacted through passage of a resolution and the council is authorized to transfer budgeted amounts between departments with any fund. Any revisions that alter the total expenditures of any fund must be approved by the Department of Finance and Administration, Local Government Division.
4. Budgets for budgeted funds are adopted on the cash basis which is not consistent with generally accepted accounting principles. Budgetary comparisons have been presented in this report on the basis of the legally adopted budget.
5. Appropriations lapse at fiscal year-end with any unspent cash balance being available for expenditures and appropriation in the subsequent budget year.
6. The level of classification detail in which expenditures may not legally exceed appropriations for each budget is the fund total.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Encumbrances

Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is employed as an extension of formal budgetary integration in the general fund and special revenue funds. Encumbrances lapse at year-end and therefore are not presented in these financial statements.

NOTE C – CASH DEPOSITS AND INVESTMENTS

State Statutes authorize the investment of the Town's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All of the Town's invested funds properly follow State deposit and investment requirements as of June 30, 2011.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more financial institutions. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on the United States treasury bills of the same maturity on the day of deposit.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE C – CASH DEPOSITS AND INVESTMENTS (continued)

At June 30, 2011, the Cash held by bank was as follows:

	Bank of the Southwest Demand Deposits	Bank of the Southwest Time Deposits	New Mexico Finance Authority	Total
Total Amount of Cash Deposits on June 30, 2011	\$ 188,695	\$ 7,793	\$ 1,586	\$ 198,074
Less: FDIC Coverage	<u>(250,000)</u>	<u>(250,000)</u>	-	<u>(500,000)</u>
Total Public Funds to be Collateralized	<u>\$ (61,305)</u>	<u>\$ (242,207)</u>	<u>\$ 1,586</u>	<u>\$(301,926)</u>
50% Collateral Requirement	\$ -	\$ -	\$ 1,586	\$ -
Securities Pledged by the Financial Institution in the City's Name	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Over (Under) Collateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk other than following the State statutes as put forth in the Public Money Act (Sec. 6-10-1 to 6-10-63, NMSA 19778). At June 30, 2011, the carrying values of the Town's deposits were \$198,074.

In accordance with FDIC, public unit deposits are funds owned by the Town. Time deposits, savings deposits and interest-bearing NOW accounts of a public unit in an institution will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution. Of the Town's funds on deposit, all was covered by federal depository insurance.

Statutes require collateral pledged for deposits in excess of federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Town for at least one-half of the amount on deposit with the institution. The types of collateral an institution is permitted to use as pledged securities are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of New Mexico.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE D – INTERFUND TRANSFER AND BALANCES

Interfund transfers are made for various purposes throughout the year. For the year ended June 30, 2011, no transfers were recorded by the Town of Lake Arthur.

NOTE E – CAPITAL ASSETS

Capital asset activity for the Town for the year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental Activities:				
Land	\$ 4,197	\$ -	\$ -	\$ 4,197
Buildings	649,711	-	-	649,711
Improvements	228,066	-	-	228,066
Machinery and Equipment	617,625	-	-	617,625
Vehicles	<u>300,359</u>	<u>-</u>	<u>-</u>	<u>300,359</u>
Total	1,799,958	-	-	1,799,958
Less: Accumulated Depreciation	<u>1,409,711</u>	<u>60,072</u>	<u>-</u>	<u>1,469,783</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 390,247</u>	<u>\$ (60,072)</u>	<u>\$ -</u>	<u>\$ 330,175</u>

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE F – LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2011 is as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
General Debt:				
Fire Pumper	\$ 82,780	\$ -	\$ 20,089	\$ 62,691
Tractor	44,657	-	6,562	38,095
Police Vehicles	11,972	-	-	11,972
Total General	<u>\$ 139,409</u>	<u>\$ -</u>	<u>\$ 26,651</u>	112,758
				<u>(26,397)</u>
				<u>\$ 86,361</u>

Loan maturities for each of the five years following June 30, 2011, are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 32,637
2013	32,637
2014	32,637
2015	14,847
2016	-
Thereafter	-
	<u>\$ 112,758</u>

NOTE G – PROPERTY TAXES

The County of Chaves collects the Town's share of property taxes assessed. Property taxes attach as an enforceable lien on property as of January 1. Tax notices are sent by the County treasurer to property owners by November 1 of each year to be paid in whole or in two installments by November 10 and April 10 of the following year. The County collects such taxes and distributes them to the Town on a monthly basis. Only those collections received are recorded as revenues. The Town has no means of determining the amount of delinquent taxes, and no delinquent taxes are recorded on the Town's financial statements.

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE H – COMPENSATED ABSENCES

Vacation leave is earned by employees during the year based on time worked and is non-cumulative. Vacation leave due, if any, is paid on an employee's termination. The accrued value of the vacation leave days due to employees at June 30, 2011 was unavailable. All compensated absences are considered due within one year. The Enterprise or General Fund, as appropriate, is used to liquidate this liability.

NOTE I - RETIREE HEALTH CARE CONTRIBUTIONS

The Town has elected not to participate in the New Mexico Retiree Health Care Act.

NOTE J – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and Workers' Compensation. For these risks of loss the Town carries insurance with the New Mexico Self-Insurers Fund for a shared premium cost. The Town established a limited risk management program for general and auto liability, worker's compensation and employer's liability and property. Premiums are paid from the General and Fire Fund.

NOTE K – SURETY COVERAGE

A surety bond as required by Section 12-6-7 NMSA 1978 Compilation and the New Mexico State Auditor Rule covers the officials and certain employees of the Town.

NOTE L – CONTINGENT LIABILITIES

There is no provision for contingent liabilities in the Town's financial statements.

NOTE M – FUND BALANCE

Final approved budgets were available and the appropriated amounts for the subsequent fiscal year are shown as designated fund balances on the accompanying financial statements.

NOTE N – RETIREMENT PLAN

The Town has elected not to participate in a retirement plan.

SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011**

	Correction Fund	Emergency Medical Services Fund	Fire Protection Fund	Law Enforcement Protection Fund	Recreation Fund	Street Fund	Community Center Fund	Senior Citizens Fund	Cemetery Fund	CDGB Planning Grant Fund	Total Special Revenue Funds
ASSETS											
Cash in Banks	\$ 17,785	\$ 344	\$ 17,300	\$ 619	\$ -	\$ 119	\$ -	\$ -	\$ -	\$ 74	\$ 36,241
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 17,785</u>	<u>\$ 344</u>	<u>\$ 17,300</u>	<u>\$ 619</u>	<u>\$ -</u>	<u>\$ 119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74</u>	<u>\$ 36,241</u>
LIABILITIES AND FUND BALANCE											
LIABILITIES											
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-
FUND BALANCES											
Unreserved	17,785	344	17,300	619	-	119	-	-	-	74	36,241
Reserved	-	-	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>17,785</u>	<u>344</u>	<u>17,300</u>	<u>619</u>	<u>-</u>	<u>119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74</u>	<u>36,241</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 17,785</u>	<u>\$ 344</u>	<u>\$ 17,300</u>	<u>\$ 619</u>	<u>\$ -</u>	<u>\$ 119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74</u>	<u>\$ 36,241</u>

**STATE OF NEW MEXICO
TOWN OF LAKE ARTHUR
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011**

	Correction Fund	Emergency Medical Services Fund	Fire Protection Fund	Law Enforcement Protection Fund	Recreation Fund	Street Fund	Community Center Fund	Senior Citizens Fund	Cemetery Fund	CDGB Planning Grant Fund	Total Special Revenue Funds
REVENUES											
Intergovernmental	\$ 571	\$ -	\$ 64,122	\$ 10,821	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74	\$ 75,588
Grants	-	-	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-	-	-	-
License and Permits	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-	3,918	-	3,918
Fees	-	-	-	-	-	-	-	-	-	-	-
Fines and Forfeits	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Severance Tax Bonds	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	<u>571</u>	<u>-</u>	<u>64,122</u>	<u>10,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,918</u>	<u>74</u>	<u>79,506</u>
EXPENDITURES											
Current:											
Public Safety	-	-	47,491	10,202	-	-	-	-	-	-	57,693
Culture and Recreation	-	-	-	-	-	-	-	-	3,918	-	3,918
Public Works	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>47,491</u>	<u>10,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,918</u>	<u>-</u>	<u>61,611</u>
Excess (deficiency) of Revenues Over Expenditures	571	-	16,631	619	-	-	-	-	-	74	17,895
Fund Balance, Beginning	17,214	344	669	-	-	119	-	-	-	-	18,346
Fund Balance, End of Year	<u>\$ 17,785</u>	<u>\$ 344</u>	<u>\$ 17,300</u>	<u>\$ 619</u>	<u>\$ -</u>	<u>\$ 119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74</u>	<u>\$ 36,241</u>