

STATE OF NEW MEXICO
TOWN OF MOUNTAINAIR
ANNUAL FINANCIAL REPORT
JUNE 30, 2009

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO

Town of Mountainair

Official Roster

June 30, 2009

TOWN COUNCIL

<u>Name</u>	<u>Title</u>
Velta Gilley	Mayor
Larry Zamora	Mayor Protem
Gayle Jones	Councilor
Frank Lucero	Councilor
Steve Sanchez	Councilor

ADMINISTRATION

Patricia Autrey	Judge
Suzan Brazil	Town Clerk
Kathy Anglin	Treasurer

STATE OF NEW MEXICO

Town of Mountainair

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Town of Mountainair

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FINANCIAL SECTION



Accounting & Consulting Group, LLP

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
To Honorable Mayor and Council Members
Town of Mountainair
Mountainair, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the budgetary comparisons for the general fund and each major special revenue fund, and the aggregate remaining fund information of the Town of Mountainair (the "Town"), New Mexico as of and for the year ended June 30, 2009, which collectively comprise the Town of Mountainair'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 component unit fund and budgetary comparisons for the proprietary funds and the nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009 as listed in the table of contents. These financial statements are the responsibility of Town of Mountainair's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no opinion. 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Mountainair, New Mexico as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund, and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund and the component unit fund of the Town of Mountainair, New Mexico, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and budgetary comparisons for the proprietary funds and the remaining nonmajor governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants

2700 San Pedro Northeast [87110-333] – P.O. Box 3130, Albuquerque, New Mexico 87190-3130
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Alamogordo – Albuquerque – Carlsbad – Clovis – Hobbs – Lubbock

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2009 on our consideration of the Town of Mountainair's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Town of Mountainair has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mountainair's basic financial statements and the combining and individual fund financial statements and the budgetary comparisons. The accompanying information listed as Schedules I-V is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards required by OMB Circular A-133 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and each of the Town's nonmajor governmental fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements and each of the Town's nonmajor governmental fund financial statements, taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 25, 2009

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

Town of Mountainair
Statement of Net Assets
June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 471,085	\$ 119,457	\$ 590,542	\$ 120,771
Investments	-	419	419	-
Property tax receivable	54,946	-	54,946	-
Other receivables	46,972	-	46,972	4,670
Customer receivables (net of allowance for doubtful accounts of \$10,893)	-	93,500	93,500	-
Note receivable - component unit	7,778	-	7,778	-
Total Current Assets	<u>580,781</u>	<u>213,376</u>	<u>794,157</u>	<u>125,441</u>
Noncurrent Assets				
Restricted cash	3,054	43,454	46,508	6,854
Capital assets	2,044,058	2,074,025	4,118,083	37,472
Less: accumulated depreciation	<u>(1,622,945)</u>	<u>(1,872,801)</u>	<u>(3,495,746)</u>	<u>(37,472)</u>
Total Noncurrent Assets	<u>424,167</u>	<u>244,678</u>	<u>668,845</u>	<u>6,854</u>
Total Assets	<u>\$ 1,004,948</u>	<u>\$ 458,054</u>	<u>\$ 1,463,002</u>	<u>\$ 132,295</u>

The accompanying notes are an integral part of these financial statements

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current Liabilities				
Accounts payable	\$ 31,261	\$ 42,585	\$ 73,846	\$ 4,000
Accrued payroll	1,031	114	1,145	1,187
Accrued compensated absences	3,216	3,814	7,030	2,737
Customer deposits	-	43,454	43,454	-
Current portion of long-term debt	19,913	-	19,913	3,476
Total Current Liabilities	<u>55,421</u>	<u>89,967</u>	<u>145,388</u>	<u>11,400</u>
Noncurrent Liabilities				
Accrued compensated absences	11,900	7,309	19,209	-
Notes and leases payable	13,715	-	13,715	4,302
Total Noncurrent Liabilities	<u>25,615</u>	<u>7,309</u>	<u>32,924</u>	<u>4,302</u>
Total Liabilities	<u>81,036</u>	<u>97,276</u>	<u>178,312</u>	<u>15,702</u>
Net Assets				
Invested in capital assets, net of related debt	387,485	201,224	588,709	-
Restricted for:				
Housing assistance payments	-	-	-	6,854
Correction Fees Fund	6,547	-	6,547	-
EMS Fund	1,149	-	1,149	-
Fire Protection Fund	31,945	-	31,945	-
Law Enforcement Fund	35,195	-	35,195	-
Lodger's Tax Fund	25,266	-	25,266	-
Street Fund	18,608	-	18,608	-
Recreation Fund	129,781	-	129,781	-
FEMA Fund	9,322	-	9,322	-
Unrestricted	278,614	159,554	438,168	109,739
Total Net Assets	<u>923,912</u>	<u>360,778</u>	<u>1,284,690</u>	<u>116,593</u>
Total Net Assets and Liabilities	<u>\$ 1,004,948</u>	<u>\$ 458,054</u>	<u>\$ 1,463,002</u>	<u>\$ 132,295</u>

STATE OF NEW MEXICO
Town of Mountainair
Statement of Activities
For the Year Ending June 30, 2009

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
General government	\$ 469,815	\$ 29,270	\$ 236,459	\$ -
Public safety	200,636	14,389	111,789	15,000
Public works	22,929	-	-	-
Culture and recreation	81,755	25,446	101,407	-
Interest on long-term debt	1,129	-	-	-
<i>Total governmental activities</i>	<u>776,264</u>	<u>69,105</u>	<u>449,655</u>	<u>15,000</u>
Business-type Activities:				
Natural Gas	541,614	507,301	-	-
Water	319,748	290,648	-	-
Solid Waste	165,077	122,497	-	-
<i>Total business type activities</i>	<u>1,026,439</u>	<u>920,446</u>	<u>-</u>	<u>-</u>
<i>Total</i>	<u>\$ 1,802,703</u>	<u>\$ 989,551</u>	<u>\$ 449,655</u>	<u>\$ 15,000</u>
Component unit:				
Housing Authority	<u>\$ 602,701</u>	<u>\$ -</u>	<u>\$ 573,717</u>	<u>\$ -</u>
General Revenues:				
Taxes				
Property taxes, levied for general purposes				
Gross receipts taxes				
Gasoline and motor vehicle				
Other				
Interest income				
Miscellaneous income				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning				
Net assets, ending				

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Government Activities	Business Type Activities	Total	Component Unit
\$ (204,086)	\$ -	\$ (204,086)	\$ -
(59,458)	-	(59,458)	-
(22,929)	-	(22,929)	-
45,098	-	45,098	-
(1,129)	-	(1,129)	-
<u>(242,504)</u>	<u>-</u>	<u>(242,504)</u>	<u>-</u>
-	(34,313)	(34,313)	-
-	(29,100)	(29,100)	-
-	(42,580)	(42,580)	-
<u>-</u>	<u>(105,993)</u>	<u>(105,993)</u>	<u>-</u>
<u>(242,504)</u>	<u>(105,993)</u>	<u>(348,497)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>(28,984)</u>	<u>(28,984)</u>
91,005	-	91,005	-
359,476	-	359,476	-
18,038	-	18,038	-
38,567	-	38,567	-
1,603	1,514	3,117	-
4,411	209	4,620	-
<u>513,100</u>	<u>1,723</u>	<u>514,823</u>	<u>-</u>
<u>270,596</u>	<u>(104,270)</u>	<u>166,326</u>	<u>(28,984)</u>
<u>653,316</u>	<u>465,048</u>	<u>1,118,364</u>	<u>145,577</u>
<u>\$ 923,912</u>	<u>\$ 360,778</u>	<u>\$ 1,284,690</u>	<u>\$ 116,593</u>

STATE OF NEW MEXICO

Town of Mountainair

Balance Sheet

Governmental Funds

June 30, 2009

Exhibit B-1

Page 1 of 2

	<u>General Fund</u>	<u>Recreation Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 219,078	\$ 130,419	\$ 124,642	\$ 474,139
Property tax receivable	54,946	-	-	54,946
Other receivables	24,184	-	22,788	46,972
Note receivable- component unit	7,778	-	-	7,778
<i>Total assets</i>	<u>\$ 305,986</u>	<u>\$ 130,419</u>	<u>\$ 147,430</u>	<u>\$ 583,835</u>
<i>Liabilities and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 30,266	\$ 638	\$ 357	\$ 31,261
Accrued payroll	1,031	-	-	1,031
Deferred revenue - property taxes	53,035	-	-	53,035
<i>Total liabilities</i>	<u>84,332</u>	<u>638</u>	<u>357</u>	<u>85,327</u>
<i>Fund balances</i>				
Unreserved:				
Unreserved, reported in:				
General fund	221,654	-	-	221,654
Special revenue funds	-	129,781	147,073	276,854
<i>Total fund balances</i>	<u>221,654</u>	<u>129,781</u>	<u>147,073</u>	<u>498,508</u>
<i>Total liabilities and fund balances</i>	<u>\$ 305,986</u>	<u>\$ 130,419</u>	<u>\$ 147,430</u>	<u>\$ 583,835</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Mountainair

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2009

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$	498,508
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		421,113
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities		53,035
Certain liabilities, including bonds payable, and current and long-term portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds:		
Notes and leases payable		(33,628)
Accrued compensated absences		(15,116)
Total net assets-governmental activities	\$	<u>923,912</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Mountainair
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ending June 30, 2009

Exhibit B-2
Page 1 of 2

	<u>General Fund</u>	<u>Recreation Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ 42,531	\$ -	\$ -	\$ 42,531
Gross receipts	359,476	-	-	359,476
Gasoline and motor vehicle	-	-	18,038	18,038
Other	18,704	668	19,195	38,567
<i>Intergovernmental:</i>				
State operating grants	236,459	101,407	111,789	449,655
State capital grants	-	-	15,000	15,000
Charges for services	1,269	25,216	-	26,485
Licenses and fees	37,282	-	5,338	42,620
Investment income	1,587	-	16	1,603
Miscellaneous	4,411	-	-	4,411
<i>Total revenues</i>	<u>701,719</u>	<u>127,291</u>	<u>169,376</u>	<u>998,386</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	422,400	-	10	422,410
Public safety	106,693	-	80,299	186,992
Public works	-	-	1,314	1,314
Culture and recreation	-	75,983	5,772	81,755
Capital Outlay	48,683	-	15,270	63,953
<i>Debt Service:</i>				
Principal	25,373	-	13,151	38,524
Interest	864	-	265	1,129
<i>Total expenditures</i>	<u>604,013</u>	<u>75,983</u>	<u>116,081</u>	<u>796,077</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>97,706</u>	<u>51,308</u>	<u>53,295</u>	<u>202,309</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	4,000	4,000
Transfers (out)	(4,000)	-	-	(4,000)
<i>Total other financing sources (uses)</i>	<u>(4,000)</u>	<u>-</u>	<u>4,000</u>	<u>-</u>
<i>Net change in fund balance</i>	93,706	51,308	57,295	202,309
<i>Fund balance - beginning of year</i>	<u>127,948</u>	<u>78,473</u>	<u>89,778</u>	<u>296,199</u>
<i>Fund balance - end of year</i>	<u>\$ 221,654</u>	<u>\$ 129,781</u>	<u>\$ 147,073</u>	<u>\$ 498,508</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Mountainair

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ending June 30, 2009

Exhibit B-2

Page 2 of 2

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds	\$	202,309
<p>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:</p>		
Capital expenditures		63,953
Depreciation expense		(73,153)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:</p>		
Change in deferred revenue related to property taxes receivable		48,474
<p>Expenses in the Statement of Activities that do not require current financial resources are not reported as expenditures in the funds:</p>		
Increase in accrued compensated absences		(9,511)
<p>The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:</p>		
Principal payments on notes payable		38,524
Change in net assets of governmental activities	\$	270,596

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-1

Town of Mountainair

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ending June 30, 2009

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
<i>Taxes:</i>				
Property	\$ 55,815	\$ 55,815	\$ 46,114	\$ (9,701)
Gross receipt	245,600	245,600	359,741	114,141
Gasoline and motor vehicle	-	-	-	-
Other	17,700	17,700	18,630	930
<i>Intergovernmental:</i>				
State operating grants	245,777	245,777	236,459	(9,318)
State capital grants	-	-	-	-
Charges for services	11,750	11,750	1,538	(10,212)
Licenses and fees	38,750	38,750	36,431	(2,319)
Investment income	2,300	2,300	1,394	(906)
Miscellaneous	18,900	18,900	8,147	(10,753)
<i>Total revenues</i>	<u>636,592</u>	<u>636,592</u>	<u>708,454</u>	<u>71,862</u>
<i>Expenditures</i>				
<i>Current:</i>				
General Government	506,719	512,403	444,232	68,171
Public Safety	123,664	122,164	108,070	14,094
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay	7,500	7,500	6,200	1,300
<i>Debt Service:</i>				
Principal	-	-	26,237	(26,237)
Interest	-	-	-	-
<i>Total expenditures</i>	<u>637,883</u>	<u>642,067</u>	<u>584,739</u>	<u>57,328</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,291)</u>	<u>(5,475)</u>	<u>123,715</u>	<u>129,190</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,291	5,475	-	(5,475)
Transfers in	6,600	6,600	3,600	(3,000)
Transfers out	(6,600)	(6,600)	(4,000)	2,600
<i>Total other financing sources (uses)</i>	<u>1,291</u>	<u>5,475</u>	<u>(400)</u>	<u>(5,875)</u>
<i>Net change in fund balances</i>	-	-	123,315	-
<i>Fund balance - beginning of year as originally stated</i>	-	-	103,184	-
<i>Restatement</i>			(7,421)	
<i>Fund balance - beginning of year as restated</i>	-	-	95,763	-
<i>Fund balance - end of the year</i>			<u>\$ 219,078</u>	
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ 123,315	
Adjustments to revenue for tax accruals and note receivable accruals			(6,735)	
Adjustments to expenditures for general government, and public safety function accruals			(22,874)	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 93,706</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-2

Town of Mountainair

Recreation Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ending June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	700	700	668	(32)
Other	-	-	-	-
Intergovernmental:				
State operating grants	200,000	200,000	101,407	(98,593)
State capital grants	-	-	-	-
Charges for services	2,000	2,000	25,216	23,216
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>202,700</u>	<u>202,700</u>	<u>127,291</u>	<u>(75,409)</u>
<i>Expenditures</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	107,000	107,000	84,466	22,534
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>107,000</u>	<u>107,000</u>	<u>84,466</u>	<u>22,534</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>95,700</u>	<u>95,700</u>	<u>42,825</u>	<u>(52,875)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(95,700)	(95,700)	-	95,700
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(95,700)</u>	<u>(95,700)</u>	<u>-</u>	<u>95,700</u>
<i>Net change in fund balances</i>	-	-	42,825	42,825
<i>Fund balance - beginning of year</i>	-	-	87,594	-
<i>Fund Balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,419</u>	<u>\$ 42,825</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ 42,825	
No adjustments for revenue accruals			-	
Adjustments to expenditures for culture and recreation function accruals			8,483	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 51,308</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit D-1

Town of Mountainair
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities-Enterprise Funds			Total
	Natural Gas Fund	Water Fund	Solid Waste Fund	
Assets				
<i>Current assets</i>				
Cash and cash equivalents	\$ 7,620	\$ 101,108	\$ 10,729	\$ 119,457
Investments	419	-	-	419
Customer receivables (net of allowance for doubtful accounts of \$5,686 and \$5,207)	36,078	56,918	504	93,500
<i>Total current assets</i>	44,117	158,026	11,233	213,376
<i>Noncurrent assets</i>				
Restricted cash	23,818	19,636	-	43,454
Capital assets	463,801	1,610,224	-	2,074,025
Accumulated depreciation	(415,648)	(1,457,153)	-	(1,872,801)
<i>Total noncurrent assets</i>	71,971	172,707	-	244,678
Total Assets	\$ 116,088	\$ 330,733	\$ 11,233	\$ 458,054
Liabilities and Net Assets				
<i>Liabilities:</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 24,636	\$ 7,661	\$ 10,288	\$ 42,585
Accrued payroll	114	-	-	114
Accrued compensated absences	2,396	1,418	-	3,814
Customer deposits	23,818	19,636	-	43,454
<i>Total current liabilities</i>	50,964	28,715	10,288	89,967
<i>Noncurrent liabilities</i>				
Accrued compensated absences	2,112	5,197	-	7,309
<i>Total noncurrent liabilities</i>	2,112	5,197	-	7,309
<i>Total liabilities</i>	53,076	33,912	10,288	97,276
<i>Net Assets:</i>				
Invested in capital assets, net of related debt	48,153	153,071	-	201,224
Unrestricted	14,859	143,750	945	159,554
<i>Total net assets</i>	63,012	296,821	945	360,778
Total liabilities and net assets	\$ 116,088	\$ 330,733	\$ 11,233	\$ 458,054

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Mountainair
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

Exhibit D-2

	Natural Gas Fund	Water Fund	Solid Waste Fund	Total
<i>Operating revenues:</i>				
Charges for services	\$ 507,301	\$ 290,648	\$ 122,497	\$ 920,446
<i>Total operating revenues</i>	<u>507,301</u>	<u>290,648</u>	<u>122,497</u>	<u>920,446</u>
<i>Operating expenses:</i>				
Cost of gas sold	380,816	-	-	380,816
Salaries	83,845	108,856	-	192,701
Supplies	148	-	-	148
Depreciation	31,501	52,939	-	84,440
Contract services	2,030	-	138,174	140,204
Other operating expense	43,264	157,963	26,903	228,130
<i>Total operating expenses</i>	<u>541,604</u>	<u>319,758</u>	<u>165,077</u>	<u>1,026,439</u>
<i>Operating income (loss)</i>	<u>(34,303)</u>	<u>(29,110)</u>	<u>(42,580)</u>	<u>(105,993)</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	248	1,266	-	1,514
Miscellaneous income	-	209	-	209
<i>Total non-operating revenues (expenses)</i>	<u>248</u>	<u>1,475</u>	<u>-</u>	<u>1,723</u>
<i>Other financing sources (uses):</i>				
Transfer in	-	-	50,000	50,000
Transfer out	-	(50,000)	-	(50,000)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
<i>Change in net assets</i>	(34,055)	(77,635)	7,420	(104,270)
<i>Total net assets, beginning of year</i>	<u>97,067</u>	<u>374,456</u>	<u>(6,475)</u>	<u>465,048</u>
<i>Total net assets, end of year</i>	<u>\$ 63,012</u>	<u>\$ 296,821</u>	<u>\$ 945</u>	<u>\$ 360,778</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Mountainair
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2009

	Natural Gas Fund	Water Fund
<i>Cash flows from operating activities:</i>		
Cash received from user charges	\$ 493,819	\$ 285,210
Cash payments to employees for services	(87,079)	(111,997)
Cash payments to suppliers for goods and services	(414,712)	(153,776)
	(7,972)	19,437
<i>Cash flows from noncapital financing activities:</i>		
Miscellaneous income	-	209
Transfers from (to) other funds	-	(50,000)
	-	(49,791)
<i>Cash flows from capital and related financing activities:</i>		
Acquisition of capital assets	(8,999)	-
	(8,999)	-
<i>Cash flows from investing activities:</i>		
Interest on investments	248	1,266
	248	1,266
	(16,723)	(29,088)
<i>Cash and cash equivalents - beginning of year</i>	48,580	149,832
<i>Cash and cash equivalents - end of year</i>	\$ 31,857	\$ 120,744
 <i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>		
Operating (loss)	\$ (34,303)	\$ (29,110)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	31,501	52,939
Changes in assets and liabilities:		
Receivables	(13,482)	(5,438)
Accounts payable	11,546	937
Accrued payroll	583	573
Accrued compensated absences	(3,817)	(3,714)
Customer deposits	-	3,250
	(7,972)	19,437
<i>Net cash provided (used) by operating activities</i>	\$ (7,972)	\$ 19,437

The accompanying notes are an integral part of these financial statements

<u>Solid Waste Fund</u>	<u>Total</u>
\$ 122,504	\$ 901,533
-	(199,076)
<u>(164,389)</u>	<u>(732,877)</u>
<u>(41,885)</u>	<u>(30,420)</u>
-	209
<u>50,000</u>	<u>-</u>
<u>50,000</u>	<u>209</u>
-	<u>(8,999)</u>
-	<u>(8,999)</u>
-	<u>1,514</u>
-	<u>1,514</u>
8,115	(37,696)
<u>2,614</u>	<u>201,026</u>
<u>\$ 10,729</u>	<u>\$ 163,330</u>
\$ (42,580)	\$ (105,993)
-	84,440
7	(18,913)
688	13,171
-	1,156
-	(7,531)
-	<u>3,250</u>
<u>\$ (41,885)</u>	<u>\$ (30,420)</u>

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STATE OF NEW MEXICO
Town of Mountainair
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2009

Exhibit E-1

<i>Assets</i>	
Cash	\$ <u> -</u>
<i>Total assets</i>	\$ <u><u> -</u></u>
<i>Liabilities</i>	
Due to other entities	\$ <u> -</u>
<i>Total liabilities</i>	\$ <u><u> -</u></u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies

The Town of Mountainair (Town) was incorporated in 1945 under provisions of Chapter 3, Article 2, NMSA, 1978 as amended. The Town operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire); highways and streets; water and sewer services; refuse collection; health and social services; culture-recreation; public improvements; planning and zoning; and general administrative services.

The Town of Mountainair is a body politic and corporate under the name and form of government selected by its qualified electors. The Town may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have a common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the Town of Mountainair is presented to assist in the understanding of Town of Mountainair's financial statements. The financial statements and notes are the representation of Town of Mountainair's management that is responsible for their integrity and objectivity. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and No. 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Discretely Presented Component Unit

Town of Mountainair Housing Authority (The Authority): This component unit has separate elected and/or appointed board and provides services to residents, generally within the geographic boundaries of the government. GASB Statement No. 14 requires the inclusion of this unit in the reporting entity.

The component unit's activities include enterprise funds as detailed on Exhibits A-1 and A-2 and Schedules A-3, A-4, A-5, and A-6 in the Town's financial reports.

Separate financial statements for the Authority are not available.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the primary government. 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 Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise 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*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, net of estimated refunds and estimated uncollectible amounts, are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

Governmental fund 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to availability criterion. Property taxes are recognized as revenue in the period for which they are levied, net of estimated refunds and uncollectible amounts, subject to availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

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

The *Recreation Special Revenue Fund* accounts for the operation and maintenance of recreational facilities in the Town. Financing is provided by a specific annual cigarette tax levy. Authority: NMSA 7-12-1 & 7-12-15.

The government reports its proprietary funds as major funds. Proprietary funds include:

The *Natural Gas Fund* accounts for fees generated from charges for the distribution of natural gas and related services.

The *Water Fund* accounts for fees generated from charges for the distribution of water.

The *Solid Waste Fund* accounts for fees generated from charges for trash collection.

Additionally, the government reports the following fund types:

The *Fiduciary Fund* is purely custodial (assets equal liabilities) and does not involve measurement of results of operations. The Town's fiduciary funds are used to account for the collection and payment of motor vehicle taxes and fees to other governmental agencies.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Town's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of Town facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Town does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Town's enterprise fund is charges for services at the various enterprises. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If applicable, the Town reports capital contributions and transfers separately from operating income (loss) and non-operating revenues (expenses).

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 needed.

D. Assets, Liabilities and Net Assets or Fund Equity

Deposits and Investments: The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Local Government Investment Pool.

Investments for the Town are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Fund Equity (continued)

Receivables and Payables: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, property taxes receivable are accrued based on information obtained from the County. Revenues for sales taxes are recognized when the underlying exchange has occurred. Grant revenues are recognized when all eligibility requirements are met.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after May 10th are considered delinquent. The taxes attach as an enforceable lien on property as of January 1st.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Because the Town of Mountainair was a phase III government for purposes of implementing GASB 34, the Town could elect not to capitalize and depreciate its additions and improvements to its infrastructure retroactively back to 1979. But since the implementation of GASB 34 in FY 04, the Town has been required to capitalize and depreciate infrastructure additions. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). 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. Library books and periodicals are estimated to have a useful life of less than one year or are under the capitalization threshold and are expensed when purchased.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Town during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles	6
Equipment	5-30
Buildings and improvements	45-60

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Fund Equity (continued)

Deferred Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, such amounts received and not expended are shown as deferred revenues. GASB Statement No. 33 requires the revenues of grants that are not on a reimbursement basis to be recognized at the beginning of the period the grant applies to; in the fund financial statements the portion of this type of grant that is not received during the period of availability is "deferred revenue." Utility service prepayments in the Enterprise Funds are reported as deferred revenue until the earnings process is complete.

Compensated Absences: Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of ten days to fifteen days per year, depending on length of service. Employees may accumulate up to 200 hours (twenty-five days) of annual leave and carry that leave forward from calendar year to calendar year. Upon termination, employees will be paid for up to 200 hours (twenty-five days) of accrued annual leave.

Qualified employees are entitled to accumulate sick leave at a rate of twelve days per year. Sick leave can be carried over from year to year up to 360 hours (45 days). Upon termination employees receive no pay for sick time accumulated.

Accrued leave that is due and payable at the end of the fiscal year is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. For bonds issued after 2004, bond premiums and discounts, as well as issuance costs, will be deferred and amortized over the life of the bonds using the effective interest method; and bonds payable will be reported net of the applicable bond premium or discount.

Net Assets or Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance 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.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt:
Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets:
Consist of net assets with constraints placed on the use either (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) laws through constitutional provisions or enabling legislation.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Fund Equity (continued)

- c. Unrestricted Net Assets:
All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates of the Town are management’s estimate of depreciation on assets over their useful lives, allowance for doubtful accounts, and accrued compensated absences.

Reclassifications: Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year’s presentation.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets of the Town are prepared prior to June 1 and must be approved by resolution of the Town Commissioners, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Town Commissioners and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget at the fund level.

The governmental fund budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The enterprise fund budgets are prepared on the GAAP basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles for the governmental funds, reconciliations of the resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2009 are presented at Exhibit C and Schedule B. The budgetary comparisons for the enterprise funds do not require reconciliations because they are on the GAAP basis.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures. These amendments resulted in the following changes:

	Excess (deficiency)of revenues over expenditures	
	Original Budget	Final Budget
Governmental Activities		
General Fund	\$ (1,291)	\$ (5,475)
Recreation	\$ 95,700	\$ 95,700
Nonmajor Funds	\$ 89,776	\$ 89,776
Business-type Activities		
Natural Gas	\$ 38,520	\$ 60,774
Water	\$ 29,899	\$ 29,899
Solid Waste	\$ 680	\$ 680

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

Component Unit

The Town of Mountainair Housing Authority did not have a budget for the fiscal year ended June 30, 2009 because it qualified for Section Eight Management Assessment Program (SEMAP) deregulation. The Authority has less than 250 Section Eight ACC units and was not designated as “troubled” for the previous year.

NOTE 3. Deposits and Investments

State statutes authorize the investment of Town 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. The Town is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2009.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Town. 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 in accordance with statute.

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 United States treasury bills of the same maturity on the day of deposit.

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.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The FDIC board approved the Temporary Liquidity Guarantee Program (TLGP) on October 13, 2008. This program provides a full guarantee on non-interest-bearing transaction deposits accounts above \$250,000, regardless of dollar amount. The guarantee is effective until December 31, 2009. As of June 30, 2009, the Town did have deposits in the amount of \$18,097 that met the criteria of the TLGP.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). State law limits deposits of public monies to certain banks or credit unions. In addition, the depository must pledge eligible collateral to the extent of 50% of the balance of uninsured funds. At June 30, 2009, \$395,917 of the Town’s deposits of \$667,068 was exposed to custodial credit risk. \$229,190 was uninsured and collateralized by collateral held by the pledging bank’s trust department, not in the Town’s name and \$166,727 was uninsured and uncollateralized.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Town for a least one half of the amount in excess of FDIC coverage on deposit with the institution.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 3. Deposits and Investments (continued)

	MyBank
Amount of deposits	\$ 664,014
FDIC Coverage	(268,097)
Total uninsured public funds	395,917
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Town's name	229,190
Uninsured and uncollateralized	\$ 166,727
Collateral requirement (50% of uninsured funds)	\$ 197,959
Pledged Collateral	229,190
Over (Under) collateralized	\$ 31,232

The collateral pledged is listed on Schedule I in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, District or political subdivision of the State of New Mexico.

NM State Statutes require collateral pledged for repurchase agreements in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Town for at least 102% of the amount on deposit with the institution. There are no repurchase agreements for the year ended June 30, 2009.

The Town utilizes pooled accounts for their funds. The General, Special Revenue, Capital Projects, Debt Service and Agency Funds are all in multiple accounts.

Component Unit

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Housing Authority's deposits may not be returned to it. The Housing Authority does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). State law limits deposits of public monies to certain banks or credit unions. In addition, the depository must pledge eligible collateral to the extent of 50% of the balance of uninsured funds. At June 30, 2009, none of the Housing Authority's deposits of \$128,204 were exposed to custodial credit risk. At June 30, 2009, the carrying amount of this deposit was \$128,204.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 3. Deposits and Investments (continued)

	Wells Fargo Bank, N.A.
Amount of deposits	\$ 128,204
FDIC Coverage	128,204
Total uninsured public funds	-
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Town's name	-
Uninsured and uncollateralized	\$ -
Collateral requirement (50% of uninsured funds)	\$ -
Pledged Collateral	93,086
Over (Under) collateralized	\$ 93,086

The collateral pledged is listed on Schedule I in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

Investments

Interest Rate Risk

The New Mexico State Treasurer is authorized to invest deposits from governmental entities in the short-term investment fund, 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 6-10-1.1 A and E, NMSA 1978. The pool 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. The LGIP is not registered with the Securities and Exchange Commission. The LGIP does not have unit shares. The LGIP investments are valued at fair value based on quoted market prices as of the valuation date. Participation in the LGIP is voluntary. The following information is the interest rate risk and credit risk for the Town's investment in the LGIP at June 30, 2009. Please see NOTE 17 for additional information related to the Town's investment in the Local Government Investment Pool (LGIP).

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 3. Deposits and Investments (continued)

The Town's investments at June 30, 2009 include the following:

<u>Investments</u>	<u>Rated</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
New MexiGROW LGIP	AAAm	\$ 409	46 days
Reserve Contingency Fund	Unrated	10	Does not earn interest
U.S. Treasury Money Market Mutual Funds	AAA	3,054	<365 days
		<u>\$ 3,473</u>	

Primary Government

Reconciliation to the Statement of Net Assets:

Cash and cash equivalents per Exhibit A-1	\$ 590,542
Restricted cash and cash equivalents per Exhibit A-1	<u>46,508</u>
Total	637,050
Add: outstanding checks and other reconciling items	32,428
Less: deposits in transit and other reconciling items	(2,410)
Less: U.S. Treasury Money Market Mutual Funds	<u>(3,054)</u>
Bank balance of deposits	<u>\$ 664,014</u>

Component Unit

Reconciliation to the Statement of Net Assets:

Cash and cash equivalents per Exhibit A-1	\$ 120,771
Restricted cash and cash equivalents per Exhibit A-1	6,854
Add: Outstanding checks and other reconciling items	629
Less: petty cash	<u>(50)</u>
Bank balance of deposits	<u>\$ 128,204</u>

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 4. Receivables

Receivables as of June 30, 2009, are as follows:

Governmental Activities:	<u>General</u>	<u>Total Nonmajor Funds</u>	<u>Total</u>
Property tax receivable	\$ 54,946	\$ -	\$ 54,946
Other receivables	24,184	22,788	46,972
Totals by category	<u>\$ 79,130</u>	<u>\$ 22,788</u>	<u>\$ 101,918</u>

The above receivables are deemed 100% collectible.

In accordance with GASB Statement No. 33, revenues in the amount of \$53,035 that were not received during the period of availability have been presented as deferred revenue in the fund financial statements.

Business-type Activities:	<u>Natural Gas</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
Customer receivables	\$ 41,764	\$ 62,125	\$ 504	\$ 104,393
Less: allowance for doubtful accounts	<u>(5,686)</u>	<u>(5,207)</u>	-	<u>(10,893)</u>
Total net receivables	<u>\$ 36,078</u>	<u>\$ 56,918</u>	<u>\$ 504</u>	<u>\$ 93,500</u>

The Town has estimated approximately 10% or \$10,893 of utility billings will not be collected. Other than this, all receivables are deemed to be 100% collectible.

NOTE 5. Interfund Receivables, Payables, and Transfers

Net operating transfers, made to supplement other funding sources, were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Corrections Fund	\$ 4,000
Water Fund	Solid Waste Fund	<u>50,000</u>
	Total Transfers	<u>\$ 54,000</u>

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2009 follows. Land is not subject to depreciation.

Governmental Activities:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets used in governmental activities:				
Capital assets, not depreciated				
Land	\$ 167,344	\$ -	\$ -	\$ 167,344
Total capital assets, not depreciated	<u>167,344</u>	<u>-</u>	<u>-</u>	<u>167,344</u>
Capital Assets, depreciated				
Equipment	147,750	3,765	-	151,515
Vehicles	560,254	60,188	-	620,442
Buildings and improvements	1,104,757	-	-	1,104,757
Total capital assets, being depreciated	<u>1,812,761</u>	<u>63,953</u>	<u>-</u>	<u>1,876,714</u>
Less accumulated depreciation:				
Equipment	64,967	18,675	-	83,642
Vehicles	423,823	50,211	-	474,034
Buildings and improvements	1,061,002	4,267	-	1,065,269
Total accumulated depreciation	<u>1,549,792</u>	<u>73,153</u>	<u>-</u>	<u>1,622,945</u>
Net book value	<u>\$ 430,313</u>	<u>\$ (9,200)</u>	<u>\$ -</u>	<u>\$ 421,113</u>

There were no material infrastructure additions during the year ended June 30, 2009 only infrastructure repairs.

Depreciation expense for the year ended June 30, 2009 was allocated as follows:

General government	\$ 38,842
Public safety	12,696
Public works	<u>21,615</u>
Total depreciation	<u>\$ 73,153</u>

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 6. Capital Assets (continued)

Business-type Activities:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital Assets used in business-type Activities:				
Vehicle	\$ 63,550	\$ -	\$ -	\$ 63,550
Equipment	5,608	8,999	-	14,607
Building and improvements	<u>1,995,868</u>	<u>-</u>	<u>-</u>	<u>1,995,868</u>
Total capital assets, being depreciated	<u>2,065,026</u>	<u>8,999</u>	<u>-</u>	<u>2,074,025</u>
Less accumulated depreciation:				
Vehicle	54,550	9,000	-	63,550
Equipment	5,608	8,999	-	14,607
Building and improvements	<u>1,728,203</u>	<u>66,441</u>	<u>-</u>	<u>1,794,644</u>
Total accumulated depreciation	<u>1,788,361</u>	<u>84,440</u>	<u>-</u>	<u>1,872,801</u>
Net book value	<u>\$ 276,665</u>	<u>\$ (75,441)</u>	<u>\$ -</u>	<u>\$ 201,224</u>

Depreciation expense for the year ended June 30, 2009 was allocated as follows:

Natural Gas	\$ 31,501
Water	<u>52,939</u>
Total depreciation	<u>\$ 84,440</u>

Component Unit:

	<u>Balance</u> <u>6/30/2008</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2009</u>
Capital assets, depreciated					
Equipment	<u>\$ 24,568</u>	<u>\$ 12,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,472</u>
Accumulated depreciation	<u>24,568</u>	<u>12,904</u>	<u>-</u>	<u>-</u>	<u>37,472</u>
Net book value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 7. Long-term Debt

During the year ended June 30, 2009, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	<u>Balance</u>			<u>Balance</u> <u>Due within</u>	
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2009</u>	<u>One year</u>
Governmental activities:					
NMFA Pumper Loan	\$ 40,267	\$ -	\$ 13,151	\$ 27,116	\$ 13,401
John Deere Grader Loan	31,885	-	25,373	6,512	6,512
Compensated absences	<u>5,605</u>	<u>12,727</u>	<u>3,216</u>	<u>15,116</u>	<u>3,216</u>
Total governmental	<u>\$ 77,757</u>	<u>\$ 12,727</u>	<u>\$ 41,740</u>	<u>\$ 48,744</u>	<u>\$ 23,129</u>
Business-type activities:					
Compensated absences	<u>\$ 17,069</u>	<u>\$ 605</u>	<u>\$ 3,814</u>	<u>\$ 11,123</u>	<u>\$ 3,814</u>
Total business-type activities	<u>\$ 17,069</u>	<u>\$ 605</u>	<u>\$ 3,814</u>	<u>\$ 11,123</u>	<u>\$ 3,814</u>
Component unit:					
Compensated absences	<u>\$ 2,909</u>	<u>\$ 691</u>	<u>\$ 863</u>	<u>\$ 2,737</u>	<u>\$ 2,737</u>

The New Mexico Finance Authority (NMFA) Class A Pumper acquisition loan is a note payable issued in the original amount of \$124,631. The note was being issued pursuant to Sections 3-31-1 through 3-31-12 NMSA 1978, as amended, to provide funds for the purpose of acquiring a Class A Pumper for the Town. The loan is payable in monthly installments of principal and interest amounts ranging from \$13,274 to \$13,948 over the term of the loan. The loan bears interest of 3.02% to 4.15% and matures in May 2011. The note payable and all payments of principal and interest thereon are paid with pledged revenues payable from the revenues distributed to it by the New Mexico Taxation and Revenue Department pursuant to Sections 7-9-7, NMSA 1978, as amended, 7-1-6.1 and 7-1-6.4 NMSA, as amended and 7-1-6.15 NMSA, 1978 as amended.

The annual requirements to amortize the NMFA note payable as of June 30, 2009, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
<u>Ending June 30,</u>			<u>Service</u>
2010	\$ 13,401	\$ 546	\$ 13,947
2011	<u>13,715</u>	<u>282</u>	<u>13,997</u>
Total	<u>\$ 27,116</u>	<u>\$ 828</u>	<u>\$ 27,944</u>
Matures in September 2009			\$ 27,116
Less current portion			<u>(13,401)</u>
Total long-term debt, net of current portion			<u>\$ 13,715</u>

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 7. Long-term Debt (continued)

The NMFA loan is paid annually by the Fire Protection Fund.

The John Deere Grader Loan is a long-term lease issued in the original amount of \$117,995. The lease is payable in monthly installments of principal and interest in the amount of \$2,186 over the term of the lease. The lease bears interest of 4.25% and matures on September 10, 2009. The lease payable and all payments of principal and interest shall be paid with public works funds.

The annual requirements to amortize the John Deere lease payable as of June 30, 2009, including interest payments are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2010	<u>\$ 6,512</u>	<u>\$ 46</u>	<u>\$ 6,558</u>
Matures in September 2009			\$ 6,512
Less current portion			<u>(6,512)</u>
Total long-term debt, net of current portion			<u>\$ -</u>

The John Deere lease is paid monthly by the General fund.

Compensated Absences – Employees of the Town are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2009, long-term compensated absences increased \$9,511 for governmental activities and decreased \$5,946 for business type activities over the prior year accrual. Compensated absences are paid by each fund in the same proportion as the salaries charged to accrue the compensated absences.

NOTE 8. Risk Management

The Town is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The Town participates in the New Mexico Self-Insurers' Fund risk pool.

The Town has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Town which exceeds the insurance coverage, the Town would not be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2009, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance.

New Mexico Self-Insurers' Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 9. Other Required Individual Fund Disclosures

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

- A. Deficit fund balance of individual funds: There were no funds with deficit fund balances for the year ended June 30, 2009.
- B. Excess of actual expenditures (cash basis) over budgeted expenditures (cash basis): Budgetary compliance is required at the fund level. The following funds exceeded approved budgetary authority for the year ended June 30, 2009:

	<u>Excess</u>
EMS Fund	\$1,043
Fire Protection Fund	9,622
Law Enforcement Fund	12,222
Lodger's Tax Fund	3,772
Natural Gas Proprietary Fund	12,677
Water Proprietary Fund	67,406
Solid Waste Proprietary Fund	55,757

The Town is going to work with their budget analyst to ensure that this problem does not happen in the future.

- C. Designated cash appropriations in excess of available balances. There were no funds with designated cash appropriations in excess of available balances for the year ended June 30, 2009.

NOTE 10. PERA Pension Plan

Plan Description. Substantially all of the Town of Mountainair's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement, 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, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.us.

Funding Policy. Plan members are required to contribute the following percentages of their gross salary: 7.00% for law enforcement; and 9.15% for municipal employees. The Town was required to contribute the following percentages of the gross covered salary: 10.00% for law enforcement and fire protection plan members; and 9.15% for municipal members. The contribution requirements of plan members and the Town of Mountainair are established in State Statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Town's contributions to PERA for the years ended June 30, 2009, 2008, and 2007 were \$35,117, \$24,032, and \$25,910, respectively, which equal the amount of the required contributions for each year.

NOTE 11. Retiree Health Care Contributions

The Town has elected not to participate in the Retiree Health Care Authority of New Mexico's retiree health care program.

NOTE 12. Contingent Liabilities

The Town is party to various claims and lawsuits in the normal course of business. Management and the Town's attorney are unaware of any material pending or threatened litigation, claims or assessments against the Town which are not covered by the Town's insurance.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 13. Federal and State Grants

In the normal course of operations, the Town receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 14. Restricted Net Assets

The government wide statement of net assets reports \$257,813 of restricted net assets of which \$257,813 is restricted by enabling legislation.

NOTE 15. Component Unit Payable to the Primary Government

The primary government reports a note receivable from the component unit for \$7,778 because of a loan the component unit received from the primary government ten years ago to pay off an expense it could not afford on its own. The original amount of the loan was \$40,000.

NOTE 17. Subsequent Events

The New Mexico State Treasurer's Office invested a portion of the LGIP in The Reserve Primary Fund ("the Fund"), a money market fund, in fiscal years 2006, 2007, 2008 and 2009. On September 15, 2008, the balance of the LGIP's investment in the Fund was \$381.7 million. On September 16, 2008, The Reserve Primary Fund's net asset value fell below \$1.00 and holdings in the Fund were frozen. Since September 2008, The Reserve Primary Fund has returned approximately \$0.90 per share to shareholders. On February 26, 2009, The Reserve Primary Fund announced that it was withholding \$3.5 billion of the Fund's assets for anticipated and pending litigation against it, which amount could increase or decrease as the Fund evaluates information related to such litigation. As a result, the State Treasurer's Office cannot anticipate what the actual loss to the LGIP from The Reserve Primary Fund may be or when the actual loss may be realized. No actual loss has been realized to date. The total remaining Reserve Primary Fund position as of June 30, 2009, is \$39.5 million. The LGIP's remaining position in The Reserve Primary Fund is a non-performing asset.

On May 5, 2009, the U.S. Securities and Exchange Commission ("SEC") filed a civil lawsuit in federal court against the operators of The Reserve Primary Fund, alleging fraud; seeking the pro rata distribution of the remaining the Fund's assets; and seeking the release of the \$3.5 billion currently being withheld from investors pending the outcome of the lawsuits against The Reserve Primary Fund. The court is scheduled to hold a hearing on the SEC's proposed plan of distribution.

On May 20, 2009, the New Mexico Attorney General filed a civil complaint and injunction petition in state district court against The Reserve Primary Fund. The Attorney General's complaint alleges that the Fund setting aside \$3.5 billion to pay legal fees and expenses is a willful and intentional conversion of the investors' assets and a breach of contract. The complaint further alleges that the Fund's failure to honor redemption requests on September 16, 2008, is a breach of contract. Additionally, the Attorney General's injunction petition seeks the release of the investors' pro rata share of the \$3.5 billion The Reserve Primary Fund set aside for its anticipated and pending legal costs.

The New Mexico State Treasurer's Office believes that The Reserve Primary Fund will ultimately end up distributing between 98.38% and 98.77% of the balance that the LGIP had in The Reserve Primary Fund as of September 15, 2008. This means that of the remaining undistributed balance as of June 30, 2009, it is expected the LGIP is to recover between 83.84% and 87.78%. Uncertainty remains, however, as to the timing of these distributions.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2009

NOTE 18. Budgetary Fund Balance Restatement

The Town has restated prior year budget basis fund balances. Adjustments were made to the following funds:

Major Fund	
General Fund	\$7,421

These adjustments were made to properly restate prior year ended budget basis fund balances in this fund. This balances were incorrectly stated due to incorrect entries by the Town to fund balances.

NOTE 18. Subsequent Pronouncements

In July 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, which is effective for periods beginning after June 15, 2009. For governments that were classified as phase 1 or phase 2 governments, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated. Retroactive reporting of these intangible assets by phase 3 governments is encouraged but not required. Retroactive reporting is not required but is permitted for intangible assets considered to have indefinite useful lives as of the effective date of this Statement and those considered to be internally generated. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The Town is analyzing the effect that this standard will have on the financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In March 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 with earlier implementation encouraged. GASB Statement No. 54 distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purpose for which specific amounts can be spent. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The Town is analyzing the effect that this standard will have on the financial statements.

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SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
Town of Mountainair
Nonmajor Fund Descriptions
June 30, 2009

CORRECTION FEES FUND – 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 to the operation of a motor vehicle. Authority: NMSA 33-0-3.

EMS FUND- To account for grant funds received from state sources for development of an EMS system within the Town. Authorized by state law. Emergency Medical Services Fund, Section 24-10A-1, NMSA 1978.

FIRE PROTECTION FUND- To account for grant funds received from state sources for development of an EMS system within the Town. Authorized by state law. Emergency Medical Services Fund, Section 24-10A-1, NMSA 1978.

LAW ENFORCEMENT FUND – To account for the operations and maintenance of the fire department. Contributions and grants from the state fire allotment, emergency medical and state forestry provide financing. Fire Protection Fund, Section 59A-53-1, NMSA 1978.

LODGER'S TAX FUND – To account for the lodger's tax as authorized under 3-38-13 through 3-38-24 NMSA 1978. The Town must use not less than 40% of the tax collected for advertising, publicizing and promotion of tourist-related attractions, facilities and events.

STREET FUND – To account for the receipts of the statewide increase of two cents per gallon of gasoline tax of which one cent is redistributed to municipalities for highway and street maintenance. Authorized by NMSA 1978, 7-1-6.9 and 7-13-1 to 7-13-18.

FEMA FUND – FEMA grant to repair roads damaged by flood pursuant to Title 44, Chapter 1, Federal Emergency Management Agency, Part 13 Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, 44C FR 13-02.

STATE OF NEW MEXICO
Town of Mountainair
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2009

	Special Revenue		
	Correction Fees Fund	EMS Fund	Fire Protection Fund
<i>Assets</i>			
Cash and cash equivalents	\$ 6,579	\$ 1,149	\$ 32,270
Property tax receivable	-	-	-
Other receivables	-	-	-
<i>Total assets</i>	\$ 6,579	\$ 1,149	\$ 32,270
<i>Liabilities</i>			
Accounts payable	\$ 32	\$ -	\$ 325
<i>Total liabilities</i>	32	-	325
<i>Fund balances</i>			
Unreserved:	-	-	-
Unreserved, reported in special revenue funds	6,547	1,149	31,945
<i>Total fund balances</i>	6,547	1,149	31,945
<i>Total liabilities and fund balances</i>	\$ 6,579	\$ 1,149	\$ 32,270

The accompanying notes are an integral part of these financial statements

Special Revenue				
Law Enforcement Fund	Lodger's Tax Fund	Street Fund	FEMA Fund	Total Nonmajor Governmental Funds
\$ 11,421	\$ 25,266	\$ 38,635	\$ 9,322	\$ 124,642
-	-	-	-	-
21,200	-	1,588	-	22,788
<u>\$ 32,621</u>	<u>\$ 25,266</u>	<u>\$ 40,223</u>	<u>\$ 9,322</u>	<u>\$ 147,430</u>
-	-	-	-	357
-	-	-	-	357
-	-	-	-	-
32,621	25,266	40,223	9,322	147,073
<u>32,621</u>	<u>25,266</u>	<u>40,223</u>	<u>9,322</u>	<u>147,073</u>
<u>\$ 32,621</u>	<u>\$ 25,266</u>	<u>\$ 40,223</u>	<u>\$ 9,322</u>	<u>\$ 147,430</u>

STATE OF NEW MEXICO
Town of Mountainair
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2009

	Special Revenue		
	Correction Fees Fund	EMS Fund	Fire Protection Fund
<i>Revenues:</i>			
<i>Taxes:</i>			
Property	\$ -	\$ -	\$ -
Gross receipt	-	-	-
Gasoline and motor vehicle	-	-	-
Other	-	-	-
<i>Intergovernmental:</i>			
State operating grants	-	8,809	60,580
State capital grants	-	-	-
Charges for services	-	-	-
Licenses and fees	5,338	-	-
Investment income	-	-	16
Miscellaneous	-	-	-
<i>Total revenues</i>	5,338	8,809	60,596
<i>Expenditures:</i>			
<i>Current:</i>			
General Government	-	-	-
Public Safety	1,646	9,343	51,158
Public Works	-	-	-
Culture and Recreation	-	-	-
Capital Outlay	-	-	-
<i>Debt Service:</i>			
Principal	-	-	13,151
Interest	-	-	265
<i>Total expenditures</i>	1,646	9,343	64,574
<i>Excess (deficiency) of revenues over expenditures</i>	3,692	(534)	(3,978)
<i>Other financing sources (uses)</i>			
Transfers In	4,000	-	-
Transfers Out	-	-	-
<i>Total other financing sources (uses)</i>	4,000	-	-
<i>Net change in fund balances</i>	7,692	(534)	(3,978)
<i>Fund balances - beginning of year</i>	(1,145)	1,683	35,923
<i>Fund balances - end of year</i>	\$ 6,547	\$ 1,149	\$ 31,945

The accompanying notes are an integral part of these financial statements

Special Revenue

Law Enforcement Fund	Lodger's Tax Fund	Street Fund	FEMA Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	18,038	-	18,038
-	19,195	-	-	19,195
42,400	-	-	-	111,789
15,000	-	-	-	15,000
-	-	-	-	-
-	-	-	-	5,338
-	-	-	-	16
-	-	-	-	-
<u>57,400</u>	<u>19,195</u>	<u>18,038</u>	<u>-</u>	<u>169,376</u>
-	-	-	10	10
18,152	-	-	-	80,299
-	-	1,314	-	1,314
-	5,772	-	-	5,772
15,270	-	-	-	15,270
-	-	-	-	13,151
-	-	-	-	265
<u>33,422</u>	<u>5,772</u>	<u>1,314</u>	<u>10</u>	<u>116,081</u>
<u>23,978</u>	<u>13,423</u>	<u>16,724</u>	<u>(10)</u>	<u>53,295</u>
-	-	-	-	4,000
-	-	-	-	-
-	-	-	-	4,000
23,978	13,423	16,724	(10)	57,295
8,643	11,843	23,499	9,332	-
<u>8,643</u>	<u>11,843</u>	<u>23,499</u>	<u>9,332</u>	<u>89,778</u>
<u>\$ 32,621</u>	<u>\$ 25,266</u>	<u>\$ 40,223</u>	<u>\$ 9,322</u>	<u>\$ 147,073</u>

STATE OF NEW MEXICO
Mountainair Housing Authority
A Component Unit of the Town of Mountainair
Statement of Net Assets
June 30, 2009

Schedule A-3

	<u>Section 8 Housing Choice Vouchers Program</u>
ASSETS	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 120,771
Accounts receivable	4,670
	125,441
<i>Total current assets</i>	125,441
<i>Noncurrent Assets</i>	
Restricted cash and cash equivalents	6,854
Capital Assets	37,472
Less: accumulated depreciation	(37,472)
	(37,472)
<i>Total assets</i>	\$ 132,295
 LIABILITIES AND NET ASSETS	
<i>Current liabilities</i>	
Accounts payable	\$ 4,000
Accrued payroll	1,187
Current portion of long term debt	3,476
Compensated absences, current portion	2,737
	11,400
<i>Total current liabilities</i>	11,400
<i>Non-current liabilities :</i>	
Notes payable, net of current portion	4,302
	4,302
<i>Total non-current liabilities</i>	4,302
<i>Total liabilities</i>	15,702
<i>Net assets:</i>	
Restricted for:	
Housing assistance payments equity	6,854
Unrestricted	109,739
	116,593
<i>Total net assets</i>	116,593
<i>Total liabilities and net assets</i>	\$ 132,295

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Mountainair Housing Authority
A Component Unit of the Town of Mountainair
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2009

Schedule A-4

	Section 8 Housing Choice Vouchers Program
<i>Operating revenues</i>	
Tenant charges	\$ -
<i>Total operating revenues</i>	-
<i>Operating expenses</i>	
Personnel services	39,180
Utilities	3,910
Maintenance and materials	2,315
Housing assistance payments	540,176
Tenant services- other	5,271
Depreciation	-
Miscellaneous expenses	11,656
<i>Total operating expenses</i>	602,508
<i>Operating income (loss)</i>	(602,508)
<i>Non-operating revenues (expenses)</i>	
Operating grants	568,567
Interest income	-
Interest expense	(193)
Miscellaneous income	5,150
<i>Total non-operating revenues (expenses)</i>	573,524
Transfers in	-
Transfers out	-
Net transfers	-
<i>Change in net assets</i>	(28,984)
<i>Net assets, beginning of year</i>	145,577
<i>Net assets, end of year</i>	\$ 116,593

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Mountainair Housing Authority
A Component Unit of the Town of Mountainair
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

Schedule A-5

	<u>Section 8 Housing Choice Vouchers Program</u>
<i>Cash flows from operating activities:</i>	
Cash payments to employees for services	\$ (37,993)
Cash payments to suppliers for goods and services	(559,328)
	(597,321)
<i>Cash flows from noncapital financing activities:</i>	
Operating grants	568,567
Miscellaneous income	480
Change in noncurrent accrued compensated absences	(172)
	568,875
<i>Cash flows from capital and related financing activities:</i>	
Principal payments on notes	(3,407)
Interest Paid	(193)
	(3,600)
<i>Net increase (decrease) in cash and cash equivalents</i>	(32,046)
<i>Cash and cash equivalents - beginning of year</i>	159,671
<i>Cash and cash equivalents - end of year</i>	\$ 127,625
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>	
Operating income (loss)	(602,508)
<i>Adjustments to reconcile operating (loss) to net cash (used) by operating activities:</i>	
Depreciation	-
<i>Changes in assets and liabilities:</i>	
Accounts payable	4,000
Accrued payroll expenses	1,187
	(597,321)
<i>Reconciliation of total cash and cash equivalents:</i>	
Cash and cash equivalents	\$ 120,771
Restricted cash and cash equivalents	6,854
	\$ 127,625

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Mountainair Housing Authority
A Component Unit of the Town of Mountainair
Statement of Revenues, Expenses and Changes in
Net Assets - Budget (GAAP Basis) and Actual
Section 8 Housing Choice Vouchers Program
For the Year Ended June 30, 2009

Schedule A-6

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Tenant charges	\$ -	\$ -	\$ -	\$ -
<i>Total operating revenues</i>	-	-	-	-
<i>Operating expenses:</i>				
Administration	-	-	39,180	(39,180)
Utilities	-	-	3,910	(3,910)
Ordinary maintenance and operations	-	-	2,315	(2,315)
Housing assistance payments	-	-	545,447	(545,447)
Miscellaneous	-	-	11,656	11,656
<i>Total operating expenses</i>	-	-	602,508	(579,196)
<i>Operating Income (loss)</i>	-	-	(602,508)	(579,196)
<i>Non-operating revenues (expenses):</i>				
Operating grants	-	-	568,567	568,567
Interest income	-	-	-	-
Interest expense	-	-	(193)	(193)
Miscellaneous income	-	-	5,150	5,150
<i>Total non-operating revenues (expenses)</i>	-	-	573,524	573,524
<i>Change in net assets before GAAP adjustments</i>	\$ -	\$ -	(28,984)	\$ (28,984)
<i>(Expenses) not budgeted</i>				
Depreciation			-	
<i>Change in net assets as reported in statement of revenues, expenses and changes in net assets</i>			\$ (28,984)	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-1

Town of Mountainair

Correction Fees Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
<i>Intergovernmental:</i>				
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	3,800	3,800	5,370	1,570
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>3,800</u>	<u>3,800</u>	<u>5,370</u>	<u>1,570</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	2,850	2,850	1,646	1,204
Culture and recreation	-	-	-	-
<i>Total expenditures</i>	<u>2,850</u>	<u>2,850</u>	<u>1,646</u>	<u>1,204</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>950</u>	<u>950</u>	<u>3,724</u>	<u>2,774</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(950)	(950)	-	950
Transfers in	-	-	4,000	4,000
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(950)</u>	<u>(950)</u>	<u>4,000</u>	<u>4,950</u>
<i>Net change in fund balance</i>	-	-	7,724	7,724
<i>Fund balance - beginning of year</i>	-	-	(1,145)	(1,145)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,579</u>	<u>\$ 6,579</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ 7,724	
Adjustments to revenues for license and fees accruals			(32)	
No adjustments for expenditure accruals			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 7,692</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-2

Town of Mountainair

EMS Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
<i>Intergovernmental:</i>				
State operating grants	8,300	8,300	8,809	509
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>8,300</u>	<u>8,300</u>	<u>8,809</u>	<u>509</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	8,300	8,300	9,343	(1,043)
Public works	-	-	-	-
<i>Total expenditures</i>	<u>8,300</u>	<u>8,300</u>	<u>9,343</u>	<u>(1,043)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(534)</u>	<u>(534)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(534)	(534)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,683</u>	<u>1,683</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,149</u>	<u>\$ 1,149</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ (534)	
No adjustments for revenue accruals			-	
No adjustments for expenditure accruals			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (534)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-3

Town of Mountainair

Fire Protection Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	50,000	50,000	-	(50,000)
<i>Intergovernmental:</i>				
State operating grants	58,201	58,201	47,164	(11,037)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest Income	-	-	16	16
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>108,201</u>	<u>108,201</u>	<u>47,180</u>	<u>(61,021)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	41,575	41,575	51,197	(9,622)
Public works	-	-	-	-
<i>Total expenditures</i>	<u>41,575</u>	<u>41,575</u>	<u>51,197</u>	<u>(9,622)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>66,626</u>	<u>66,626</u>	<u>(4,017)</u>	<u>(70,643)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(66,626)	(66,626)	-	66,626
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(66,626)</u>	<u>(66,626)</u>	<u>-</u>	<u>66,626</u>
<i>Net change in fund balance</i>	-	-	(4,017)	(4,017)
<i>Fund balance - beginning of year</i>	-	-	36,287	36,287
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,270</u>	<u>\$ 32,270</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ (4,017)	
Adjustments to revenues for state operating grants accruals			13,416	
Adjustments to expenditures for public safety function accruals			(13,377)	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (3,978)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-4

Town of Mountainair

Law Enforcement Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ending June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
State operating grants	21,200	21,200	21,200	-
State capital grants	-	-	15,000	15,000
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>21,200</u>	<u>21,200</u>	<u>36,200</u>	<u>15,000</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	12,000	21,200	18,152	3,048
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital Outlay	9,200	-	15,270	(15,270)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>21,200</u>	<u>21,200</u>	<u>33,422</u>	<u>(12,222)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>2,778</u>	<u>2,778</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	2,778	
<i>Fund balance - beginning of year</i>	-	-	8,643	8,643
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,421</u>	<u>\$ 8,643</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ 2,778	
Adjustments to revenues for state operating grants accrual			21,200	
No adjustments for expenditure accruals			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 23,978</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-5

Town of Mountainair

Lodger's Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	4,100	4,100	19,195	15,095
<i>Intergovernmental:</i>				
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	100	100	-	(100)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>4,200</u>	<u>4,200</u>	<u>19,195</u>	<u>14,995</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	2,000	2,000	5,772	(3,772)
Health and welfare	-	-	-	-
Capital Outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,000</u>	<u>2,000</u>	<u>5,772</u>	<u>(3,772)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,200</u>	<u>2,200</u>	<u>13,423</u>	<u>11,223</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(2,200)	(2,200)	-	2,200
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(2,200)</u>	<u>(2,200)</u>	<u>-</u>	<u>2,200</u>
<i>Net change in fund balance</i>	-	-	13,423	13,423
<i>Fund balance - beginning of year</i>	-	-	11,843	11,843
<i>Fund Balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,266</u>	<u>\$ 25,266</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ 13,423	
No adjustments for revenue accruals			-	
No adjustments for expenditure accruals			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 13,423</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-6

Town of Mountainair

Street Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	17,500	17,500	17,848	348
Other	-	-	-	-
<i>Intergovernmental:</i>				
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	17,500	17,500	-	(17,500)
<i>Total revenues</i>	<u>35,000</u>	<u>35,000</u>	<u>17,848</u>	<u>(17,152)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	15,000	15,000	1,314	13,686
Culture and recreation	-	-	-	-
<i>Total expenditures</i>	<u>15,000</u>	<u>15,000</u>	<u>1,314</u>	<u>13,686</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>20,000</u>	<u>20,000</u>	<u>16,534</u>	<u>(3,466)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(20,000)	(20,000)	-	20,000
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>
<i>Net change in fund balance</i>	-	-	16,534	16,534
<i>Fund balance - beginning of year</i>	<u>93,261</u>	<u>(93,261)</u>	<u>22,101</u>	<u>115,362</u>
<i>Fund balance - end of year</i>	<u>\$ 93,261</u>	<u>\$ (93,261)</u>	<u>\$ 38,635</u>	<u>\$ 131,896</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ 16,534	
Adjustments to revenue for gasoline and motor vehicle taxes accruals			190	
No adjustments for expenditure accruals			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 16,724</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule B-7

Town of Mountainair

FEMA Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
<i>Intergovernmental:</i>				
State operating grants	119,553	119,553	-	(119,553)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>119,553</u>	<u>119,553</u>	<u>-</u>	<u>(119,553)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	119,553	119,553	-	119,553
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital Outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>119,553</u>	<u>119,553</u>	<u>-</u>	<u>119,553</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfer out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance- beginning of year</i>	-	-	9,322	9,322
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,322</u>	<u>\$ 9,322</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ -	
No adjustment for revenue accruals			-	
Adjustments to expenditures for general government function accruals			(10)	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (10)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule C-1

Town of Mountainair

Natural Gas Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Basis) and Actual

For the Year Ending June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 556,200	\$ 556,200	\$ 507,301	\$ (48,899)
<i>Total operating revenues</i>	<u>556,200</u>	<u>556,200</u>	<u>507,301</u>	<u>(48,899)</u>
<i>Operating expenses:</i>				
Current:				
Cost of gas sold	350,000	350,000	380,816	(30,816)
Salaries	113,680	91,426	83,845	7,581
Supplies	2,000	2,000	148	1,852
Contract services	11,000	11,000	2,030	8,970
Other operating expenses	43,000	43,000	43,264	(264)
<i>Total operating expenses</i>	<u>519,680</u>	<u>497,426</u>	<u>510,103</u>	<u>(12,677)</u>
<i>Operating income (loss)</i>	<u>36,520</u>	<u>58,774</u>	<u>(2,802)</u>	<u>(61,576)</u>
<i>Non-operating revenues (expenses):</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Interest income	2,000	2,000	248	(1,752)
Interest expense	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(3,000)	(3,000)	-	3,000
<i>Total other financing sources (uses)</i>	<u>(1,000)</u>	<u>(1,000)</u>	<u>248</u>	<u>1,248</u>
<i>Change in net assets</i>	35,520	57,774	(2,554)	(60,328)
<i>Net assets - beginning of year</i>	<u>(35,520)</u>	<u>(57,774)</u>	<u>97,067</u>	<u>154,841</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,513</u>	<u>\$ 94,513</u>
<i>Changes in net assets, above</i>			\$ (2,554)	
<i>Depreciation</i>			<u>(31,501)</u>	
<i>Change in net assets, Exhibit D-2</i>			<u>\$ (34,055)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule C-2

Town of Mountainair

Water Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Basis) and Actual

For the Year Ending June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 244,500	\$ 244,500	\$ 290,648	\$ 46,148
<i>Total operating revenues</i>	<u>244,500</u>	<u>244,500</u>	<u>290,648</u>	<u>46,148</u>
<i>Operating expenses:</i>				
Current:				
Salaries	86,493	86,493	108,856	(22,363)
Supplies	-	-	-	-
Contract services	-	-	-	-
Capital outlay	15,000	15,000	-	15,000
Other operating expenses	97,920	97,920	157,963	(60,043)
<i>Total operating expenses</i>	<u>199,413</u>	<u>199,413</u>	<u>266,819</u>	<u>(67,406)</u>
<i>Operating income (loss)</i>	<u>45,087</u>	<u>45,087</u>	<u>23,829</u>	<u>(21,258)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(38,837)	(38,837)	-	38,837
Interest income	750	750	1,266	516
Miscellaneous income	-	-	209	209
Interest expense	(15,938)	(15,938)	-	15,938
Transfers in	15,938	15,938	-	(15,938)
Transfers out	(7,000)	(7,000)	(50,000)	(43,000)
<i>Total other financing sources (uses)</i>	<u>(45,087)</u>	<u>(45,087)</u>	<u>(48,525)</u>	<u>(3,438)</u>
<i>Change in net assets</i>	-	-	(24,696)	(24,696)
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>374,456</u>	<u>374,456</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349,760</u>	<u>\$ 349,760</u>
<i>Changes in net assets, above</i>			\$ (24,696)	
<i>Depreciation</i>			<u>(52,939)</u>	
<i>Change in net assets, Exhibit D-2</i>			<u>\$ (77,635)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Schedule C-3

Town of Mountainair

Solid Waste Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Basis) and Actual

For the Year Ending June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 110,000	\$ 110,000	\$ 122,497	\$ 12,497
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total operating revenues</i>	<u>110,000</u>	<u>110,000</u>	<u>122,497</u>	<u>12,497</u>
<i>Operating expenses:</i>				
Current:				
Cost of gas sold	-	-	-	-
Salaries	-	-	-	-
Supplies	-	-	-	-
Depreciation	-	-	-	-
Contract services	82,320	82,320	138,174	(55,854)
Other operating expenses	27,000	27,000	26,903	97
<i>Total operating expenses</i>	<u>109,320</u>	<u>109,320</u>	<u>165,077</u>	<u>(55,757)</u>
<i>Operating income (loss)</i>	<u>680</u>	<u>680</u>	<u>(42,580)</u>	<u>(43,260)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Interest income	-	-	-	-
Interest expense	-	-	-	-
Transfers in	-	-	50,000	-
Transfers out	-	-	-	50,000
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
<i>Change in net assets</i>	<u>680</u>	<u>680</u>	<u>7,420</u>	<u>6,740</u>
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(6,475)</u>	<u>(6,475)</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 945</u>	<u>\$ 265</u>
<i>Changes in net assets, above</i>			\$ 7,420	
<i>Depreciation</i>			-	
<i>Change in net assets, Exhibit D-2</i>			<u>\$ 7,420</u>	

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO

Schedule I

Town of Mountainair
 Schedule of Collateral Pledged by Depository for Public Funds
 June 30, 2009

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value June 30, 2009</u>	<u>Location of Safekeeper</u>
Primary Government					
MyBank					
	US Agency - FHLB	1/17/2015	3133XNUU1	\$ 78,311	Dallas, Texas
	US Agency - FNMA	8/13/2009	3136F55H0	<u>150,879</u>	Dallas, Texas
	Total MyBank			<u>229,190</u>	
Component Unit					
Wells Fargo Bank	FNCL 867437	5/1/2036	31409CV69	<u>93,086</u>	San Francisco, California
	Total Pledged Collateral			<u><u>\$ 322,276</u></u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Mountainair
Schedule of Deposit and Investment Accounts
June 30, 2009

Schedule II
Page 1 of 2

Primary Government

Bank Account Type/Name	Deposits		Total
	MyBank	Bank of Albuquerque	
Checking - Natural Gas Revenue Fund	\$ 33,388	\$ -	\$ 33,388
Checking -Municipal Water	82,914	-	82,914
Checking - Payroll Account	34,931	-	34,931
Checking - Motor Vehicle	-	-	-
Checking - General Fund	473,048	-	473,048
Checking - Depreciation Replacement Account	19,673	-	19,673
Checking -Water Bond Fund	1,965	-	1,965
Certificate- Water Bond	18,097	-	18,097
U.S Treasury Money Market Mutual Funds-NMFA	-	3,054	3,054
New MexiGROW LGIP	-	-	-
LGIP Reserve Contingency Fund	-	-	-
Total on deposit	664,016	3,054	667,070
Reconciling items	(30,020)	-	(30,020)
Reconciled balance	\$ 633,996	\$ 3,054	\$ 637,050
Total unrestricted cash and cash equivalents per Exhibit A-1			\$ 590,542
Total restricted cash and cash equivalents per Exhibit A-1			46,508
Total Investments per Exhibit A-1			419
Total cash and cash equivalents and investments per Exhibit A-1			\$ 637,469

See accompanying independent auditors' report

STATE OF NEW MEXICO
Town of Mountainair
Schedule of Deposit and Investment Accounts
June 30, 2009

Component Unit

Bank Account Type/Name	Wells Fargo Bank
Checking -Section 8 Housing	\$ 128,204
Total on deposit	128,204
Reconciling items	(629)
Reconciled balance	<u>127,575</u>
Total unrestricted cash and cash equivalents per Exhibit A-1	\$ 120,771
Total restricted cash and cash equivalents per Exhibit A-1	<u>6,854</u>
Total cash and cash equivalents per Exhibit A-1	<u><u>\$ 127,625</u></u>

See accompanying independent auditors' report

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STATE OF NEW MEXICO
 Town of Mountainair
 Schedule of Changes In Fiduciary Assets And Liabilities - Agency Funds
 For the Year Ended June 30, 2009

Schedule III

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Assets				
Cash	\$ 315	\$ -	\$ 315	\$ -
Total assets	<u>\$ 315</u>	<u>\$ -</u>	<u>\$ 315</u>	<u>\$ -</u>
Liabilities				
Due to other entities	\$ 315	\$ -	\$ 315	\$ -
Total liabilities	<u>\$ 315</u>	<u>\$ -</u>	<u>\$ 315</u>	<u>\$ -</u>

See accompanying independent auditors' report

STATE OF NEW MEXICO
Mountainair Housing Authority
A Component Unit of the Town of Mountainair
Financial Data Schedule
June 30, 2009

Schedule IV
Page 1 of 2

Line Item Number	Account Description	Section 8 Housing Choice Vouchers Program
Current assets:		
111	Cash - unrestricted	\$ 120,771
113	Cash - other restricted	<u>6,854</u>
100	Total cash	<u>127,625</u>
125	Accounts receivable - miscellaneous	<u>4,670</u>
120	Total receivables, net of allowance for doubtful accounts	<u>4,670</u>
150	Total current assets	<u>132,295</u>
Fixed assets:		
164	Furniture, equipment & machinery - administration	37,472
166	Accumulated depreciation	<u>(37,472)</u>
160	Total fixed assets, net of accumulated depreciation	<u>-</u>
180	Total non current assets	<u>-</u>
190	Total assets	<u><u>\$ 132,295</u></u>
Current liabilities:		
312	Accounts payable ≤ 90 Days	4,000
321	Accrued wage/payroll taxes payable	1,187
322	Accrued Compensated Absences - Current Portion	2,737
344	Current portion of long-term debt - operating borrowings	<u>3,476</u>
310	Total current liabilities	<u>11,400</u>
Noncurrent liabilities:		
352	Long-term debt, net of current - operating borrowings	4,302
354	Accrued compensated absences - noncurrent	<u>-</u>
350	Total noncurrent liabilities	<u>4,302</u>
300	Total liabilities	<u><u>\$ 15,702</u></u>
Net assets:		
511.1	Restricted net assets	6,854
512.1	Unrestricted net assets	<u>109,739</u>
513	Total equity/net assets	<u>116,593</u>
600	Total liabilities and equity/net assets	<u><u>\$ 132,295</u></u>

Line Item Number	Account Description	Section 8 Housing Choice Vouchers Program
Revenue:		
705	Total tenant revenue	\$ -
704	Tenant revenue - other	5,150
706	HUD PHA operating grants	568,567
700	Total revenue	<u>\$ 573,717</u>
Expenses:		
911	Administrative salaries	\$ 29,319
912	Auditing fees	7,366
915	Employee benefit contributions - administrative	8,352
916	Other operating - administrative	1,509
	Administration	<u>46,546</u>
924	Tenant services - other	5,271
	Tenant services	<u>5,271</u>
931	Water	136
938	Other utilities expense	3,774
	Utilities	<u>3,910</u>
943	Ordinary maintenance & operation - contract costs	2,315
	Ordinary maintenance	<u>2,315</u>
962	Other general expenses	4,290
967	Interest expense	193
	General	<u>4,483</u>
969	Total operating expenses	<u>62,525</u>
970	Excess operating revenue over operating expenses	511,192
973	Housing assistance payments	540,176
900	Total expenses	<u>\$ 602,701</u>
1000	Excess (deficiency) of operating revenue over (under) expenses	(28,984)
1103	Beginning equity	<u>145,577</u>
	Ending equity	<u>\$ 116,593</u>

See accompanying independent auditors' report

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STATE OF NEW MEXICO
 Town of Mountainair
 Schedule of Legislative Grants
 June 30, 2009

Schedule V

Project	Grant #	Expiration Date	Grant Amount	Expenditures to Date	Remaining Grant Balance
To Purchase Vehicles	07-L-5621	06/30/09	\$ 15,000	\$ 15,000	\$ -

See accompanying independent auditors' report.

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP

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

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
To Honorable Mayor and Council Members
Town of Mountainair
Mountainair, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the budgetary comparisons for the general fund and each major special revenue fund and the aggregate remaining fund information of the Town of Mountainair, New Mexico (the "Town") as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents and have issued our report thereon dated November 25, 2009. We also have audited the financial statements of each of the Town's nonmajor governmental funds, and the component unit fund, and the budgetary comparisons for the proprietary funds, and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009 as listed in the table of contents. 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

In planning and performing our audit, we considered the Town of Mountainair'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 of Mountainair's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Town of Mountainair's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These are items FS 2007-04, FS 2007-05, and FS 2008-01.

Certified Public Accountants

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866.307.2727 – 505.883.2727 – Fax 505.884.6719 – albuquerque.office@acgnm.com – www.acgnm.com

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Mountainair's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items FS-2007-05, and FS- 2008-01 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items FS 2005-06, and FS 2009-04.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings FS 2005-01, FS 2009-01, FS 2009-02, and FS 2009-03.

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

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

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 25, 2009

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
To the Honorable Mayor and Council Members
Town of Mountainair
Mountainair, New Mexico

Compliance

We have audited the compliance of Town of Mountainair with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Town of Mountainair's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Town of Mountainair's management. Our responsibility is to express an opinion on Town of Mountainair's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Mountainair's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Town of Mountainair's compliance with those requirements.

In our opinion, Town of Mountainair complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Town of Mountainair is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Town of Mountainair's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Mountainair's internal control over compliance.

Certified Public Accountants
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A control deficiency in Town of Mountainair's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Town of Mountainair's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Town of Mountainair's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Town of Mountainair's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 25, 2009

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STATE OF NEW MEXICO
 Town of Mountainair Housing Authority
 A Component Unit of the Town of Mountainair
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2009

Schedule VI

Federal Grantor Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
Direct Programs:		
Section 8 Housing Choice Vouchers	14.871	\$ 602,701 *
Total U.S. Department of Housing and Urban Development		<u>602,701</u>
Total Expenditures of Federal Awards		<u><u>\$ 602,701</u></u>

* Major Program

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Town of Mountainair Housing Authority (The Authority) and is presented on the accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Sub-recipients

The Authority did not provide any federal awards to sub-recipients during the year.

See accompanying independent auditors' report

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SECTION II – FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT AND COMPONENT UNIT

FS 2007-05 — Preparation of Financial Statements-significant – (Repeat/Modified)

Condition: The financial statements and related disclosures are not being prepared by the Town and component unit.

Criteria: According to the American Institute of Certified Public Accountants’ Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

Effect: When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity’s ability to prevent or detect a misstatement in its financial statements is limited.

Cause: The Town and component unit’s personnel do not have the time and have not been adequately trained in understanding the elements of external financial reporting including the preparation of financial statements and related footnote disclosures.

Auditors’ Recommendation: We recommend Town and component unit’s management and personnel receive training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

- Selection of appropriate accounting policies:
 - Governmental Accounting Standards Board (GASB)
 - Generally Accepted Accounting Principles (specifically as applied to governmental units)
 - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information
 - Management’s discussion and analysis
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that they develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Agency’s Response: At this time the Town of Mountainair does not have funding for this kind of training. We will budget it in for the upcoming year. This will help us on our audit and implement the policies and procedures to prevent or detect possible misstatements on our financial statements and related disclosures.

SECTION II – FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT AND COMPONENT UNIT (continued)

FS 2008-01 Deficiencies in Internal Control Structure Design, Operation, and Oversight- (Repeat/ Modified)

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

Primary Government

- There are no fraud assessments done at the Town.
- No supporting documentation for manual journal entries and there aren't any segregation of duties or monitoring for the journal entry process.
- Material journal entries were required for cash, accounts receivable, accrued payroll, and accounts payable
- Lack of segregation of duties in the process of preparing disbursements. It was observed that the Treasurer is responsible for authorizing purchase orders, preparing the payment vouchers, posting expenditures to the general ledger, and correcting errors in posting to the general ledger.
- Lack of segregation of duties in the process of payroll and other related processes. It was observed that the Treasurer performs all the duties and functions that are required to process payroll without review by another party and also enters new employees and updates employee information in the accounting system.
- The Town's bank reconciliations are not reviewed by any member of management on a timely basis.

Component Unit

- There are no fraud assessments done at the Housing Authority.
- A backup and data retention policy/schedule - no formalized policy in place, even though an employee backs up monthly on the server on a thumb drive and tests the recoverability once a month.
- Information security policy - no formalized policy in place.
- Change management policy - no formalized policy in place.

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

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

SECTION II – FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT AND COMPONENT UNIT (continued)

FS 2008-01 Deficiencies in Internal Control Structure Design, Operation, and Oversight- (Repeat/ Modified) (continued)

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

Cause: For the fiscal year 2009 management did not have a documented policy in place to follow to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS 112 to provide effective oversight of internal control and the financial reporting process.

Auditors' Recommendation: We recommend that the Town document internal control policies and that the governing body review and approve them.

Agency's Response: Since there are only three of us in the Office, again we share all duties. We do not operate like bigger Municipalities because there are only three people in the office. We will continue to try to share the duties of alternating the balancing of bank reconciliation's, and the job duties that we perform are listed in our Job descriptions. We are cross training with the staff to eliminate this finding on our next audit.

SECTION III – FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT

FS 2005-01 —Lack of Adequate Documentation for Expenditures (Repeat/ Modified)

Condition: The Towns policy is to have a written P.O. for all nonrecurring purchases, however, during our disbursements test work we noted 2 instances out of 5 when the Town did not have a completed P.O. before the purchase was made.

Criteria: Section 6.20.2.17 of NMAC requires the Town to establish and implement written policies and procedures for purchasing which shall be in compliance with the procurement Code, Section 13-1-21 et seq., NMSA 1978.

Effect: Having lack of authorization for purchases made increases the risk for misappropriation, budget over expending, or fraudulent activities.

Cause: There was an oversight in the internal control process, and items were not authorized through a P.O. before the purchase was made.

Auditors' Recommendations: It is our recommendation that the internal controls that are in place are followed for all nonrecurring items.

Agency's Response: Sometimes we have instances where things are done on a Saturday or a day that the City Hall is closed and the purchase order is done on the following day and considered an emergency situation. We will try to be more observant on the issuing of purchase orders and have sent out memos to all departments concerning this matter. No PO means that you are held responsible for the purchase.

FS 2005-06 —Over-Expenditures of Budget- (Repeat/ Modified)

Condition: The Town incurred expenditures in excess of the approved budget in the following funds.

<u>Fund</u>	<u>Approved Budget</u>	<u>Actual Expenditures</u>	<u>Amount Over-Expended</u>
EMS Fund	\$ 8,300	\$ 9,343	\$ 1,043
Fire Protection Fund	41,575	51,197	9,622
Law Enforcement Fund	21,200	33,422	12,222
Lodger's Tax Fund	2,000	5,772	3,772
Natural Gas Proprietary Fund	497,426	510,103	12,677
Water Proprietary Fund	199,413	266,819	67,406
Solid Waste Proprietary Fund	109,320	165,077	55,757

Criteria: A budget is a proposed plan of financial operations for a given period of time. The annual budget authorizes and provides the basis for control of financial operations during the fiscal year. The Town cannot exceed its budget as required by NMSA 1978 Section 6-3-1 to 6-3-25 and State Auditor Rule 2.2.2.10G.

Cause: The Town did not adequately monitor its budget in these areas. Expenditures were approved in excess of available budget or budget adjustments were not approved and journal entries were not made to cover the expenditure approved.

Effect: The Town is not in compliance with Section 6-6-6C, NMSA, 1978.

Auditors' Recommendation: We recommend that expenditures not be approved which would cause the budget to be exceeded. We also recommend that timely budget adjustments be prepared when necessary.

Agency's Response: We are pursuing this matter with our Budget Analyst and we did not get the budget transfers done in time. We will still do the transfers and get this cleared up and it will balance out correctly. In the future we will also be monitoring things more closely.

SECTION III – FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (continued)

FS 2007-04 — Insufficient Insurance coverage – (Repeat)

Condition: During our testwork of insurance, we discovered that the Town does not have adequate insurance coverage in relationship to recorded assets.

Criteria: Sound business practices require entities to have adequate insurance coverage in relationship to recorded assets.

Effect: Without policies and procedures to insure proper insurance coverage, the Town does not have enough coverage for the assets that are on the books.

Cause: The Town does not have adequate policies and procedures to follow up on asset additions, and insure correct insurance coverage for the assets that are on their books.

Auditors' Recommendation: Develop a formal policy and implement procedures to review asset additions in order to have enough insurance coverage for all assets on their books.

Agency's Response: The Town will contact the insurance agency and provide an assets listing and ensure they have sufficient insurance coverage.

FS 2009-01 Payroll Authorization

Condition: During our testwork of payroll it was noted that two of the five employees tested did not have a department head or equivalent signature. Timecards are required to be signed by department supervisors approving the Employees hours.

Criteria: Good internal controls and sound business practice requires that the Town provide adequate control over the authorization of payroll hours paid to employees.

Effect: Because the internal control structure is not consistently followed, management and staff are unable to prevent unauthorized hours being paid during the payroll process.

Cause: The Town failed to follow its own policy regarding timecard authorization.

Auditor's Recommendation: The Town should begin to follow key controls that are in place and verify that all timecards are properly authorized to ensure that internal controls over the payroll process are operating effectively.

Agency's Response: The department heads signed the time cards. The supervisor then turned the time cards into the Town Clerk which then gave them to the Treasurer. The only time cards not signed were the supervisors. The policy states that the department heads sign the time cards. We all use the same type of time card and if the department head needs a signature on it then our policy does not state this.

SECTION III – FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (continued)

FS 2009-02 Incorrect Billing for Utilities

Condition: During our testwork of utilities, we discovered that one of the five utility bills we tested was not calculating tax on the Trash amount for the Customer.

Criteria: The Utility Billing Statements should charge a 5% tax on Water, Sewer and Trash for each billing cycle.

Effect: The Town may have uncollectable income because of the erroneous calculations on utility bill statements.

Cause: The Town may not have a proper review process to determine that the customer set up in the system is producing a correctly calculated utility bill statement.

Auditor's Recommendation: The Town needs to develop and implement procedures that require a supervisor to review all customer set ups in the Utility Billing Software to verify that the utility bill statements are being calculated correctly.

Agency's Response: The one out of five bills that was tested was a brand new account that was set up by a new clerk in my absence. The error was caused by human error. After this was noted I re-checked all accounts and found no other errors. This issue has been checked and corrected.

SECTION IV – FINANCIAL STATEMENT FINDINGS – COMPONENT UNIT

FS 2009-03-CU- Entity Level and Activity Level Internal Control Weaknesses – Housing Authority

Condition: During our review of internal controls, the following deviations in internal control were identified:

Tests performed on one (1) receipt for approximately \$20 out five (5) randomly selected receipts totaling approximately \$48,825 revealed that the Housing Authority was improperly recording revenues received from repayments for settlements against Section 8 participants who had received overpayments on their housing assistance payments. Further inquiry revealed that the Authority has three (3) settlement agreements for repayment of overpayments for housing assistance payments in the amounts of \$1,937, \$2,198, and \$535, for a total amount of \$4,670. Rather than recognizing this revenue as other income, the Authority was recording the revenues against their housing assistance payment expense.

During our evaluation of the Authority's long-term debt, we noted that the Authority did not properly record its principal payment and interest expense for the month August 2008. This error resulted in a \$5 understatement of principal payment and a corresponding \$5 overstatement of interest expense.

Criteria: Receipts and Long-Term Debt: SAS 112 and 2.2.2 NMAC Audit Rule 2009: Section 12-6-5, NMSA 1978, requires the annual financial and compliance audit agencies to "set out in Detail, in a separate section, any violation of law or good accounting practices found by the audit or examination." Therefore, any instance of weakness in internal control as defined by GAGAS 5.13 and SAS AU 325.21 must be reported.

Effect: Because revenues are being recorded into an expense account, both revenues and expenditures are being understated. Also, principal payments and interest expense are not properly recorded and the transactions during the year do not agree to the amortization of the debt. This could result in confusion as to the actual balance of the debt and future errors being made on payments.

Cause: The Authority receives funding only from the Section 8 program. As such, the Authority is unfamiliar with the recording of other types of revenue. Furthermore, because the settlement agreements are for overpayments of housing assistance payments, personnel erroneously believed that they should record the revenue against the payments to reduce the housing assistance payments by those amounts, rather than recognizing the income as a different source of income than its Section 8 revenues.

The Authority erroneously recorded the principal payment and interest expense from the month of August 2007 on the amortization schedule rather than the correct August 2008 amounts.

Auditor's Recommendation:

We make the following recommendations for the Authority's internal controls:

Receipts:

The Authority should ensure that all revenues are recorded as such, and that no revenue is ever recorded against an expense account. If the Authority is unsure as to the proper recording of a revenue source, it should seek out proper guidance. In doing so the Authority will ensure that revenues and expenses reflect accurate balances at year end.

Long-Term Debt:

The Authority should ensure that its recordings of principal payments and interest expense on its debt are in agreement with the amounts per the amortization schedule. The Authority should also make it a practice to only include the amortization schedule for the applicable fiscal year with supporting documents on monthly payments so that the risk of using the wrong amounts is greatly reduced.

Agency's Response: The Mountainair Housing Authority has prepared an accounts receivable for the families that owe the PHA monies, and will show this as an receivable. In addition, we will review the payments and recordings a second time to verify the correctness of the transactions.

SECTION IV – FINANCIAL STATEMENT FINDINGS – COMPONENT UNIT (continued)

FS 2009-04- CU- Budgets not being prepared

Condition: The Housing Authority has not legally adopted a budget.

Criteria: Audit Rule Section 2.2.2.10 A. Scope of Annual Financial Audit subsection, an “legally adopted budget” must be developed any time an agency receives federal, state, or any other appropriated funds.

Effect: Since budgets are not prepared the Housing Authority has no way to determine if they are expending more than the budget allows, or find discrepancies that could be the result of fraudulent activities.

Cause: The Housing Authority qualifies for SEMAP deregulation and therefore did not prepare budgets.

Auditors’ Recommendation: We recommend that the Housing Authority prepared a legally adopted budget to remain in compliance with State Audit Rule.

Agency’s Response: The Mountain Housing Authority is no longer required to submit an annual budget according to PIH Notice 2006-05. I will create an internal estimated budget working with figures from the prior year.

STATE OF NEW MEXICO
Town of Mountainair
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Schedule VII
Page 10 of 11

SECTION V – FEDERAL AWARD FINDINGS

No findings.

STATE OF NEW MEXICO
Town of Mountainair
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Schedule VII
Page 11 of 11

SECTION VI – PRIOR YEAR AUDIT FINDINGS

Prior Year Audit Findings – Primary Government and Component Unit

FS 2005-01: Lack of Authorization for Expenditures, Repeated and Modified

FS 2005-04: Late Audit Report, Resolved

FS 2005-06: Budget Over-Expenditure, Repeated

FS 2006-02: Travel and Per Diem, Resolved

FS 2007-04: Insufficient Insurance Coverage, Repeated

FS 2007-05: Preparation of Financial Statements, Repeated

FS 2007-07: Gross Pay Not Authorized, Resolved

FS 2008-01: Deficiencies in Internal Control Structure Design, Operation, and Oversight, Repeated and Modified

FS-2008-02: Lack of Adequate Documentation for Credit Card Expenditures, Resolved

FS-2008-03: PERA Reports and General Ledger, Resolved

FS-2008-04: Pledged Collateral, Resolved

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STATE OF NEW MEXICO
Town of Mountainair
Other Disclosures
For the Year Ended June 30, 2009

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 25, 2009. In attendance were the following:

Representing the Town of Mountainair:

Velta Gilley, Mayor
Suzan Brazil, Town Clerk
Annebelle Torres, Housing Executive Director
John Griego, Housing Authority Board Chairman

Representing Accounting & Consulting Grouping, LLP:

Jeffery W. McWhorter, CPA

Auditor Prepared Financial Statements

Although it would be preferred and desirable for the Town to prepare its own financial statements, the Town's personnel did not have the time to prepare them. Accounting and Consulting Group, LLP prepared the financial statements of the Town of Mountainair from the original books and records provided to them by the management of the Town. The Town of Mountainair is responsible for the contents of the report.