

Accounting & Consulting Group, LLP

Certified Public Accountants

**STATE OF NEW MEXICO
TOWN OF MOUNTAINAIR
ANNUAL FINANCIAL REPORT
JUNE 30, 2011**



STATE OF NEW MEXICO
TOWN OF MOUNTAINAIR
ANNUAL FINANCIAL REPORT
JUNE 30, 2011

(This page intentionally left blank)

INTRODUCTORY SECTION

STATE OF NEW MEXICO
Town of Mountainair
Table of Contents
June 30, 2011

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		4-5
Official Roster		7
FINANCIAL SECTION		
Independent Auditors' Report		10-11
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements		
Statement of Net Assets	A-1	14-15
Statement of Activities	A-2	16-17
Fund Financial Statements		
Balance Sheet – Governmental Funds	B-1	18
Reconciliation of the Balance Sheet to the Statement of Net Assets		19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	B-2	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities		21
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual:		
General Fund	C-1	23
Fire Protection Special Revenue Fund	C-2	24
Recreation Special Revenue Fund	C-3	25
Statement of Net Assets-Proprietary Funds	D-1	26
Statement of Revenues, Expenses, and Changes in Net Assets-Proprietary Funds	D-2	27
Statement of Cash Flows –Proprietary Funds	D-3	28-29
NOTES TO THE FINANCIAL STATEMENTS		31-50
SUPPLEMENTARY INFORMATION		
Nonmajor Fund Descriptions	<u>Statement</u>	53
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	54-55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	56-57
Statement of Revenues, Expenditures and Changes in Fund Balances Budget (Non-GAAP Budgetary Basis) and Actual:		
Correction Fees Special Revenue Fund	B-1	58
EMS Special Revenue Fund	B-2	59
Law Enforcement Special Revenue Fund	B-3	60
Lodger's Tax Special Revenue Fund	B-4	61
Street Special Revenue Fund	B-5	62
FEMA Special Revenue Fund	B-6	63
Statement of Revenues, Expenses, and Changes in Net Assets Budget (Non-GAAP Budgetary Basis) and Actual:		
Natural Gas Proprietary Fund	C-1	64
Water Proprietary Fund	C-2	65
Solid Waste Proprietary Fund	C-3	66

STATE OF NEW MEXICO
Town of Mountainair
Table of Contents
June 30, 2011

	<u>Statement/ Schedule</u>	<u>Page</u>
COMPONENT UNIT		
Statement of Net Assets – Proprietary Fund, Component Unit Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund, Component Unit	D-1	68
Statement of Cash Flows – Proprietary Fund, Component Unit	D-2	69
Statement of Revenues, Expenditures, and Changes in Net Assets- Budget (GAAP Basis) and Actual- Section 8 Housing, Choice Vouchers Program, Component Unit	D-3 D-4	70 71
SUPPORTING SCHEDULES		
Schedule of Collateral Pledged by Depository for Public Funds	I	74
Schedule of Deposit and Investment Accounts	II	75
Financial Data Schedule	III	76-77
COMPLIANCE SECTION		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		80-81
FEDERAL FINANCIAL ASSISTANCE		
Independent Auditors’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		84-85
Schedule of Expenditures of Federal Awards	IV	87
Schedule of Findings and Questioned Costs	V	88-96
OTHER DISCLOSURES		
		97

(This page intentionally left blank)

STATE OF NEW MEXICO

Town of Mountainair

Official Roster

June 30, 2011

TOWN COUNCIL

<u>Name</u>	<u>Title</u>
Chester Riley	Mayor
Larry Zamora	Mayor Pro tem
Jeremy LaJeunese	Councilor
Frank Anaya	Councilor
Steve Sanchez	Councilor

ADMINISTRATION

Patricia Autrey	Judge
Suzan Brazil	Town Clerk
Kathy Anglin	Treasurer
Annabel Torres	Housing Authority

(This page intentionally left blank)

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
To the Town of Mountainair Commissioners
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 aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of the Town of Mountainair, New Mexico (Town), as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's nonmajor governmental funds and component unit funds and the respective budgetary comparisons for the remaining nonmajor governmental funds, proprietary funds and component unit funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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.

We were not able to verify capital assets and the related accumulated depreciation at June 30, 2011 and the depreciation expense for the year then ended. We were unable to determine these amounts through the use of alternative procedures. The effect on assets, net assets, and expenses of the governmental activities is not readily determinable.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to determine the amount of capital assets, related accumulated depreciation, and current depreciation expense, 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, as of June 30, 2011 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to determine the amount of capital assets, related accumulated depreciation, and current depreciation expense, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund and component unit funds of the Town as of June 30, 2011, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to determine the amount of capital assets, related accumulated depreciation, and current depreciation expense, the budget comparisons referred to above present fairly, in all material respects, the respective budgetary comparisons for the year then ended in conformity with the cash basis of accounting and more fully described in Note 2, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 28, 2011 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Town has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America 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's basic financial statements, the combining and individual fund statements and the budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying financial information listed as Supporting Schedules I through III in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Town. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and each of the nonmajor governmental fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements and nonmajor governmental funds financial statements, taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 28, 2011

(This page intentionally left blank)

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

Town of Mountainair
Statement of Net Assets
June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 425,479	\$ 671,378	\$ 1,096,857	\$ 112,838
Investments	200,418	420	200,838	-
Property tax receivable	40,859	-	40,859	-
Other receivables	42,215	768	42,983	3,585
Customer receivables (net of allowance for doubtful accounts of \$53,807)	-	91,845	91,845	-
Due from primary government	-	-	-	3,500
Total Current Assets	708,971	764,411	1,473,382	119,923
Noncurrent Assets				
Restricted cash	-	52,876	52,876	-
Capital assets	2,236,257	2,078,207	4,314,464	62,951
Less: accumulated depreciation	(1,771,689)	(1,788,706)	(3,560,395)	(37,682)
Total Noncurrent Assets	464,568	342,377	806,945	25,269
Total Assets	\$ 1,173,539	\$ 1,106,788	\$ 2,280,327	\$ 145,192

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	\$ 40,629	\$ 35,812	\$ 76,441	\$ -
Accrued payroll	3,828	1,497	5,325	420
Accrued compensated absences	6,898	2,161	9,059	2,878
Accrued interest	237	-	237	-
Customer deposits	-	52,876	52,876	-
Current portion of notes and leases payable	19,784	-	19,784	3,680
Due to component unit	3,500	-	3,500	-
Total Current Liabilities	<u>74,876</u>	<u>92,346</u>	<u>167,222</u>	<u>6,978</u>
Noncurrent Liabilities				
Accrued compensated absences	6,503	10,437	16,940	-
Notes and leases payable	167,370	-	167,370	17,551
Total Noncurrent Liabilities	<u>173,873</u>	<u>10,437</u>	<u>184,310</u>	<u>17,551</u>
Total Liabilities	<u>248,749</u>	<u>102,783</u>	<u>351,532</u>	<u>24,529</u>
Net Assets				
Invested in capital assets, net of related debt	277,414	289,501	566,915	4,038
Restricted for:				
Housing assistance payments	-	-	-	116,625
Other purposes - special revenue	84,511	-	84,511	-
Unrestricted	562,865	714,504	1,277,369	-
Total Net Assets	<u>924,790</u>	<u>1,004,005</u>	<u>1,928,795</u>	<u>120,663</u>
Total Liabilities and Net Assets	<u>\$ 1,173,539</u>	<u>\$ 1,106,788</u>	<u>\$ 2,280,327</u>	<u>\$ 145,192</u>

STATE OF NEW MEXICO
Town of Mountainair
Statement of Activities
For the Year Ended June 30, 2011

<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	\$ 424,115	\$ 31,766	\$ 271,762	\$ -
Public safety	194,577	1,103	104,206	-
Public works	100,968	-	-	-
Culture and recreation	53,348	1,336	500	-
Interest on long-term debt	4,823	-	-	-
<i>Total governmental activities</i>	<u>777,831</u>	<u>34,205</u>	<u>376,468</u>	<u>-</u>
Business-type Activities:				
Natural Gas	274,899	476,467	-	-
Water	307,957	276,133	-	-
Solid Waste	151,466	164,072	-	-
<i>Total business-type activities</i>	<u>734,322</u>	<u>916,672</u>	<u>-</u>	<u>-</u>
<i>Total</i>	<u>\$ 1,512,153</u>	<u>\$ 950,877</u>	<u>\$ 376,468</u>	<u>\$ -</u>
Component unit:				
Housing Authority	<u>\$ 626,175</u>	<u>\$ -</u>	<u>653,872</u>	<u>\$ -</u>

General Revenues and Special Item:

Taxes:
Property, levied for general purposes
Gross receipts
Gasoline and motor vehicle
Other
Investment income
Miscellaneous income
Special item - sale of land

Total general revenues and special item

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			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (120,587)	\$ -	\$ (120,587)	\$ -
(89,268)	-	(89,268)	-
(100,968)	-	(100,968)	-
(51,512)	-	(51,512)	-
(4,823)	-	(4,823)	-
<u>(367,158)</u>	<u>-</u>	<u>(367,158)</u>	<u>-</u>
-	201,568	201,568	-
-	(31,824)	(31,824)	-
-	12,606	12,606	-
<u>-</u>	<u>182,350</u>	<u>182,350</u>	<u>-</u>
<u>(367,158)</u>	<u>182,350</u>	<u>(184,808)</u>	<u>-</u>
			<u>27,697</u>
38,107	-	38,107	-
217,262	-	217,262	-
81,167	-	81,167	-
32,497	-	32,497	-
784	904	1,688	-
2,773	768	3,541	2,476
<u>200,397</u>	<u>-</u>	<u>200,397</u>	<u>-</u>
<u>572,987</u>	<u>1,672</u>	<u>574,659</u>	<u>2,476</u>
205,829	184,022	389,851	30,173
<u>718,961</u>	<u>819,983</u>	<u>1,538,944</u>	<u>90,490</u>
<u>\$ 924,790</u>	<u>\$ 1,004,005</u>	<u>\$ 1,928,795</u>	<u>\$ 120,663</u>

STATE OF NEW MEXICO

Town of Mountainair

Balance Sheet

Governmental Funds

June 30, 2011

Exhibit B-1

Page 1 of 2

	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Recreation Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<i>Assets</i>					
Cash and cash equivalents	\$ 263,085	\$ 3,581	\$ 52,926	\$ 105,887	\$ 425,479
Investments	-	21	200,397	-	200,418
Property tax receivable	40,859	-	-	-	40,859
Other receivables	41,490	-	-	725	42,215
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total assets</i>	<u>\$ 345,434</u>	<u>\$ 3,602</u>	<u>\$ 253,323</u>	<u>\$ 106,612</u>	<u>\$ 708,971</u>
<i>Liabilities and fund balances</i>					
<i>Liabilities</i>					
Accounts payable	\$ 5,854	\$ 9,193	\$ 1,652	\$ 23,930	\$ 40,629
Accrued payroll	3,828	-	-	-	3,828
Deferred revenue - property taxes	37,738	-	-	-	37,738
Due to component unit	3,500	-	-	-	3,500
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total liabilities</i>	<u>50,920</u>	<u>9,193</u>	<u>1,652</u>	<u>23,930</u>	<u>85,695</u>
<i>Fund balances</i>					
<i>Spendable</i>					
<i>Restricted for:</i>					
Public safety	-	-	-	21,214	21,214
Promotion	-	-	-	12,770	12,770
Culture and recreation	-	-	251,671	-	251,671
Public works	-	-	-	48,698	48,698
<i>Committed to:</i>					
Minimum fund balance	39,508	-	-	-	39,508
Unassigned	255,006	(5,591)	-	-	249,415
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total fund balances</i>	<u>294,514</u>	<u>(5,591)</u>	<u>251,671</u>	<u>82,682</u>	<u>623,276</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total liabilities and fund balances</i>	<u>\$ 345,434</u>	<u>\$ 3,602</u>	<u>\$ 253,323</u>	<u>\$ 106,612</u>	<u>\$ 708,971</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, 2011

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	\$	623,276
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		464,568
Other liabilities not due and payable in the current period and therefore are not reported in the fund statements		
Accrued interest		(237)
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		37,738
Certain liabilities, including notes and leases 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		(187,154)
Accrued compensated absences		(13,401)
		<hr style="border-top: 1px solid black;"/>
Total net assets-governmental activities	\$	<u><u>924,790</u></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 Ended June 30, 2011

Exhibit B-2
Page 1 of 2

	General Fund	Fire Protection Fund	Recreation Fund	Other Nonmajor Governmental Funds	Total
<i>Revenues:</i>					
<i>Taxes:</i>					
Property	\$ 41,590	\$ -	\$ -	\$ -	\$ 41,590
Gross receipts	217,262	-	-	-	217,262
Gasoline and motor vehicle	-	-	-	81,167	81,167
Other	16,946	-	63	15,488	32,497
<i>Intergovernmental:</i>					
State operating grants	271,762	74,562	500	29,644	376,468
Charges for services	3,898	-	1,014	-	4,912
Licenses and fees	29,149	-	-	144	29,293
Investment income	784	-	-	-	784
Miscellaneous	2,773	-	-	-	2,773
<i>Total revenues</i>	<u>584,164</u>	<u>74,562</u>	<u>1,577</u>	<u>126,443</u>	<u>786,746</u>
<i>Expenditures:</i>					
<i>Current:</i>					
General government	417,843	-	-	-	417,843
Public safety	56,253	62,067	-	47,747	166,067
Public works	-	-	-	86,418	86,418
Culture and recreation	-	-	46,261	7,087	53,348
<i>Debt service:</i>					
Principal	-	33,331	-	-	33,331
Interest	-	4,586	-	-	4,586
<i>Total expenditures</i>	<u>474,096</u>	<u>99,984</u>	<u>46,261</u>	<u>141,252</u>	<u>761,593</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>110,068</u>	<u>(25,422)</u>	<u>(44,684)</u>	<u>(14,809)</u>	<u>25,153</u>
<i>Other financing sources (uses)</i>					
Proceeds from sale of land	-	-	200,397	-	200,397
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>200,397</u>	<u>-</u>	<u>200,397</u>
<i>Net change in fund balances</i>	110,068	(25,422)	155,713	(14,809)	225,550
<i>Fund balances - beginning of year</i>	<u>184,446</u>	<u>19,831</u>	<u>95,958</u>	<u>97,491</u>	<u>397,726</u>
<i>Fund balances - end of year</i>	<u>\$ 294,514</u>	<u>\$ (5,591)</u>	<u>\$ 251,671</u>	<u>\$ 82,682</u>	<u>\$ 623,276</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Mountainair

Governmental Funds

Exhibit B-2

Page 2 of 2

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds	\$	225,550
<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>		
Depreciation expense		(48,904)
<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		(3,483)
<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 interest		(237)
Increase in accrued compensated absences		(428)
<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		33,331
Change in net assets of governmental activities	\$	205,829

The accompanying notes are an integral part of these financial statements

(This page intentionally left blank)

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 Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
<i>Revenues</i>				
<i>Taxes:</i>				
Property	\$ 40,061	\$ 40,061	\$ 40,308	\$ 247
Gross receipt	231,500	231,500	220,289	(11,211)
Gasoline and motor vehicle	-	-	-	-
Other	16,500	16,500	16,946	446
<i>Intergovernmental:</i>				
State operating grants	158,306	158,306	271,762	113,456
Charges for services	6,050	6,050	3,898	(2,152)
Licenses and fees	36,250	36,250	28,716	(7,534)
Investment income	1,000	1,000	716	(284)
Miscellaneous	18,000	18,000	7,143	(10,857)
<i>Total revenues</i>	<u>507,667</u>	<u>507,667</u>	<u>589,778</u>	<u>82,111</u>
<i>Expenditures</i>				
<i>Current:</i>				
General government	412,435	412,435	419,319	(6,884)
Public safety	73,191	73,191	56,933	16,258
Public works	-	-	-	-
Culture and recreation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>485,626</u>	<u>485,626</u>	<u>476,252</u>	<u>9,374</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>22,041</u>	<u>22,041</u>	<u>113,526</u>	<u>91,485</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(22,041)	(22,041)	-	22,041
<i>Total other financing sources (uses)</i>	<u>(22,041)</u>	<u>(22,041)</u>	<u>-</u>	<u>22,041</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>113,526</u>	<u>113,526</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>146,059</u>	<u>146,059</u>
<i>Fund balance - end of the year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,585</u>	<u>\$ 259,585</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>				\$ 113,526
Adjustments to revenues for tax accruals and note receivable accruals				(5,614)
Adjustments to expenditures for general government, and public safety function accruals				2,156
<i>Net change in fund balance (GAAP)</i>				<u>\$ 110,068</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-2

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, 2011

	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:				
Federal operating grants	50,000	50,000	-	(50,000)
State operating grants	58,201	58,201	74,562	16,361
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>108,201</u>	<u>108,201</u>	<u>74,562</u>	<u>(33,639)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	33,575	33,575	57,489	(23,914)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	60,682	60,682	-	60,682
Debt service:				
Principal	13,944	13,944	33,331	(19,387)
Interest	-	-	4,586	(4,586)
<i>Total expenditures</i>	<u>108,201</u>	<u>108,201</u>	<u>95,406</u>	<u>12,795</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(20,844)</u>	<u>(20,844)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	(20,844)	(20,844)
<i>Fund balance - beginning of year</i>	-	-	24,446	24,446
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,602</u>	<u>\$ 3,602</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>				\$ (20,844)
No adjustments to revenues				-
Adjustments to expenditures for fire protection equipment				(4,578)
<i>Net change in fund balance (GAAP)</i>				<u>\$ (25,422)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-3

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 Ended June 30, 2011

	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	-	-	63	63
Other	-	-	-	-
Intergovernmental:				
State operating grants	-	-	8,500	8,500
Charges for services	7,700	7,700	1,014	(6,686)
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>7,700</u>	<u>7,700</u>	<u>9,577</u>	<u>1,877</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	7,000	7,000	46,022	(39,022)
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>7,000</u>	<u>7,000</u>	<u>46,022</u>	<u>(39,022)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>700</u>	<u>700</u>	<u>(36,445)</u>	<u>(37,145)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(700)	(700)	-	700
Proceeds from sale of land	-	-	200,397	200,397
<i>Total other financing sources (uses)</i>	<u>(700)</u>	<u>(700)</u>	<u>200,397</u>	<u>201,097</u>
<i>Net change in fund balances</i>	-	-	163,952	163,952
<i>Fund balance - beginning of year</i>	-	-	89,371	89,371
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253,323</u>	<u>\$ 253,323</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>				\$ 163,952
Adjustments to revenues for state operating grant recognized in the prior year				(8,000)
Adjustments to expenditures for culture and recreation function accruals				(239)
<i>Net change in fund balance (GAAP)</i>				<u>\$ 155,713</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, 2011

	Business-type Activities-Enterprise Funds			Total
	Natural Gas Fund	Water Fund	Solid Waste Fund	
Assets				
<i>Current assets</i>				
Cash and cash equivalents	\$ 542,260	\$ 115,576	\$ 13,542	\$ 671,378
Investments	420	-	-	420
Other receivables	-	-	768	768
Customer receivables (net of allowance for doubtful accounts of \$38,242 and \$15,565)	30,073	61,772	-	91,845
<i>Total current assets</i>	<u>572,753</u>	<u>177,348</u>	<u>14,310</u>	<u>764,411</u>
<i>Noncurrent assets</i>				
Restricted cash	29,846	23,030	-	52,876
Capital assets	449,508	1,628,699	-	2,078,207
Accumulated depreciation	(395,503)	(1,393,203)	-	(1,788,706)
<i>Total noncurrent assets</i>	<u>83,851</u>	<u>258,526</u>	<u>-</u>	<u>342,377</u>
<i>Total Assets</i>	<u>\$ 656,604</u>	<u>\$ 435,874</u>	<u>\$ 14,310</u>	<u>\$ 1,106,788</u>
Liabilities and Net Assets				
<i>Liabilities</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 9,948	\$ 13,134	\$ 12,730	\$ 35,812
Accrued payroll	-	1,497	-	1,497
Accrued compensated absences	1,098	1,063	-	2,161
Customer deposits	29,846	23,030	-	52,876
<i>Total current liabilities</i>	<u>40,892</u>	<u>38,724</u>	<u>12,730</u>	<u>92,346</u>
<i>Noncurrent liabilities</i>				
Accrued compensated absences	3,545	6,892	-	10,437
<i>Total noncurrent liabilities</i>	<u>3,545</u>	<u>6,892</u>	<u>-</u>	<u>10,437</u>
<i>Total liabilities</i>	<u>44,437</u>	<u>45,616</u>	<u>12,730</u>	<u>102,783</u>
<i>Net Assets</i>				
Invested in capital assets	54,005	235,496	-	289,501
Unrestricted	558,162	154,762	1,580	714,504
<i>Total net assets</i>	<u>612,167</u>	<u>390,258</u>	<u>1,580</u>	<u>1,004,005</u>
<i>Total liabilities and net assets</i>	<u>\$ 656,604</u>	<u>\$ 435,874</u>	<u>\$ 14,310</u>	<u>\$ 1,106,788</u>

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 Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Natural Gas Fund	Water Fund	Solid Waste Fund	Total
<i>Operating revenues:</i>				
Charges for services	\$ 476,467	276,133	\$ 164,072	\$ 916,672
<i>Total operating revenues</i>	<u>476,467</u>	<u>276,133</u>	<u>164,072</u>	<u>916,672</u>
<i>Operating expenses:</i>				
Cost of gas sold	187,955	-	-	187,955
Personnel	8,202	99,365	-	107,567
Supplies	9,426	-	-	9,426
Depreciation	14,931	56,722	-	71,653
Contract services	-	-	117,633	117,633
Other operating expense	54,385	151,870	33,833	240,088
<i>Total operating expenses</i>	<u>274,899</u>	<u>307,957</u>	<u>151,466</u>	<u>734,322</u>
<i>Operating income (loss)</i>	<u>201,568</u>	<u>(31,824)</u>	<u>12,606</u>	<u>182,350</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	718	186	-	904
Miscellaneous income	766	2	-	768
<i>Total non-operating revenues (expenses)</i>	<u>1,484</u>	<u>188</u>	<u>-</u>	<u>1,672</u>
<i>Change in net assets</i>	203,052	(31,636)	12,606	184,022
<i>Total net assets, beginning of year</i>	<u>409,115</u>	<u>421,894</u>	<u>(11,026)</u>	<u>819,983</u>
<i>Total net assets, end of year</i>	<u>\$ 612,167</u>	<u>\$ 390,258</u>	<u>\$ 1,580</u>	<u>\$ 1,004,005</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, 2011

	Natural Gas Fund	Water Fund
<i>Cash flows from operating activities:</i>		
Cash received from user charges	\$ 528,108	\$ 290,241
Cash payments to employees for services	(8,202)	(105,227)
Cash payments to suppliers for goods and services	(243,130)	(146,061)
<i>Net cash provided by operating activities</i>	<i>276,776</i>	<i>38,953</i>
<i>Cash flows from noncapital financing activities:</i>		
Miscellaneous income	766	2
<i>Net cash provided by noncapital financing activities</i>	<i>766</i>	<i>2</i>
<i>Cash flows from investing activities:</i>		
Interest on investments	717	186
<i>Net cash provided by investing activities</i>	<i>717</i>	<i>186</i>
<i>Net increase in cash and cash equivalents</i>	<i>278,259</i>	<i>39,141</i>
<i>Cash and cash equivalents - beginning of year</i>	<i>293,847</i>	<i>99,465</i>
<i>Cash and cash equivalents - end of year</i>	<i>\$ 572,106</i>	<i>\$ 138,606</i>
 <i>Reconciliation of operating income (loss) to net cash provided by operating activities</i>		
Operating income (loss)	\$ 201,568	\$ (31,824)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	14,931	56,722
Changes in assets and liabilities:		
Receivables	51,641	14,108
Accounts payable	2,608	5,903
Accrued payroll	-	(5,791)
Accrued compensated absences	-	(71)
Customer deposits	6,028	(94)
<i>Net cash provided by operating activities</i>	<i>\$ 276,776</i>	<i>\$ 38,953</i>

The accompanying notes are an integral part of these financial statements

<u>Solid Waste Fund</u>	<u>Total</u>
\$ 164,141	\$ 982,490
-	(113,429)
<u>(151,016)</u>	<u>(540,207)</u>
<u>13,125</u>	<u>328,854</u>
<u>-</u>	<u>768</u>
<u>-</u>	<u>768</u>
<u>-</u>	<u>903</u>
<u>-</u>	<u>903</u>
13,125	330,525
<u>417</u>	<u>393,729</u>
<u>\$ 13,542</u>	<u>\$ 724,254</u>
\$ 12,606	\$ 182,350
-	71,653
69	65,818
450	8,961
-	(5,791)
-	(71)
<u>-</u>	<u>5,934</u>
<u>\$ 13,125</u>	<u>\$ 328,854</u>

(This page intentionally left blank)

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

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 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 is presented to assist in the understanding of Town'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 GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The government-wide and the proprietary funds 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 Town has elected not to follow subsequent private-sector guidance. The more significant of the Town's accounting policies are described below.

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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

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 Statements D-1, D-2, D-3, D-4, and Schedule III of the Town's financial report.

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) 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.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

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.

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

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.

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.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 *Fire Protection Special Revenue Fund* accounts 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.

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 Town 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.

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.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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.

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 in the event they are not received within 60 days of year end.

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, delinquent property taxes are recorded when levied. Property taxes are considered to be 100% collectible. 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 December 10th and May 10th. Property taxes uncollected after December 10th and May 10th are considered delinquent and the Town may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Torrance County and remitted monthly to the Town.

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used.

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. Since the implementation of GASB 34 in FY 04, the Town has been required to capitalize and depreciate infrastructure additions, however the Town has not obtained an adequate system to calculate and record depreciation. Information Technology Equipment including software is required to be 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.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 \$4,586. 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

Deferred Revenues: Accounting principles generally accepted in the United States of America require that grant revenue (voluntary nonexchange transactions) be recognized as revenue in the government-wide financial statements when all eligibility requirements have been met and recognized as revenue in the governmental fund financial statements based on the same factors subject to the availability criterion. Amounts received from reimbursement basis grants are recorded as deferred revenue in the governmental fund financial statements when received more than 90 days after year end and amounts received after 60 days after year end for property taxes. 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.

Fund Balance Classification Policies and Procedures: For committed fund balance, the Town's highest level of decision-making authority is the Town Council. The formal action that is required to be taken to establish a fund balance commitment is the Town Council.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

For assigned fund balance, the Town Council or an official or body to which the Town Council delegates the authority is authorized to assign amounts to a specific purpose. Under the current authorization system, for funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

For the classification of fund balances, the Town considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the Town considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Restricted and Committed Fund Balance: At June 30, 2011, the Town has presented restricted fund balance on the governmental funds balance sheet in the amount of \$334,353 for various Town operations as restricted by enabling legislation. The details of these fund balance items are located on the governmental funds balance sheet as detailed on page 18.

Minimum Fund Balance Policy: The Town's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the Town holds cash reserves of 1/12th the General Fund expenditures, which is \$39,508 at June 30, 2011.

Equity Classifications

Government-wide Statements

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

- a. 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 by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net assets restricted for "special revenue" are described on page 53.
- 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."

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 Councilors, 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 Councilors 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 and the proprietary 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, 2011 are presented at Exhibit C, Statement B, and Statement C.

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/change in net assets	
	Original Budget	Final Budget
Governmental Activities		
General Fund	\$ 22,041	\$ 22,041
Fire Protection	\$ -	\$ -
Recreation	\$ 700	\$ 700
Nonmajor Funds	\$ 9,422	\$ 9,422
Business-type Activities		
Natural Gas	\$ 130,889	\$ 130,889
Water	\$ 11,821	\$ 11,821
Solid Waste	\$ 680	\$ 680

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 2. Stewardship, Compliance and Accountability (continued)

Component Unit

The Town of Mountainair Housing Authority did not submit a budget to HUD for the fiscal year ended June 30, 2011 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. The Authority did have a board approved budget for internal monitoring purposes.

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. All invested funds of the Town properly followed State investment requirements as of June 30, 2011.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more 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 collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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 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 (FDIC), public unit deposits are funds owned by the public unit. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, time deposits, savings deposits and interest bearing negotiable order of withdrawal (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 TAGP program expired on December 31, 2010. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts in all FDIC-insured depository institutions. The separate coverage on noninterest-bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From December 31, 2010 to July 20, 2011 accounts held by an official custodian for a government unit are insured as follows:

- Up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts), and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts

Through July 20, 2011, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk – Deposits. 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 2011, none of the Town’s bank balance of \$1,379,341 was subject to custodial credit risk as they were insured by FDIC limits.

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. At June 30, 2011 \$630,000 was pledged.

	MyBank
Amount of deposits	\$ 1,379,341
Deposit Accounts Covered by the "Dodd-Frank Deposit Insurance Provision"	(928,944)
FDIC Coverage	(450,397)
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	630,000
Over (Under) collateralized	\$ 630,000

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.

The Town utilizes pooled accounts for their funds. The General and Special Revenue 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 2011, none of the Housing Authority’s bank balance of \$129,221 was subject to custodial credit risk as they were insured by FDIC limits.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

Deposits (continued)

Component Unit

	<u>MyBank - Housing Authority</u>
Amount of deposits	\$ 129,221
FDIC Coverage	(129,221)
Total uninsured public funds	<u>\$ -</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Housing Authority's name	-
Uninsured and uncollateralized	<u><u>\$ -</u></u>
Collateral requirement (50% of uninsured funds)	\$ -
Pledged Collateral	-
Over (Under) collateralized	<u><u>\$ -</u></u>

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 Housing Authority for a least one half of the amount in excess of FDIC coverage on deposit with the institution. At June 30, 2011 \$0 was pledged.

Investments

Interest Rate Risk

As of June 30, 2011, the Town's investment in the State Treasurer Local Government Investment Pool was rated as AAAM by Standard & Poor's.

The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

Investments (continued)

The Town's investments at June 30, 2011 include the following:

<u>Investments</u>	<u>Rated</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
New MexiGROW LGIP	AAAm	\$ 420	36 days
U.S. Treasury Money Market Mutual Funds	AAA	<u>21</u>	<365 days
		<u>\$ 441</u>	

Interest Rate Risk – Investments. The Town does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates. The Town follows state law with respect to its investment activities.

Concentration of Credit Risk – Investments. For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the Town. The investments in the New MexiGROW LGIP and U.S Treasury Money Market Mutual Funds represent 95% and 5%, respectively, of the investment portfolio. Since the Town only purchases investments with the highest credit rating, the additional concentration is not viewed to be an additional risk by the Town. The Town's policy related to concentration credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

Primary Government

Reconciliation to the Statement of Net Assets:

Cash and cash equivalents per Exhibit A-1	\$ 1,096,857
Investments per Exhibit A-1	200,838
Restricted cash per Exhibit A-1	<u>52,876</u>
Total cash and cash equivalents and investments	1,350,571
Add: outstanding checks	29,846
Less: deposits in transit	(635)
Less: investments not considered cash equivalents	(21)
Less: investment in NewMexiGROW LGIP	<u>(420)</u>
Bank balance of deposits	<u>\$ 1,379,341</u>

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

Component Unit

Reconciliation to the Statement of Net Assets:

Cash and cash equivalents per Exhibit A-1	\$ 112,838
Total cash and cash equivalents	112,838
Add: outstanding checks	16,433
Less: petty cash	<u>(50)</u>
Bank balance of deposits	<u>\$ 129,221</u>

NOTE 4. Receivables

Receivables as of June 30, 2011, are as follows:

Governmental Activities:	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>	
Property tax receivable	\$ 40,859	\$ -	\$ 40,859	
Other receivables:				
Gross receipts taxes	36,493	-	36,493	
Gasoline and oil taxes	-	551	551	
Franchise taxes	3,466	-	3,466	
Lodger's Tax	-	174	174	
MVD Fees	1,531	-	1,531	
Totals by category	<u>\$ 82,349</u>	<u>\$ 725</u>	<u>\$ 83,074</u>	
	<u>Natural Gas</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
Other receivables	\$ -	\$ -	\$ 768	\$ 768
Customer receivables	68,315	77,337	-	145,652
Less: allowance for doubtful accounts	<u>(38,242)</u>	<u>(15,565)</u>	<u>-</u>	<u>(53,807)</u>
Total net receivables	<u>\$ 30,073</u>	<u>\$ 61,772</u>	<u>\$ 768</u>	<u>\$ 92,613</u>
Component Unit:	<u>Housing Authority</u>			
Other receivables	<u>\$ 3,585</u>			
Total net receivables	<u>\$ 3,585</u>			

The Town has estimated approximately 37% or \$53,807 of utility billings will not be collected. Other than this, all receivables are deemed to be 100% collectible.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 5. Interfund Receivables, Payables, and Transfers

The Town records temporary intergovernment receivables and payables to account for an overpayment from the component unit to the primary government. The composition of intergovernment balances during the year ended June 30, 2011 is as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Component Unit - Housing Authority	Primary Government - General Fund	\$ 3,500
	Total Intergovernment Balances	<u>\$ 3,500</u>

All intergovernment balances are intended to be repaid within one year.

There were no operating transfers during the year ended June 30, 2011.

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2011 follows. Land is not subject to depreciation.

Governmental Activities:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Capital assets, not depreciated				
Land	\$ 169,329	\$ -	\$ -	\$ 169,329
Total capital assets, not depreciated	<u>169,329</u>	<u>-</u>	<u>-</u>	<u>169,329</u>
Capital assets, depreciated:				
Equipment	179,690	-	-	179,690
Vehicles	808,735	-	26,254	782,481
Buildings and improvements	<u>1,104,757</u>	<u>-</u>	<u>-</u>	<u>1,104,757</u>
Total capital assets, being depreciated	<u>2,093,182</u>	<u>-</u>	<u>26,254</u>	<u>2,066,928</u>
Less accumulated depreciation:				
Equipment	152,879	18,968	-	171,847
Vehicles	522,356	25,669	26,254	521,771
Buildings and improvements	<u>1,073,804</u>	<u>4,267</u>	<u>-</u>	<u>1,078,071</u>
Total accumulated depreciation	<u>1,749,039</u>	<u>48,904</u>	<u>26,254</u>	<u>1,771,689</u>
Total capital assets, net of depreciation	<u>\$ 513,472</u>	<u>\$ (48,904)</u>	<u>\$ -</u>	<u>\$ 464,568</u>

There were no material infrastructure additions during the year ended June 30, 2011, only infrastructure repairs.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 6. Capital Assets (continued)

Governmental Activities (continued)

Depreciation expense for the year ended June 30, 2011 was allocated as follows:

General government	\$ 5,287
Public safety	29,067
Public works	<u>14,550</u>
Total depreciation	<u>\$ 48,904</u>

Business-type Activities:

	Balance <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2011</u>
Capital assets, depreciated:				
Equipment	\$ 33,082	\$ -	\$ -	\$ 33,082
Vehicles	49,257	-	-	49,257
Buildings and improvements	<u>1,995,868</u>	<u>-</u>	<u>-</u>	<u>1,995,868</u>
Total capital assets, being depreciated	<u>2,078,207</u>	<u>-</u>	<u>-</u>	<u>2,078,207</u>
Less accumulated depreciation:				
Equipment	21,997	3,695	-	25,692
Vehicles	47,828	1,429	-	49,257
Buildings and improvements	<u>1,647,228</u>	<u>66,529</u>	<u>-</u>	<u>1,713,757</u>
Total accumulated depreciation	<u>1,717,053</u>	<u>71,653</u>	<u>-</u>	<u>1,788,706</u>
Total capital assets, net of depreciation	<u>\$ 361,153</u>	<u>\$ (71,653)</u>	<u>\$ -</u>	<u>\$ 289,500</u>

Depreciation expense for the year ended June 30, 2011 was allocated as follows:

Natural Gas	\$ 14,931
Water	<u>56,722</u>
Total depreciation	<u>\$ 71,653</u>

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 6. Capital Assets (continued)

Component Unit:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Component Unit:				
Capital assets, depreciated				
Equipment	\$ 37,472	\$ 25,479	\$ -	\$ 62,951
Accumulated depreciation	37,472	210	-	37,682
Net book value	<u>\$ -</u>	<u>\$ 25,269</u>	<u>\$ -</u>	<u>\$ 25,269</u>

NOTE 7. Long-term Debt

During the year ended June 30, 2011, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Due within One year
Governmental activities:					
NMFA Pumper Loan	\$ 13,666	\$ -	\$ 13,666	\$ -	\$ -
Fire Pumper Loan	206,819	-	19,665	187,154	19,784
Compensated absences	<u>12,973</u>	<u>7,326</u>	<u>6,898</u>	<u>13,401</u>	<u>6,898</u>
Total governmental	<u>\$ 233,458</u>	<u>\$ 7,326</u>	<u>\$ 40,229</u>	<u>\$ 200,555</u>	<u>\$ 26,682</u>
Business-type activities:					
Compensated absences	<u>\$ 12,231</u>	<u>\$ 2,528</u>	<u>\$ 2,161</u>	<u>\$ 12,598</u>	<u>\$ 2,161</u>
Total business-type activities	<u>\$ 12,231</u>	<u>\$ 2,528</u>	<u>\$ 2,161</u>	<u>\$ 12,598</u>	<u>\$ 2,161</u>
Component unit:					
Note payable	\$ -	\$ 21,978	\$ 747	\$ 21,231	\$ 3,680
Compensated absences	<u>2,112</u>	<u>3,644</u>	<u>2,878</u>	<u>2,878</u>	<u>2,878</u>
Total component unit	<u>\$ 2,112</u>	<u>\$ 25,622</u>	<u>\$ 3,625</u>	<u>\$ 24,109</u>	<u>\$ 6,558</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 was payable in monthly installments of principal and interest amounts ranging from \$13,274 to \$13,948 over the term of the loan. The loan bore interest of 3.02% to 4.15% and matured in May 2011. The note payable and all payments of principal and interest thereon were 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 NMFA loan was paid annually by the Fire Protection Fund.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (continued)

The New Mexico Finance Authority (NMFA) Class A Pumper acquisition loan is a note payable issued in the original amount of \$206,819. 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 annual (principal) and semi-annual (interest) installments of principal and interest amounts ranging from \$19,665 to \$22,151 over the term of the loan. The loan bears interest of 0.61% to 2.13% and matures in May 2020. 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, 2011, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 19,784	\$ 2,839	\$ 22,623
2013	19,947	2,674	22,621
2014	20,148	2,475	22,623
2015	20,390	2,232	22,622
2016	20,670	1,953	22,623
2017-2020	86,215	4,277	90,492
	<u>\$ 187,154</u>	<u>\$ 16,450</u>	<u>\$ 203,604</u>

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

Component Unit:

The note payable for the Component Unit is for the acquisition of a 2010 Ford Escape vehicle for the Housing Authority which is to be paid over 60 months with a monthly payment for principal and interest of \$461.61 over the term of the note. The note bears an interest rate of 9.50% and matures in May 2016.

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, 2011, compensated absences increased \$428 for governmental activities, \$367 for business type activities, and \$766 for the component unit 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, 2011, 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, 2011

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. The following fund reflected a deficit fund balances for the year ended June 30, 2011.

Major Funds

Fire Protection Special Revenue Fund	\$ <u>(5,591)</u>
--------------------------------------	-------------------

B. Excess of expenditures over appropriations. The following funds had expenditures in excess of their budgeted appropriations for the year ended June 30, 2011:

Major Funds

Recreation Special Revenue Fund	\$ (39,022)
---------------------------------	-------------

Nonmajor Funds

Law Enforcement Special Revenue Fund	(21,251)
Lodger's Tax Special Revenue Fund	(11,087)
Street Special Revenue Fund	<u>(48,917)</u>

Total Governmental Funds	\$ <u>(120,277)</u>
---------------------------------	----------------------------

Proprietary Fund

Water Proprietary Fund	\$ (7,753)
Solid Waste Proprietary Fund	<u>(41,696)</u>

Total Proprietary Funds	\$ <u>(49,449)</u>
--------------------------------	---------------------------

C. Designated cash appropriations in excess of available balances. The Town did not have any funds' budgets in excess of their approved budgetary authority for the year ended June 30, 2011.

NOTE 10. PERA Pension Plan

Plan Description: Substantially all of the Town's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public 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 benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy: Plan members are required to contribute the following percentages of their gross salary: 7% for law enforcement and fire protection employees; and 9.15% for Town employees. The Town was required to contribute the following percentages of the gross covered salary: 10% for law enforcement and fire protection plan members; and 9.15% for Town plan members. The contribution requirements of plan members and the Town's are established in State Statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Town's contributions to PERA for the fiscal years ending June 30, 2011, 2010, and 2009 were \$24,957, \$30,522, and \$35,117, respectively, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 11. 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.

NOTE 12. 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 13. Concentrations

The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State Appropriations.

NOTE 14. Restricted Net Assets

The government wide statement of net assets and component unit's government wide statement of net assets report \$84,511 and \$116,625, of restricted net assets, respectively, of which none is restricted by enabling legislation.

NOTE 15. Subsequent Events

The date to which events occurring after June 30, 2011, the date of the most recent statement of net assets, have been evaluated for possible adjustment to the financial statements or disclosures is November 28, 2011 which is the date on which the financial statements were issued.

NOTE 16. Subsequent Pronouncements

In November 2010, GASB Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements*, Effective Date: For financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Town is still evaluating the possible effects of this standard.

In November 2010, GASB Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The standard is expected to have no effect on the Town in upcoming years.

In December 2010, GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Town will implement this standard during fiscal year June 30, 2013.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2011

NOTE 16. Subsequent Pronouncements (continued)

In June 2011, GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* Effective Date: The provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the Town in upcoming years.

In June 2011, GASB Statement No. 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions*—an amendment of GASB Statement No. 53 Effective Date: The provisions of Statement 64 are effective for financial statements for periods beginning after June 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the Town in upcoming years.

SUPPLEMENTARY INFORMATION

(This page intentionally left blank)

STATE OF NEW MEXICO
Town of Mountainair
Nonmajor Fund Descriptions
June 30, 2011

SPECIAL REVENUE FUNDS

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.

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, 2011

	Special Revenue		
	Correction Fees Fund	EMS Fund	Law Enforcement Fund
<i>Assets</i>			
Cash and cash equivalents	\$ 5,777	\$ 2,958	\$ 3,157
Other receivables	-	-	-
<i>Total assets</i>	\$ 5,777	\$ 2,958	\$ 3,157
<i>Liabilities</i>			
Accounts payable	\$ -	\$ -	\$ -
<i>Total liabilities</i>	-	-	-
<i>Fund balances</i>			
Spendable			
Restricted for:			
Public safety	5,777	2,958	3,157
Promotion	-	-	-
Public works	-	-	-
<i>Total fund balances</i>	5,777	2,958	3,157
<i>Total liabilities and fund balances</i>	\$ 5,777	\$ 2,958	\$ 3,157

The accompanying notes are an integral part of these financial statements

Special Revenue			
Lodger's Tax Fund	Street Fund	FEMA Fund	Total Nonmajor Governmental Funds
\$ 12,596	\$ 72,077	\$ 9,322	\$ 105,887
174	551	-	725
<u>12,770</u>	<u>72,628</u>	<u>9,322</u>	<u>106,612</u>
\$ -	\$ 23,930	\$ -	\$ 23,930
-	23,930	-	23,930
-	-	9,322	21,214
12,770	-	-	12,770
-	48,698	-	48,698
<u>12,770</u>	<u>48,698</u>	<u>9,322</u>	<u>82,682</u>
<u>\$ 12,770</u>	<u>\$ 72,628</u>	<u>\$ 9,322</u>	<u>\$ 106,612</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, 2011

	Special Revenue		
	Correction Fees Fund	EMS Fund	Law Enforcement Fund
<i>Revenues:</i>			
<i>Taxes:</i>			
Gasoline and motor vehicle	\$ -	\$ -	\$ -
Other	-	-	-
<i>Intergovernmental:</i>			
State operating grants	-	8,444	21,200
Licenses and fees	144	-	-
<i>Total revenues</i>	144	8,444	21,200
<i>Expenditures:</i>			
<i>Current:</i>			
Public safety	229	5,067	42,451
Public works	-	-	-
Culture and recreation	-	-	-
<i>Total expenditures</i>	229	5,067	42,451
<i>Net change in fund balances</i>	(85)	3,377	(21,251)
<i>Fund balances - beginning of year</i>	5,862	(419)	24,408
<i>Fund balances - end of year</i>	\$ 5,777	\$ 2,958	\$ 3,157

The accompanying notes are an integral part of these financial statements

<u>Special Revenue</u>			
<u>Lodger's Tax Fund</u>	<u>Street Fund</u>	<u>FEMA Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 81,167	\$ -	\$ 81,167
15,488	-	-	15,488
-	-	-	29,644
-	-	-	144
<u>15,488</u>	<u>81,167</u>	<u>-</u>	<u>126,443</u>
-	-	-	47,747
-	86,418	-	86,418
<u>7,087</u>	<u>-</u>	<u>-</u>	<u>7,087</u>
<u>7,087</u>	<u>86,418</u>	<u>-</u>	<u>141,252</u>
8,401	(5,251)	-	(14,809)
<u>4,369</u>	<u>53,949</u>	<u>9,322</u>	<u>97,491</u>
<u>\$ 12,770</u>	<u>\$ 48,698</u>	<u>\$ 9,322</u>	<u>\$ 82,682</u>

STATE OF NEW MEXICO

Statement 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, 2011

	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	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	3,800	3,800	144	(3,656)
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>3,800</u>	<u>3,800</u>	<u>144</u>	<u>(3,656)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	3,800	3,800	229	3,571
Public works	-	-	-	-
Culture and recreation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,800</u>	<u>3,800</u>	<u>229</u>	<u>3,571</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(85)</u>	<u>(85)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(85)	(85)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>5,862</u>	<u>5,862</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,777</u>	<u>\$ 5,777</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ (85)	
No adjustments to revenues			-	
No adjustments to expenditures			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (85)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement 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, 2011

	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	8,444	144
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>8,300</u>	<u>8,300</u>	<u>8,444</u>	<u>144</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	8,300	8,300	5,486	2,814
Public works	-	-	-	-
Culture and recreation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>8,300</u>	<u>8,300</u>	<u>5,486</u>	<u>2,814</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	2,958	2,958
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	2,958	2,958
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,958</u>	<u>\$ 2,958</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ 2,958	
No adjustments to revenues			-	
Adjustments to expenditures for accounts payable			419	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 3,377</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-3

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 Ended June 30, 2011

	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	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>21,200</u>	<u>21,200</u>	<u>21,200</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	12,000	12,000	42,451	(30,451)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	9,200	9,200	-	9,200
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>21,200</u>	<u>21,200</u>	<u>42,451</u>	<u>(21,251)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(21,251)</u>	<u>(21,251)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(21,251)	(21,251)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>24,408</u>	<u>24,408</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,157</u>	<u>\$ 3,157</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ (21,251)	
No adjustments to revenues			-	
No adjustments to expenditures			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (21,251)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-4

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, 2011

	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	15,314	11,214
<i>Intergovernmental:</i>				
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>4,100</u>	<u>4,100</u>	<u>15,314</u>	<u>11,214</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	4,000	4,000	15,087	(11,087)
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,000</u>	<u>4,000</u>	<u>15,087</u>	<u>(11,087)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>100</u>	<u>100</u>	<u>227</u>	<u>127</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(100)	(100)	-	100
<i>Total other financing sources (uses)</i>	<u>(100)</u>	<u>(100)</u>	<u>-</u>	<u>100</u>
<i>Net change in fund balance</i>	-	-	227	227
<i>Fund balance - beginning of year</i>	-	-	12,369	12,369
<i>Fund Balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,596</u>	<u>\$ 12,596</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ 227	
Adjustments to revenues for taxes receivable			174	
Adjustments to expenditures for promotion expenditures			<u>8,000</u>	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 8,401</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-5

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, 2011

	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	15,000	15,000	83,749	68,749
Other	-	-	-	-
<i>Intergovernmental:</i>				
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>15,000</u>	<u>15,000</u>	<u>83,749</u>	<u>68,749</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	15,000	15,000	63,917	(48,917)
Culture and recreation	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>15,000</u>	<u>15,000</u>	<u>63,917</u>	<u>(48,917)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>19,832</u>	<u>19,832</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	19,832	19,832
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>52,245</u>	<u>52,245</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,077</u>	<u>\$ 72,077</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ 19,832	
Adjustments to revenues for gasoline and motor vehicle taxes accruals			(2,582)	
Adjustments to expenditures for services performed			<u>(22,501)</u>	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (5,251)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-6

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, 2011

	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	9,322	9,322	-	(9,322)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>9,322</u>	<u>9,322</u>	<u>-</u>	<u>(9,322)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>9,322</u>	<u>9,322</u>	<u>-</u>	<u>(9,322)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(9,322)	(9,322)	-	9,322
<i>Total other financing sources (uses)</i>	<u>(9,322)</u>	<u>(9,322)</u>	<u>-</u>	<u>9,322</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance- beginning of year</i>	<u>-</u>	<u>-</u>	<u>9,322</u>	<u>9,322</u>
<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 adjustments to revenues			-	
No adjustments to expenditures			-	
<i>Net change in fund balance (GAAP)</i>			<u>-</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-1

Town of Mountainair

Natural Gas Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Non-GAAP Budgetary Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 556,200	\$ 556,200	\$ 534,137	\$ (22,063)
<i>Total operating revenues</i>	<u>556,200</u>	<u>556,200</u>	<u>534,137</u>	<u>(22,063)</u>
<i>Operating expenses:</i>				
Cost of gas sold	350,000	350,000	188,496	161,504
Salaries	9,811	9,811	8,203	1,608
Supplies	2,000	2,000	9,426	(7,426)
Contract services	11,000	11,000	-	11,000
Other operating expenses	52,500	52,500	51,236	1,264
<i>Total operating expenses</i>	<u>425,311</u>	<u>425,311</u>	<u>257,361</u>	<u>167,950</u>
<i>Operating income (loss)</i>	<u>130,889</u>	<u>130,889</u>	<u>276,776</u>	<u>145,887</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	2,000	2,000	718	(1,282)
Miscellaneous income	-	-	766	766
<i>Total non-operating revenues (expenses):</i>	<u>2,000</u>	<u>2,000</u>	<u>1,484</u>	<u>(516)</u>
<i>Provided by:</i>				
Designated cash (budgeted increase in cash)	(132,889)	(132,889)	-	132,889
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Change in net assets</i>	-	-	278,260	278,260
<i>Total net assets - beginning of year</i>	-	-	294,266	294,266
<i>Total net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 572,526</u>	<u>\$ 572,526</u>
<i>Net change in net assets (non-GAAP budgetary basis)</i>			\$ 278,260	
Adjustments to revenues for charges for services			(57,670)	
Adjustments to expenditures for depreciation and contract service expenses			(17,538)	
<i>Net change in net assets (GAAP)</i>			<u>\$ 203,052</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-2

Town of Mountainair

Water Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 262,000	\$ 262,000	\$ 296,885	\$ 34,885
<i>Total operating revenues</i>	<u>262,000</u>	<u>262,000</u>	<u>296,885</u>	<u>34,885</u>
<i>Operating expenses:</i>				
Salaries	146,229	146,229	105,227	41,002
Supplies	-	-	-	-
Contract services	-	-	-	-
Capital outlay	18,000	18,000	-	18,000
Other operating expenses	85,950	85,950	152,705	(66,755)
<i>Total operating expenses</i>	<u>250,179</u>	<u>250,179</u>	<u>257,932</u>	<u>(7,753)</u>
<i>Operating income (loss)</i>	<u>11,821</u>	<u>11,821</u>	<u>38,953</u>	<u>27,132</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	250	250	186	(64)
Miscellaneous income	-	-	2	2
<i>Total non-operating revenues (expenses):</i>	<u>250</u>	<u>250</u>	<u>188</u>	<u>(62)</u>
<i>Provided by:</i>				
Designated cash (budgeted increase in cash)	(12,071)	(12,071)	-	12,071
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Change in net assets</i>	-	-	39,141	39,141
<i>Total net assets - beginning of year</i>	-	-	99,465	99,465
<i>Total net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,606</u>	<u>\$ 138,606</u>
<i>Net change in net assets (non-GAAP budgetary basis)</i>			\$ 39,141	
Adjustments to revenues for charges for services			(20,752)	
Adjustments to expenditures for depreciation and contract service expenses			(50,025)	
<i>Net change in net assets (GAAP)</i>			<u>\$ (31,636)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-3

Town of Mountainair

Solid Waste Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Non-GAAP Budgetary Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 110,000	\$ 110,000	\$ 164,141	\$ 54,141
<i>Total operating revenues</i>	<u>110,000</u>	<u>110,000</u>	<u>164,141</u>	<u>54,141</u>
<i>Operating expenses:</i>				
Salaries	-	-	-	-
Supplies	-	-	-	-
Depreciation	-	-	-	-
Contract services	82,320	82,320	129,913	(47,593)
Other operating expenses	<u>27,000</u>	<u>27,000</u>	<u>21,103</u>	<u>5,897</u>
<i>Total operating expenses</i>	<u>109,320</u>	<u>109,320</u>	<u>151,016</u>	<u>(41,696)</u>
<i>Operating income (loss)</i>	<u>680</u>	<u>680</u>	<u>13,125</u>	<u>12,445</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	-	-	-	-
Miscellaneous income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total non-operating revenues (expenses):</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Provided by:</i>				
Designated cash (budgeted increase in cash)	(680)	(680)	-	680
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in net assets</i>	-	-	13,125	13,125
<i>Total net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>417</u>	<u>417</u>
<i>Total net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,542</u>	<u>\$ 13,542</u>
<i>Net change in net assets (non-GAAP budgetary basis)</i>			\$ 13,125	
Adjustments to revenues for charges for services			(69)	
Adjustments to expenditures for contract services			<u>(450)</u>	
<i>Net change in net assets (GAAP)</i>			<u>\$ 12,606</u>	

The accompanying notes are an integral part of these financial statements

COMPONENT UNIT
SECTION 8
HOUSING CHOICE
VOUCHERS PROGRAM

STATE OF NEW MEXICO
Town of Mountainair
Town of Mountainair Housing Authority
A Component Unit of the Town of Mountainair
Statement of Net Assets
Proprietary Fund
June 30, 2011

Statement D-1

Section 8
Housing Choice
Vouchers Program

ASSETS

Current assets:

Cash and cash equivalents	\$ 112,838
Accounts receivable	3,585
Due from primary government	3,500
	119,923

Total current assets

Noncurrent Assets:

Capital assets	62,951
Less: accumulated depreciation	(37,682)
	25,269

Total noncurrent assets

Total assets

\$ 145,192

LIABILITIES AND NET ASSETS

Current liabilities:

Accrued payroll	\$ 420
Compensated absences, current portion	2,878
Current portion of long term debt	3,680
	6,978

Total current liabilities

Non-current liabilities:

Notes payable, net of current portion	17,551
	17,551

Total non-current liabilities

Total liabilities

24,529

Net assets:

Invested in capital assets, net of related debt	4,038
Restricted for:	
Housing assistance payments equity	116,625
	120,663

Total net assets

Total liabilities and net assets

\$ 145,192

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement D-2

Town of Mountainair
Town of Mountainair Housing Authority
A Component Unit of the Town of Mountainair
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2011

	Section 8 Housing Choice Vouchers Program
<i>Operating expenses</i>	
Personnel services	\$ 39,056
Utilities	4,891
Maintenance and materials	2,105
Housing assistance payments	563,061
Depreciation	210
Miscellaneous expenses	16,627
	16,627
<i>Total operating expenses</i>	625,950
<i>Operating (loss)</i>	(625,950)
<i>Non-operating revenues (expenses)</i>	
Interest expense	(225)
Miscellaneous income	2,476
	2,476
<i>Total non-operating revenues (expenses)</i>	2,251
Federal grants	653,872
Net contributions	653,872
<i>Change in net assets</i>	30,173
<i>Net assets, beginning of year</i>	90,490
<i>Net assets, end of year</i>	\$ 120,663

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Mountainair
Town of Mountainair Housing Authority
A Component Unit of the Town of Mountainair
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2011

Statement D-3

	<u>Section 8 Housing Choice Vouchers Program</u>
<i>Cash flows from operating activities:</i>	
Cash payments to employees for services	\$ (39,020)
Cash payments to suppliers for goods and services	<u>(587,684)</u>
<i>Net cash (used) by operating activities</i>	<u>(626,704)</u>
<i>Cash flows from noncapital and other financing activities:</i>	
Federal grants	653,872
Miscellaneous income	(4,787)
Change in current portion of accrued compensated absences	<u>766</u>
<i>Net cash provided by noncapital and other financing activities</i>	<u>649,851</u>
<i>Cash flows from capital and related financing activities:</i>	
Interest paid	(225)
Principal payments on note payable	<u>(4,302)</u>
<i>Net cash (used) by capital and related financing activities</i>	<u>(4,527)</u>
<i>Net increase in cash and cash equivalents</i>	18,620
<i>Cash and cash equivalents - beginning of year</i>	<u>94,218</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 112,838</u>
<i>Reconciliation of operating (loss) to net cash (used) by operating activities:</i>	
Operating (loss)	\$ (625,950)
<i>Adjustments to reconcile operating (loss) to net cash (used) by operating activities:</i>	
Depreciation	210
<i>Changes in assets and liabilities:</i>	
Accounts payable	(1,000)
Accrued payroll expenses	<u>36</u>
<i>Net cash (used) by operating activities</i>	<u>\$ (626,704)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement D-4

Town of Mountainair
Town of Mountainair Housing Authority
A Component Unit of the Town of Mountainair
Section 8 Housing Choice Vouchers Program
Statement of Revenues, Expenses and Changes in Net Assets
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating expenses:</i>				
Personnel services	\$ 33,906	\$ 33,906	\$ 39,056	\$ 5,150
Utilities	4,175	4,175	4,891	(716)
Maintenance and materials	600	600	2,105	(1,505)
Housing assistance payments	567,920	567,920	563,061	4,859
Miscellaneous expenses	32,729	32,729	16,627	16,102
<i>Total operating expenses</i>	<u>639,330</u>	<u>639,330</u>	<u>625,740</u>	<u>23,890</u>
<i>Operating (loss)</i>	<u>(639,330)</u>	<u>(639,330)</u>	<u>(625,740)</u>	<u>23,890</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	-	-	(225)	(225)
Miscellaneous income	2,476	2,476	2,476	-
<i>Total non-operating revenues (expenses)</i>	<u>2,476</u>	<u>2,476</u>	<u>2,251</u>	<u>(225)</u>
Federal grants	<u>646,440</u>	<u>646,440</u>	<u>653,872</u>	<u>7,432</u>
<i>Net contributions</i>	<u>646,440</u>	<u>646,440</u>	<u>653,872</u>	<u>7,432</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	<u>(9,586)</u>	<u>(9,586)</u>	<u>-</u>	<u>(9,586)</u>
<i>Total other financing sources (uses)</i>	<u>(9,586)</u>	<u>(9,586)</u>	<u>-</u>	<u>(9,586)</u>
<i>Changes in net assets</i>	-	-	30,383	(30,383)
<i>Depreciation</i>			<u>210</u>	
<i>Change in net assets, Statement D-2</i>			<u>\$ 30,173</u>	

The accompanying notes are an integral part of these financial statements

(This page intentionally left blank)

SUPPORTING SCHEDULES

STATE OF NEW MEXICO

Schedule I

Town of Mountainair

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2011

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Par Value June 30, 2011</u>	<u>Location of Safekeeper</u>
Primary Government					
MyBank					
	CHAMA VY ISD #19 NM	8/1/2013	157670CN8	\$ 230,000	Dallas, Texas
	LUNA CNTY NM SCH DIS	8/1/2016	550340DL4	<u>400,000</u>	Dallas, Texas
	Total MyBank			<u>\$ 630,000</u>	

See accompanying independent auditors' report

STATE OF NEW MEXICO
Town of Mountainair
Schedule of Deposit and Investment Accounts
June 30, 2011

Schedule II

Primary Government

Bank Account Type/Name	MyBank	Bank of Albuquerque	LGIP	Total
Deposits				
Checking - Natural Gas Revenue Fund	\$ 573,095	\$ -	\$ -	\$ 573,095
Checking -Municipal Water	117,125	-	-	117,125
Checking - Payroll Account	21,242	-	-	21,242
Checking - General Fund	445,760	-	-	445,760
Checking - Depreciation Replacement Account	19,754	-	-	19,754
Checking -Water Bond Fund	1,968	-	-	1,968
Certificate of Deposit - Recreation	200,397	-	-	200,397
Total on deposit	<u>1,379,341</u>	<u>-</u>	<u>-</u>	<u>1,379,341</u>
Investments				
NMFA 44th Supp (2002A) Mountainair Pf	-	21	-	21
New MexiGROW LGIP	-	-	420	420
Total investments	<u>-</u>	<u>21</u>	<u>420</u>	<u>441</u>
Total deposits and investments	1,379,341	21	420	1,379,782
Reconciling items	<u>(29,211)</u>	<u>-</u>	<u>-</u>	<u>(29,211)</u>
Reconciled balance	<u>\$ 1,350,130</u>	<u>\$ 21</u>	<u>\$ 420</u>	1,350,571
Less: restricted cash and cash equivalents per Exhibit A-1				(52,876)
Less: investments per Exhibit A-1				<u>(200,838)</u>
Total cash and cash equivalents per Exhibit A-1				<u>\$ 1,096,857</u>

Component Unit

Bank Account Type/Name	MyBank
Checking -Section 8 Housing	<u>\$ 129,221</u>
Total on deposit	129,221
Reconciling items	<u>(16,433)</u>
Reconciled balance	112,788
Plus: petty cash	<u>50</u>
Total cash and cash equivalents per Exhibit A-1	<u>\$ 112,838</u>

See accompanying independent auditors' report

STATE OF NEW MEXICO
Town of Mountainair
Town of Mountainair Housing Authority
A Component Unit of the Town of Mountainair
Financial Data Schedule
June 30, 2011

Line Item Number	Account Description	Section 8 Housing Choice Vouchers Program
Current assets:		
111	Cash - unrestricted	\$ 112,838
100	Total cash	<u>112,838</u>
125	Accounts receivable - miscellaneous	<u>7,085</u>
120	Total receivables, net of allowance for doubtful accounts	<u>7,085</u>
150	Total current assets	<u>119,923</u>
Fixed assets:		
164	Furniture, equipment & machinery - administration	62,951
166	Accumulated depreciation	<u>(37,682)</u>
160	Total fixed assets, net of accumulated depreciation	<u>25,269</u>
180	Total non current assets	<u>25,269</u>
190	Total assets	<u><u>\$ 145,192</u></u>
Current liabilities:		
321	Accrued wage/payroll taxes payable	\$ 420
322	Accrued compensated absences - current portion	2,878
344	Current portion of long-term debt - operating borrowings	<u>3,680</u>
310	Total current liabilities	<u>6,978</u>
Noncurrent liabilities:		
352	Long-term debt, net of current - operating borrowings	<u>17,551</u>
350	Total noncurrent liabilities	<u>17,551</u>
300	Total liabilities	<u>24,529</u>
Equity:		
508.1	Invested in capital assets, net of related debt	4,038
511.1	Restricted net assets	67,767
512.1	Unrestricted net assets	<u>48,858</u>
513	Total equity/net assets	<u>120,663</u>
600	Total liabilities and equity/net assets	<u><u>\$ 145,192</u></u>

See accompanying independent auditors' report

Line Item Number	Account Description	Section 8 Housing Choice Vouchers Program
Revenues:		
70600	HUD PHA operating grants	\$ 653,872
71400	Fraud recovery	365
71500	Other Revenue	2,111
70000	Total revenue	<u>\$ 656,348</u>
Expenses:		
91100	Administrative salaries	\$ 25,106
91200	Auditing fees	4,815
91500	Employee benefit contributions - administrative	13,850
91000	Total operating - administrative	<u>43,771</u>
92400	Tenant services - other	<u>6,316</u>
92500	Total tenant services	<u>6,316</u>
93100	Water	157
93800	Other utilities expense	4,734
93000	Total utilities	<u>4,891</u>
94300	Ordinary maintenance & operations - contracts	<u>2,105</u>
94000	Total maintenance	<u>2,105</u>
96200	Other general expenses	<u>5,596</u>
96000	Total other general expenses	<u>5,596</u>
96900	Total operating expenses	<u>62,679</u>
96720	Interest on notes payable (short and long term)	<u>225</u>
96700	Total interest expense and amortization cost	<u>225</u>
96900	Total operating expenses	<u>62,904</u>
97000	Excess operating revenue over operating expenses	<u>593,444</u>
97300	Housing assistance payments	563,061
97400	Depreciation expense	210
90000	Total expenses	<u>\$ 626,175</u>
10000	Excess (deficiency) of operating revenue over (under) expenses	30,173
11030	Beginning equity	<u>90,490</u>
	Ending equity	<u>\$ 120,663</u>

(This page intentionally left blank)

COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

**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 U.S. Office of Management and Budget and
The Town Council
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 aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Town of Mountainair, New Mexico (the “Town”) as of and for the year ended June 30, 2011, which collectively comprise the Town’s basic financial statements as listed in the table of contents, and have issued our report thereon dated November 28, 2011. Our opinion was qualified because we were unable to verify the cost of capital assets, the related accumulated depreciation and the current year depreciation expense, therefore, we were unable to determine the effect, if any, on net assets and the change in net assets. We also have audited the financial statements of each of the Town’s nonmajor governmental funds and component unit funds, and the respective budgetary comparisons for the proprietary funds, and all 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, 2011 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’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and a deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS 2007-05, FS 2008-01 and FS 2010-02 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as FS 2005-01 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as items FS 2005-06, and FS 2011-01-CU.

The Town'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 management, others within Town of Mountainair, the Town Council, the Office of the State Auditor, the New Mexico Department of Finance and Administration, federal awarding agencies, the New Mexico Legislature and pass-through entities, and is not intended to be and should not be used by anyone other than these parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
November 28, 2011

(This page intentionally left blank)

FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas
New Mexico State Auditor
The U.S. Office of Management and Budget and
The Town Council
Town of Mountainair
Mountainair, New Mexico

Compliance

We have audited the Town of Mountainair, New Mexico (“the Town”) compliance, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2011. The Town’s major federal program is 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 its major federal program is the responsibility of the Town of Mountainair’s management. Our responsibility is to express an opinion on the 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 the Town’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, the Town of Mountainair complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the 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 the 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 the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal controls over compliance in accordance with OMB Circular A-133, 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.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 management, others within the Town of Mountainair, the Town Council, the Office of the State Auditor, the New Mexico Department of Finance and Administration, federal awarding agencies, the New Mexico Legislature and pass-through entities, and is not intended to be and should not be used by anyone other than these parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
November 28, 2011

(This page intentionally left blank)

STATE OF NEW MEXICO
Town of Mountainair
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, 2011

Schedule IV

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	\$ 625,965 *
Total U.S. Department of Housing and Urban Development		625,965
Total Expenditures of Federal Awards		\$ 625,965

* 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*.

2. Sub-recipients

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

See accompanying independent auditors' report

STATE OF NEW MEXICO
Town of Mountainair
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|-----------|
| 1. Type of auditors’ report issued | Qualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | 1. Internal control over major programs: | | | | | |
|---|-----------------------------------|-----------------|--------|-----------------------------------|--|
| a. Material weaknesses identified? | No | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | No | | | | |
| 2. Type of auditors’ report issued on compliance for major programs | Unqualified | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No | | | | |
| 4. Identification of major programs: | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">CFDA
Number</th> <th style="text-align: center; border-bottom: 1px solid black;">Federal Program</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">14.871</td> <td style="text-align: center;">Section 8 Housing Choice Vouchers</td> </tr> </tbody> </table> | CFDA
Number | Federal Program | 14.871 | Section 8 Housing Choice Vouchers | |
| CFDA
Number | Federal Program | | | | |
| 14.871 | Section 8 Housing Choice Vouchers | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 | | | | |
| 6. Auditee qualified as low-risk auditee under the requirements set forth by OMB Circular A-133 section 530? | No | | | | |

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

FS 2007-05-Material Weakness: Preparation of Financial Statements (Repeated/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' Recommendations: 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)
 - U.S. Department of Housing and Urban Development (as applied to housing authorities)
- 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.

Management's Response: We will probably never be able to do this. We are not financially able to send someone to do training or hire someone with this type of experience to be placed in this position.

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

FS 2008-01-Material Weakness: Deficiencies in Internal Control Structure Design, Operation, and Oversight (Repeated/Modified)

Condition: The Town and Component Unit do not have a comprehensive documented internal control structure. We noted the following areas in which the Town and Component Unit do 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 adjustments were required for cash, accounts receivable, accrued payroll, and accounts payable.
- Lack of segregation of duties in the process of depositing cash and other related processes. It was observed that the Treasurer performs all the duties and functions that are required to deposit, reconcile, and adjust cash without review by another party and also enters new employees and updates employee information in the accounting system.
- The Town has not developed a formal deposit policy that limits the government's allowable deposit and addresses the specific types of risk to which the government is exposed.
- Changes to the vendor master file are not periodically reviewed for reasonableness.
- The payroll system master file change log, showing all changes made to payroll information, is not reviewed by management to ensure it reflects accurate and complete information.
- Management has not established practices for the identification of risks affecting the entity as well as appropriate fraud risk assessment and monitoring processes.
- Management does not implement controls over financial reporting through ongoing monitoring, independent evaluations, and remediation of identified deficiencies.
- 1 of 46 checks tested during our cash testing procedures did not have a dual signature as required by the Town's policy.
- During the testing of voided checks, 15 of the 41 voided checks tested were not adequately defaced.
- 18 blank checks are old and will not be used and should be disposed of.
- No travel and per diem authorization form was included in the file for 3 of 5 employees tested.
- 3 of 5 per diem reimbursements were not authorized.
- In our testwork we found one instance of a campground fee refunded through an undocumented agreement with a Town official.

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

FS 2008-01-Material Weakness: Deficiencies in Internal Control Structure Design, Operation, and Oversight (Repeated/Modified) (Continued)

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.
- Lack of segregation of duties in the process of preparing disbursements, and depositing cash and other related procedures. It was observed that the Finance Director performs all duties with limited review by another party.
- Blank checks are not adequately secured.
- On tests of controls 11 out of 60 invoices for disbursements lacked commissioner approval.

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.

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 2011 management did not have a documented policy in place 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' Recommendations: We recommend that the Town and the component unit document internal control policies and that the governing body review and approve them. We also recommend the Town design and implement controls to ensure accurate and timely financial reporting to reduce the risk of material misstatements.

Management's Response: As Town Clerk we will try to implement internal control policies and have the council review and approve them to ensure accurate and timely financial reporting.

SECTION III – FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT

FS 2005-01-Significant Deficiency: Lack of Adequate Documentation for Expenditures (Repeated/Modified)

Condition: Currently the Town does not have a policy stating that receipts are required with purchases. 4 of 27 disbursements tested were missing receipt support.

Criteria: NMSA Section 13-1-1 to 13-1-20 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 receipt support for purchases made increases the risk for misappropriation, budget over expending, or fraudulent activities.

Cause: Although finance wants all employees to turn in receipts for purchases made, it is not strictly enforced and many purchases are made with no receipt being turned in.

Auditors' Recommendations: We recommend the Town institute an official formal policy stating that a receipt must be turned in before an employee may be reimbursed.

Management's Response: The Town will put in place a formal policy stating that receipts shall be turned in before an employee is reimbursed.

STATE OF NEW MEXICO
Town of Mountainair
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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

FS 2005-06-Other Matter: Budgetary Noncompliance (Repeated/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>
Recreation Special Revenue Fund	\$ 7,000	\$ 46,022	\$ 39,022
Law Enforcement Special Revenue Fund	21,200	42,451	21,251
Lodger's Tax Special Revenue Fund	4,000	15,087	11,087
Street Special Revenue Fund	15,000	63,917	48,917
Water Proprietary Fund	250,179	257,932	7,753
Solid Waste Proprietary Fund	109,320	151,016	41,696

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 spending funds that were not authorized by the Town Council.

Auditors' Recommendations: 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.

Management's Response: Everything we (the Town) spend does go through the governing body for approval.

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

FS 2010-02-Material Weakness: Capital Assets (Repeated/Modified)

Condition: The capital asset inventory system was not being reconciled. Ending capital assets balance at prior year end did not agree with current year beginning balance. Current year depreciation is not being calculated correctly. Upon entry of asset into the asset system a full year of depreciation will be taken no matter the date of service.

Criteria: Section 2.20.1 of NMAC requires agencies to properly account for capital assets. The required capital asset accounting system is described in Section 2.20.1.8 of NMAC. Proper controls over the capital assets are described in Section 2.20.1.15 of NMAC. The statutory annual inventory requirement is described in Section 2.20.1.16 of NMAC. Section 12-6-10 NMSA1978 requires that the agency's capital asset inventory list any item costing more than \$5,000, effective June 17, 2005. Per guidance from the State Auditor dated September 8, 2006, the older capital asset items that did not meet the new capitalization threshold were supposed to remain on the list until they are disposed of in accordance with applicable statutes.

Effect: Without proper accounting for capital asset additions, deletions, and depreciation the financial statements of the Town may be misstated.

Cause: The Town does not have a sufficient internal control system in place to properly account for capital assets. They had a programmer come in to try and fix the problem but depreciation is still being calculated incorrectly.

Auditors' Recommendation: We recommend the Town properly account for capital assets and related depreciation.

Management's Response: Will still have the programmer work on the program again and fix it so it calculates the right amount of depreciation correctly.

SECTION IV – FINANCIAL STATEMENT FINDINGS – COMPONENT UNIT

FS 2011-01-CU-Other Matter: Auto Fringe Benefit

Condition: During our personal use of vehicles testwork, we noted the following item:

- One instance of personal use a of government vehicle not included as a fringe benefit on the employee's W-2.

Criteria: According to Internal Revenue Service Publication 15 B, personal use of a vehicle to commute to one's home must be added as taxable fringe benefit to an employee's W2.

Effect: The Housing Authority could be withholding and reporting incorrect social security and medicare taxes and failing to report correct income.

Cause: The Housing Authority believed Board approval to take home vehicles would negate the internal revenue service requirement. In addition, they believed this policy necessary to secure assets from theft.

Auditors' Recommendation: We recommend the Housing Authority implement a procedure to add the vehicle fringe benefit to gross income on the employee's W2.

Management's Response: The Board will put a policy in place to make sure all fringe benefits are properly included in income.

STATE OF NEW MEXICO
Town of Mountainair
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Schedule V
Page 9 of 9

SECTION V – FEDERAL AWARD FINDINGS

None.

SECTION VI – PRIOR YEAR AUDIT FINDINGS

Prior Year Audit Findings – Primary Government and Component Unit

FS 2005-01: Lack of Adequate Documentation for Expenditures, Repeated/Modified

FS 2005-06: Budgetary Noncompliance, Repeated/Modified

FS 2007-04: Insufficient Insurance Coverage, Resolved

FS 2007-05: Preparation of Financial Statements, Repeated/Modified

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

FS 2009-01: Payroll Authorization, Resolved

FS 2009-04-CU: Budgets Not Being Prepared, Resolved

FS 2010-01: Cash Appropriations in Excess of Available Cash Balances, Resolved

FS 2010-02: Capital Assets, Repeated/Modified

FS 2010-03: Late Audit Report, Resolved

STATE OF NEW MEXICO
Town of Mountainair
Other Disclosures
For the Year Ended June 30, 2011

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 30, 2011. In attendance were the following:

Representing the Town of Mountainair:

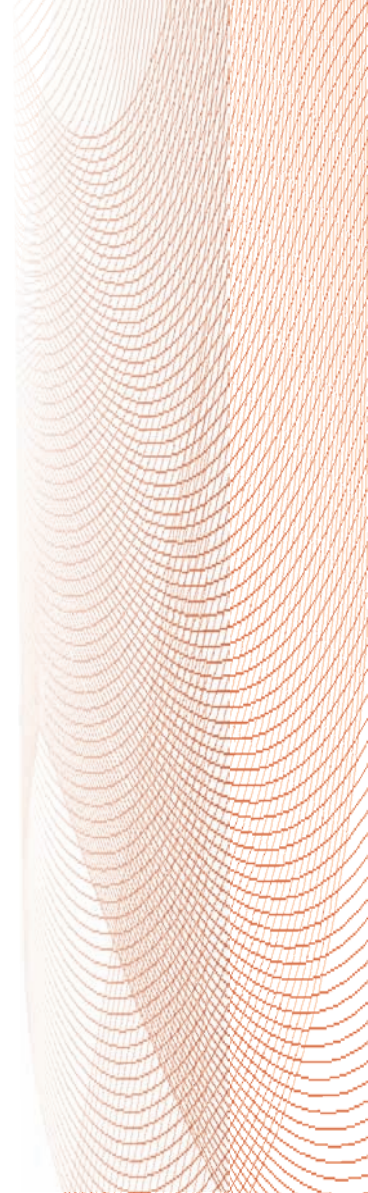
Chester Riley, Mayor
Suzan Brazil, Town Clerk
Annebelle Torres, Housing Authority Executive Director
Donna LaJeunesse, Housing Authority Board Member

Representing Accounting & Consulting Grouping, LLP:

Bobby Cordova, CPA

Auditor Prepared Financial Statements

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of the Town of Mountainair from the original books and records provided to them by the management of the Town. The responsibility for the financial statements remains with the Town.



www.acgnm.com