



Mountainair
Gateway to ancient cities

New Mexico

State of New Mexico
Town of Mountainair
Annual Financial Report
June 30, 2013



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INTRODUCTORY SECTION

STATE OF NEW MEXICO
Town of Mountainair
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Town of Mountainair
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STATE OF NEW MEXICO
Town of Mountainair
Official Roster
June 30, 2013

TOWN COUNCIL

<u>Name</u>	<u>Title</u>
Chester Riley	Mayor
George Immerwhar	Mayor Pro tem
Larry Zamora	Councilor
Juanita Carillo	Councilor
Barbara Chung	Councilor

ADMINISTRATION

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

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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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 fund of the Town of Mountainair, New Mexico (the "Town"), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements for each of the Town's nonmajor governmental funds and the respective budgetary comparisons for the major proprietary funds and all nonmajor funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Mountainair, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Town as of June 30, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects, the respective budgetary basis of accounting as prescribed in the New Mexico Administrative Code, as more fully described in Note 2 to the financial statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the Town's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, introductory section, and Supporting Schedules I through II required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Financial Data Schedule is presented as Supporting Schedule III for the purpose of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, Supporting Schedules I through II required by 2.2.2 NMAC, and the Financial Data Schedule presented as Supporting Schedule III required by the U.S. Department of Housing and Urban Development are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and Supporting Schedules I through II required by 2.2.2 NMAC, and the Financial Data Schedule presented as Supporting Schedule III required by the U.S. Department of Housing and Urban Development are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 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* in considering the Town's internal control over financial reporting and compliance.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 26, 2013

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

Town of Mountainair
Statement of Net Position
June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 693,000	\$ 1,109,019	\$ 1,802,019	\$ 35,438
Investments	139,434	420	139,854	-
Property tax receivable (net of allowance for doubtful accounts of \$4,363)	24,205	-	24,205	-
Other receivables	49,260	-	49,260	2,438
Customer receivables (net of allowance for doubtful accounts of \$28,232)	-	68,206	68,206	-
Due from primary government	-	-	-	9,200
Total Current Assets	<u>905,899</u>	<u>1,177,645</u>	<u>2,083,544</u>	<u>47,076</u>
Noncurrent Assets				
Restricted cash	-	45,854	45,854	58,005
Capital assets	2,151,550	2,060,242	4,211,792	62,951
Less: accumulated depreciation	<u>(1,767,149)</u>	<u>(2,060,160)</u>	<u>(3,827,309)</u>	<u>(42,730)</u>
Total Noncurrent Assets	<u>384,401</u>	<u>45,936</u>	<u>430,337</u>	<u>78,226</u>
Total Assets	<u>\$ 1,290,300</u>	<u>\$ 1,223,581</u>	<u>\$ 2,513,881</u>	<u>\$ 125,302</u>

The accompanying notes are an integral part of these financial statements

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current Liabilities				
Accounts payable	\$ 5,816	\$ 60,911	\$ 66,727	\$ -
Accrued payroll	5,603	3,491	9,094	594
Due to component unit	9,200	-	9,200	-
Accrued compensated absences	4,822	3,425	8,247	3,281
Accrued interest	446	-	446	-
Customer deposits	-	45,854	45,854	-
Current portion of notes and leases payable	20,148	-	20,148	4,565
Total Current Liabilities	46,035	113,681	159,716	8,440
Noncurrent Liabilities				
Accrued compensated absences	8,358	10,590	18,948	-
Notes and leases payable	127,275	-	127,275	7,747
Total Noncurrent Liabilities	135,633	10,590	146,223	7,747
Total Liabilities	181,668	124,271	305,939	16,187
Net Position				
Net investment in capital assets	236,978	82	237,060	7,909
Restricted for:				
Housing assistance payments	-	-	-	58,005
Other purposes - special revenue	264,169	-	264,169	-
Unrestricted	607,485	1,099,228	1,706,713	43,201
Total Net Position	1,108,632	1,099,310	2,207,942	109,115
Total Liabilities and Net Position	\$ 1,290,300	\$ 1,223,581	\$ 2,513,881	\$ 125,302

STATE OF NEW MEXICO
Town of Mountainair
Statement of Activities
For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary Government:			
General government	\$ 402,553	\$ 35,748	\$ 168,602
Public safety	192,144	37,045	81,325
Public works	87,860	-	-
Culture and recreation	94,564	22,605	-
Interest on long-term debt	2,676	-	-
<i>Total governmental activities</i>	<u>779,797</u>	<u>95,398</u>	<u>249,927</u>
Business-Type Activities:			
Natural Gas	415,136	560,224	-
Water	500,145	273,369	-
Solid Waste	164,567	171,648	-
<i>Total business-type activities</i>	<u>1,079,848</u>	<u>1,005,241</u>	<u>-</u>
<i>Total</i>	<u>\$ 1,859,645</u>	<u>\$ 1,100,639</u>	<u>\$ 249,927</u>
Component Unit:			
Housing Authority	<u>\$ 567,885</u>	<u>\$ -</u>	<u>534,350</u>

General Revenues

Taxes:
Property, levied for general purposes
Gross receipts
Gasoline and motor vehicle
Other
Investment income
(Loss) on sale of fixed assets
Miscellaneous income

Total general revenues

Change in net position

Net position, beginning

Net position, ending

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (198,203)	\$ -	\$ (198,203)	\$ -
(73,774)	-	(73,774)	-
(87,860)	-	(87,860)	-
(71,959)	-	(71,959)	-
(2,676)	-	(2,676)	-
<u>(434,472)</u>	<u>-</u>	<u>(434,472)</u>	<u>-</u>
-	145,088	145,088	-
-	(226,776)	(226,776)	-
-	7,081	7,081	-
<u>-</u>	<u>(74,607)</u>	<u>(74,607)</u>	<u>-</u>
<u>(434,472)</u>	<u>(74,607)</u>	<u>(509,079)</u>	<u>-</u>
-	-	-	(33,535)
29,829	-	29,829	-
266,632	-	266,632	-
80,240	-	80,240	-
17,506	-	17,506	-
322	490	812	-
(14,243)	-	-	-
7,759	7,923	15,682	714
<u>388,045</u>	<u>8,413</u>	<u>410,701</u>	<u>714</u>
(46,427)	(66,194)	(112,621)	(32,821)
<u>1,155,059</u>	<u>1,165,504</u>	<u>2,320,563</u>	<u>141,936</u>
<u>\$ 1,108,632</u>	<u>\$ 1,099,310</u>	<u>\$ 2,207,942</u>	<u>\$ 109,115</u>

STATE OF NEW MEXICO

Town of Mountainair

Balance Sheet

Governmental Funds

June 30, 2013

Exhibit B-1

Page 1 of 2

	General Fund	Recreation Fund	Other Governmental Funds	Total
<i>Assets</i>				
Cash and cash equivalents	\$ 570,698	\$ 40,077	\$ 82,225	\$ 693,000
Investments	-	139,434	-	139,434
Property tax receivable (net of allowance for doubtful accounts of \$4,363)	24,205	-	-	24,205
Other receivables	48,192	-	1,068	49,260
<i>Total assets</i>	<u>\$ 643,095</u>	<u>\$ 179,511</u>	<u>\$ 83,293</u>	<u>\$ 905,899</u>
<i>Liabilities and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 3,915	\$ -	\$ 1,901	\$ 5,816
Accrued payroll	5,603	-	-	5,603
Deferred revenue - property taxes	23,005	-	-	23,005
Due to component unit	9,200	-	-	9,200
<i>Total liabilities</i>	<u>41,723</u>	<u>-</u>	<u>1,901</u>	<u>43,624</u>
<i>Fund balances</i>				
<i>Spendable</i>				
<i>Restricted for:</i>				
Public safety	-	-	25,147	25,147
Promotion	-	-	15,077	15,077
Culture and recreation	-	179,511	-	179,511
Public works	-	-	41,168	41,168
<i>Committed to:</i>				
Minimum fund balance	38,469	-	-	38,469
Unassigned	562,903	-	-	562,903
<i>Total fund balances</i>	<u>601,372</u>	<u>179,511</u>	<u>81,392</u>	<u>862,275</u>
<i>Total liabilities and fund balances</i>	<u>\$ 643,095</u>	<u>\$ 179,511</u>	<u>\$ 83,293</u>	<u>\$ 905,899</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 Position
June 30, 2013

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$ 862,275
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	384,401
Other liabilities not due and payable in the current period and therefore are not reported in the fund statements	
Accrued interest	(446)
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	23,005
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	(147,423)
Accrued compensated absences	<u>(13,180)</u>
Total net position-governmental activities	<u><u>\$ 1,108,632</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, 2013

Exhibit B-2
Page 1 of 2

	General Fund	Recreation Fund	Other Governmental Funds	Total
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ 51,158	\$ -	\$ -	\$ 51,158
Gross receipts	266,632	-	-	266,632
Gasoline and motor vehicle	-	-	80,240	80,240
Other	9,878	-	7,628	17,506
<i>Intergovernmental:</i>				
State operating grants	168,602	-	81,325	249,927
Charges for services	72,611	22,585	-	95,196
Licenses and fees	-	-	202	202
Investment income	322	-	-	322
Miscellaneous	7,759	-	-	7,759
<i>Total revenues</i>	<u>576,962</u>	<u>22,585</u>	<u>169,395</u>	<u>768,942</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	332,021	-	-	332,021
Public safety	98,932	-	75,703	174,635
Public works	-	-	87,860	87,860
Culture and recreation	-	91,087	3,477	94,564
Capital outlay	30,675	-	-	30,675
<i>Debt service:</i>				
Principal	-	-	19,947	19,947
Interest	-	-	2,676	2,676
<i>Total expenditures</i>	<u>461,628</u>	<u>91,087</u>	<u>189,663</u>	<u>742,378</u>
<i>Net change in fund balances</i>	115,334	(68,502)	(20,268)	26,564
<i>Fund balances - beginning of year</i>	<u>486,038</u>	<u>248,013</u>	<u>101,660</u>	<u>835,711</u>
<i>Fund balances - end of year</i>	<u>\$ 601,372</u>	<u>\$ 179,511</u>	<u>\$ 81,392</u>	<u>\$ 862,275</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Mountainair

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds	\$	26,564
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital expenditures		30,675
Depreciation expense		(87,494)
<p>In the Statement of Activities, only the gain on the sale of equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the equipment sold.</p>		
Loss on disposition of assets		(14,243)
<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		(21,329)
<p>Expenses in the Statement of Activities that do not require current financial resources are not reported as expenditures in the funds:</p>		
Increase in accrued compensated absences		(547)
<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 position. 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		19,947
Change in net position of governmental activities	\$	(46,427)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-1

Town of Mountainair

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ 66,000	\$ 66,000	\$ 51,720	\$ (14,280)
Gross receipt	231,500	231,500	275,326	43,826
Gasoline and motor vehicle	-	-	-	-
Other	16,500	16,500	14,786	(1,714)
Intergovernmental:				
State operating grants	188,146	188,146	168,602	(19,544)
Charges for services	35,750	35,750	42,969	7,219
Licenses and fees	22,950	22,950	26,626	3,676
Investment income	-	-	322	322
Miscellaneous	17,000	17,000	7,759	(9,241)
<i>Total revenues</i>	<u>577,846</u>	<u>577,846</u>	<u>588,110</u>	<u>10,264</u>
<i>Expenditures</i>				
Current:				
General government	355,255	355,255	365,323	(10,068)
Public safety	183,801	183,801	100,374	83,427
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>539,056</u>	<u>539,056</u>	<u>465,697</u>	<u>73,359</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>38,790</u>	<u>38,790</u>	<u>122,413</u>	<u>83,623</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(38,790)	(38,790)	-	38,790
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(38,790)</u>	<u>(38,790)</u>	<u>-</u>	<u>38,790</u>
<i>Net change in fund balances</i>	-	-	122,413	122,413
<i>Fund balance - beginning of year</i>	-	-	448,285	448,285
<i>Fund balance - end of the year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 570,698</u>	<u>\$ 570,698</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>				\$ 122,413
Adjustments to revenues for gross receipts tax and property tax revenue.				(11,148)
Adjustments to expenditures for supplies and personnel services.				4,069
<i>Net change in fund balance (GAAP)</i>				<u>\$ 115,334</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-2

Town of Mountainair

Recreation Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	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	-	-	-	-
Charges for services	7,700	7,700	22,585	14,885
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>7,700</u>	<u>7,700</u>	<u>22,585</u>	<u>14,885</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	7,000	7,000	103,898	(96,898)
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>7,000</u>	<u>7,000</u>	<u>103,898</u>	<u>(96,898)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>700</u>	<u>700</u>	<u>(81,313)</u>	<u>(82,013)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	<u>(700)</u>	<u>(700)</u>	<u>-</u>	<u>700</u>
<i>Total other financing sources (uses)</i>	<u>(700)</u>	<u>(700)</u>	<u>-</u>	<u>700</u>
<i>Net change in fund balances</i>	-	-	(81,313)	(81,313)
<i>Fund balance - beginning of year</i>	-	-	260,824	260,824
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,511</u>	<u>\$ 179,511</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>				\$ (81,313)
No adjustments to revenues				-
Adjustments to expenditures for supplies				12,811
<i>Net change in fund balance (GAAP)</i>				<u>\$ (68,502)</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 Position
Proprietary Funds
June 30, 2013

	Enterprise Funds			Total
	Natural Gas Fund	Water Fund	Solid Waste Fund	
Assets				
<i>Current assets</i>				
Cash and cash equivalents	\$ 930,801	\$ 141,973	\$ 36,245	\$ 1,109,019
Investments	420	-	-	420
Customer receivables (net of allowance for doubtful accounts of \$10,324 and \$17,908)	24,941	43,265	-	68,206
<i>Total current assets</i>	<u>956,162</u>	<u>185,238</u>	<u>36,245</u>	<u>1,177,645</u>
<i>Noncurrent assets</i>				
Restricted cash	27,433	18,421	-	45,854
Capital assets	431,543	1,628,699	-	2,060,242
Accumulated depreciation	(431,543)	(1,628,617)	-	(2,060,160)
<i>Total noncurrent assets</i>	<u>27,433</u>	<u>18,503</u>	<u>-</u>	<u>45,936</u>
<i>Total Assets</i>	<u>\$ 983,595</u>	<u>\$ 203,741</u>	<u>\$ 36,245</u>	<u>\$ 1,223,581</u>
Liabilities and Net Position				
<i>Liabilities</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 45,490	\$ 12,148	\$ 3,273	\$ 60,911
Accrued payroll	1,482	2,009	-	3,491
Accrued compensated absences	-	3,425	-	3,425
Customer deposits	27,433	18,421	-	45,854
<i>Total current liabilities</i>	<u>74,405</u>	<u>36,003</u>	<u>3,273</u>	<u>113,681</u>
<i>Noncurrent liabilities</i>				
Accrued compensated absences	4,768	5,822	-	10,590
<i>Total noncurrent liabilities</i>	<u>4,768</u>	<u>5,822</u>	<u>-</u>	<u>10,590</u>
<i>Total liabilities</i>	<u>79,173</u>	<u>41,825</u>	<u>3,273</u>	<u>124,271</u>
<i>Net position</i>				
Net investment in capital assets	-	82	-	82
Unrestricted	904,422	161,834	32,972	1,099,228
<i>Total net position</i>	<u>904,422</u>	<u>161,916</u>	<u>32,972</u>	<u>1,099,310</u>
<i>Total liabilities and net position</i>	<u>\$ 983,595</u>	<u>\$ 203,741</u>	<u>\$ 36,245</u>	<u>\$ 1,223,581</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 Position
Proprietary Funds
For the Year Ended June 30, 2013

Exhibit D-2

	Enterprise Funds			Total
	Natural Gas Fund	Water Fund	Solid Waste Fund	
<i>Operating revenues:</i>				
Charges for services	\$ 560,224	\$ 273,369	\$ 171,648	\$ 1,005,241
<i>Total operating revenues</i>	<u>560,224</u>	<u>273,369</u>	<u>171,648</u>	<u>1,005,241</u>
<i>Operating expenses:</i>				
Cost of gas sold	165,421	-	-	165,421
Personnel	56,644	109,876	-	166,520
Supplies	6,475	-	-	6,475
Depreciation	33,751	224,065	-	257,816
Contract services	-	-	139,350	139,350
Other operating expense	152,845	166,204	25,217	344,266
<i>Total operating expenses</i>	<u>415,136</u>	<u>500,145</u>	<u>164,567</u>	<u>1,079,848</u>
<i>Operating income (loss)</i>	<u>145,088</u>	<u>(226,776)</u>	<u>7,081</u>	<u>(74,607)</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	410	80	-	490
Miscellaneous income	5,823	2,100	-	7,923
<i>Total non-operating revenues (expenses)</i>	<u>6,233</u>	<u>2,180</u>	<u>-</u>	<u>8,413</u>
<i>Change in net position</i>	151,321	(224,596)	7,081	(66,194)
<i>Total net position, beginning of year</i>	<u>753,101</u>	<u>386,512</u>	<u>25,891</u>	<u>1,165,504</u>
<i>Total net position, end of year</i>	<u>\$ 904,422</u>	<u>\$ 161,916</u>	<u>\$ 32,972</u>	<u>\$ 1,099,310</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, 2013

	Enterprise Funds	
	Natural Gas Fund	Water Fund
<i>Cash flows from operating activities:</i>		
Cash received from user charges	\$ 564,464	\$ 291,343
Cash payments to employees for services	(65,052)	(103,148)
Cash payments to suppliers for goods and services	(288,682)	(171,186)
<i>Net cash (used) provided by operating activities</i>	<u>210,730</u>	<u>17,009</u>
<i>Cash flows from noncapital financing activities:</i>		
Miscellaneous income	5,823	2,100
<i>Net cash provided by noncapital financing activities</i>	<u>5,823</u>	<u>2,100</u>
<i>Cash flows from investing activities:</i>		
Interest on investments	410	80
<i>Net cash provided by investing activities</i>	<u>410</u>	<u>80</u>
<i>Net increase in cash and cash equivalents</i>	216,963	19,189
<i>Cash and cash equivalents - beginning of year</i>	<u>741,271</u>	<u>141,205</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 958,234</u>	<u>\$ 160,394</u>
<i>Reconciliation of operating income (loss) to net cash provided by operating activities</i>		
Operating income (loss)	\$ 145,088	\$ (226,776)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	33,751	224,065
Receivables	4,240	17,974
Accounts payable	38,744	(277)
Accrued payroll	253	3,469
Accrued compensated absences	(8,661)	3,259
Customer deposits	(2,685)	(4,705)
<i>Net cash provided by operating activities</i>	<u>\$ 210,730</u>	<u>\$ 17,009</u>

The accompanying notes are an integral part of these financial statements

<u>Enterprise Funds</u> <u>Solid Waste Fund</u>	<u>Total</u>
\$ 171,648	\$ 1,027,455
-	(168,200)
<u>(164,567)</u>	<u>(624,435)</u>
7,081	234,820
-	<u>7,923</u>
-	<u>7,923</u>
-	<u>490</u>
-	<u>490</u>
7,081	243,233
<u>25,891</u>	<u>908,367</u>
<u>\$ 32,972</u>	<u>\$ 1,151,600</u>
\$ 7,081	\$ (74,607)
-	257,816
-	22,214
-	38,467
-	3,722
-	(5,402)
-	<u>(7,390)</u>
<u>\$ 7,081</u>	<u>\$ 234,820</u>

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2013

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 entities.

During the year ended June 30, 2013, the Town adopted GASB Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The Town does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

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 Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. 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, 2013

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, as amended by GASB Statement No. 61, 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 position 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 Position 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 Position, the governmental activities column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The Town's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

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.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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. 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 Town.

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 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 expense 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 for the Town's enterprise funds is charges for services for the Town's utilities. 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

When both restricted and unrestricted resources are available for use, it is the Town'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, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Under the requirements of GASB Statement No. 34, the Town is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following:

The Town reports the following major governmental funds:

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

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

The 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.

D. Assets, Liabilities and Net Position 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.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 Statement No. 34, the Town could elect not to capitalize and depreciate its additions and improvements to its infrastructure retroactively back to 1980. Since the implementation of GASB Statement No. 34, the Town has been required to capitalize and depreciate infrastructure additions in its capital assets. 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. There was no interest capitalized by the Town during the fiscal year. 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	5-10
Equipment	5-30
Buildings and improvements	45-60

Deferred Revenues: There are two types of deferred revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for deferred revenue (commonly referred to as unearned revenue). The other type of deferred revenue is “unavailable revenue.” Under the modified accrual basis of accounting, it is not enough that the revenue has been earned if it is to be revenue of the current period. It must also be susceptible to accrual (measureable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred revenue. The Town has recognized deferred revenues of \$23,005 at June 30, 2013.

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 240 hours (thirty days) of annual leave and carry that leave forward from calendar year to calendar year. Upon termination, employees will be paid for up to 240 hours (thirty days) of accrued annual leave.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 position.

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 position. For bonds issued after the Town implemented GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method; and bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums and discounts, as well as issuance costs are recognized in the period the bonds are issued. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, even if withheld from the net proceeds received, are reported as debt service expenditures.

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.

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 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, 2013, the Town has presented restricted fund balance on the governmental funds balance sheet in the amount of \$260,903 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 \$38,469 at June 30, 2013.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Equity Classifications

Government-wide Statements

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

- a. Net Investment in Capital Assets: Net position 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 Position: Consist of net position 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 position restricted for “special revenue” are described on pages 31 and 49.
- c. Unrestricted Net Position: All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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.

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.

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 budgetary 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 component unit fund budgets are prepared on the GAAP basis.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2013

NOTE 2. Stewardship, Compliance and Accountability (continued)

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/operating income (loss)	
	Original Budget	Final Budget
Governmental Activities		
General Fund	\$ 38,790	\$ 38,790
Recreation	\$ 700	\$ 700
Nonmajor Funds	\$ 8,341	\$ 8,341
Business-type Activities		
Natural Gas	\$ 62,805	\$ 62,805
Water	\$ 20,876	\$ 20,876
Solid Waste	\$ 680	\$ 680

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual and Statements of Revenues, Expenses and Changes in Net Position-Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary 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 accounting principles generally accepted in the United States of America (GAAP), a reconciliation of 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, 2013 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

Component Unit

The Town of Mountainair Housing Authority (the Authority) is required to obtain approval from HUD for any revisions to the budgets that alter the total expenditures at the legal level of budgetary control, which is the at the grant program level. HUD program budgets are prepared on a regulatory basis which is comparable to the GAAP basis except for the omission of depreciation. Budgetary data for the Authority’s programs are prepared on a calendar year basis. HUD does not require the presentation of the budgets in the financial statements, however, the Authority did have a board approved budget for internal monitoring purposes which is presented in the as part of the financial statements.

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, 2013.

Deposits of funds may be made in interest bearing 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.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2013

NOTE 3. Deposits and Investments (continued)

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.

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account no longer will receive unlimited deposit insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Beginning January 1, 2013, all of the Town's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

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). Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation requires that all depositories provide collateral equal to at least one-half of the amount of public monies on deposit that are uninsured by FDIC limits. At June 30, 2013, \$1,617,432 of the Town's bank balance of \$2,006,866 was exposed to custodial credit risk. Although the \$1,617,432 was uninsured, \$880,000 was collateralized by collateral held by the pledging bank's trust department, not in the Town's name. \$737,432 of the Town's deposits were uninsured and uncollateralized at June 30, 2013.

Primary Government

	MyBank
Amount of deposits	\$ 2,006,866
FDIC Coverage	(389,434)
Total uninsured public funds	1,617,432
Collateralized by securities held by pledging institution or by its trust department or agent in other than the Town's name	880,000
Uninsured and uncollateralized	\$ 737,432
Collateral requirement (50% of uninsured funds)	\$ 808,716
Pledged Collateral	880,000
Over (Under) collateralized	\$ 71,284

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, all bonds issued by any agency, District or political subdivision of the State of New Mexico, or revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated BAA or above by a nationally recognized bond rating service.

The Town utilizes pooled accounts for their funds. The General and Special Revenue Funds are all in multiple accounts.

Component Unit

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). At June 30, 2013, none of the Housing Authority's bank balance of \$97,799 was exposed to custodial credit risk.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2013

NOTE 3. Deposits and Investments (continued)

Component Unit

	Wells Fargo Bank - Housing Authority
Amount of deposits	\$ 97,799
FDIC Coverage	(97,799)
Total uninsured public funds	-
Collateralized by securities held by pledging institution or by its trust department or agent in other than the Housing Authority's name	-
Uninsured and uncollateralized	\$ -
Collateral requirement (50% of uninsured funds)	\$ -
Pledged Collateral	-
Over (Under) collateralized	\$ -

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, 2013 the financial institution did not pledge any collateral for the Housing Authority's deposits.

Investments

Credit Risk

As of June 30, 2013, 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, 2013

NOTE 3. Deposits and Investments (continued)

Investments (continued)

The Town's investments at June 30, 2013 include the following:

<u>Investments</u>	<u>Rated</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
New MexiGROW LGIP	AAAm	\$ 420	59 days
		<u>\$ 420</u>	

The investments are listed on Schedule II of this report. The types of investment, interest rate, maturity date and fair value per security are included in the schedule.

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 investment in the New MexiGROW LGIP represents 100% 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).

The Town has presented certificates of deposits of \$139,434 as investments in the Statement of Net Position, however, these are classified as deposits for disclosure purposes.

Primary Government

Reconciliation to the Statement of Net Position:

Cash and cash equivalents per Exhibit A-1	\$ 1,802,019
Investments per Exhibit A-1	139,854
Restricted cash per Exhibit A-1	<u>45,854</u>
Total cash and cash equivalents and investments	1,987,727
Add: outstanding checks	21,278
Less: deposits in transit	(1,719)
Less: investment in NewMexiGROW LGIP	<u>(420)</u>
Bank balance of deposits	<u>\$ 2,006,866</u>

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2013

NOTE 3. Deposits and Investments (continued)

Component Unit

Reconciliation to the Statement of Net Position:

Cash and cash equivalents per Exhibit A-1	\$	35,438
Restricted cash and cash equivalents per Exhibit A-1		58,005
 Total cash and cash equivalents		 93,443
Add: outstanding checks		4,679
Less: deposits in transit		(273)
Less: petty cash		(50)
		97,799
 Bank balance of deposits	 \$	 97,799

NOTE 4. Receivables

Receivables as of June 30, 2013, are as follows:

Governmental Activities:	General	Governmental Funds	Total
Property tax receivable	\$ 28,568	\$ -	\$ 28,568
Other receivables:			
Gross receipts taxes	47,762	-	47,762
Lodger's taxes	-	1,068	1,068
Franchise taxes	430	-	430
Allowance - uncollectable			
Property tax receivable	(4,363)	-	(4,363)
Total net receivable	\$ 72,397	\$ 1,068	\$ 73,465

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$23,005 that were not collected within the period of availability have been reclassified as unearned revenue in the governmental fund financial statements.

Business-type Activities:	Natural Gas	Water	Total
Customer receivable	\$ 35,265	\$ 61,173	\$ 96,438
Allowance - uncollectable customer receivables	(10,324)	(17,908)	(28,232)
Total net receivable	\$ 24,941	\$ 43,265	\$ 68,206

Component Unit:	Housing Authority
Other receivable	\$ 2,438
Total net receivable	\$ 2,438

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2013

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, 2013 is as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Component Unit - Housing Authority	Primary Government - General Fund	\$ 9,200
	Total Intergovernment Balances	<u>\$ 9,200</u>

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

There were no operating transfers during the year ended June 30, 2013.

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2013 follows. Land is not subject to depreciation.

Governmental Activities:

	<u>Balance June 30, 2012</u>	<u>Adjustments to Estimate</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2013</u>
Capital assets, not depreciated						
Land	\$ 169,329	\$ -	\$ -	\$ 2,185	\$ -	\$ 167,144
Total capital assets, not depreciated	<u>169,329</u>	<u>-</u>	<u>-</u>	<u>2,185</u>	<u>-</u>	<u>167,144</u>
Capital assets, depreciated:						
Equipment	162,786	-	20,521	15,270	(8,330)	159,707
Vehicles	752,162	-	8,504	50,704	8,330	718,292
Buildings and improvements	<u>1,104,757</u>	<u>-</u>	<u>1,650</u>	<u>-</u>	<u>-</u>	<u>1,106,407</u>
Total capital assets, being depreciated	<u>2,019,705</u>	<u>-</u>	<u>30,675</u>	<u>65,974</u>	<u>-</u>	<u>1,984,406</u>
Less accumulated depreciation:						
Equipment	156,475	3,887	3,290	15,270	(8,330)	140,052
Vehicles	497,421	54,896	16,072	38,646	8,330	538,073
Buildings and improvements	<u>1,079,675</u>	<u>6,132</u>	<u>3,217</u>	<u>-</u>	<u>-</u>	<u>1,089,024</u>
Total accumulated depreciation	<u>1,733,571</u>	<u>64,915</u>	<u>22,579</u>	<u>53,916</u>	<u>-</u>	<u>1,767,149</u>
Total capital assets, net of depreciation	<u>\$ 455,463</u>	<u>\$ (64,915)</u>	<u>\$ 8,096</u>	<u>\$ 14,243</u>	<u>\$ -</u>	<u>\$ 384,401</u>

During the year ended June 30, 2013, the Town has reassessed the useful lives of certain assets and has made changes in the depreciation calculation for the current year. As a result, a change in estimate adjustment has been recorded to adjust the accumulated depreciation balances. The effect of the adjustment was a decrease in net capital assets by \$64,915.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2013

NOTE 6. Capital Assets (continued)

Governmental Activities (continued)

Depreciation expense for the year ended June 30, 2013 was allocated as follows:

General government	\$	6,507
Public safety		<u>16,072</u>
 Total depreciation	 \$	 <u>22,579</u>

Business-type Activities:

	Balance June 30, 2012	Adjustments to Estimate	Additions	Deletions	Transfers	Balance June 30, 2013
Capital assets, depreciated:						
Equipment	\$ 33,082	\$ -	\$ -	\$ -	\$ -	\$ 33,082
Vehicles	49,257	-	-	17,965	-	31,292
Buildings and improvements	<u>1,995,868</u>	<u>-</u>	<u>-</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>17,965</u>	<u>-</u>	<u>2,060,242</u>
Less accumulated depreciation:						
Equipment	17,710	15,265	25	-	-	33,000
Vehicles	49,257	-	-	17,965	-	31,292
Buildings and improvements	<u>1,753,342</u>	<u>242,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,995,868</u>
Total accumulated depreciation	<u>1,820,309</u>	<u>257,791</u>	<u>25</u>	<u>17,965</u>	<u>-</u>	<u>2,060,160</u>
Total capital assets, net of depreciation	<u>\$ 257,898</u>	<u>\$ (257,791)</u>	<u>\$ (25)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82</u>

During the year ended June 30, 2013, the Town has reassessed the useful lives of certain assets and has made changes in the depreciation calculation for the current year. As a result, a change in estimate adjustment has been recorded to adjust the accumulated depreciation balances. The effect of the adjustment was a decrease in net capital assets by \$257,791.

Depreciation expense for the year ended June 30, 2013 was allocated as follows:

Water Fund	\$	<u>25</u>
 Total depreciation	 \$	 <u>25</u>

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2013

NOTE 6. Capital Assets (continued)

Component Unit:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets, depreciated:				
Equipment	\$ 62,951	\$ -	\$ -	\$ 62,951
Less accumulated depreciation:				
Equipment	40,206	2,524	-	42,730
Total capital assets, net of depreciation	<u>\$ 22,745</u>	<u>\$ (2,524)</u>	<u>\$ -</u>	<u>\$ 20,221</u>

Depreciation expense for the year ended June 30, 2013 was allocated as follows:

Section 8 Housing Choice Vouchers	\$ <u>2,524</u>
Total depreciation	\$ <u>2,524</u>

NOTE 7. Long-term Debt

During the year ended June 30, 2013, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>	<u>Due within One year</u>
Governmental activities:					
Fire Pumper Loan	\$ 167,370	\$ -	\$ 19,947	\$ 147,423	\$ 20,148
Compensated absences	12,633	5,369	4,822	13,180	4,822
Total governmental	<u>\$ 180,003</u>	<u>\$ 5,369</u>	<u>\$ 24,769</u>	<u>\$ 160,603</u>	<u>\$ 24,970</u>
Business-type activities:					
Compensated absences	\$ 15,992	\$ 1,448	\$ 3,425	\$ 14,015	\$ 3,425
Total business-type activities	<u>\$ 15,992</u>	<u>\$ 1,448</u>	<u>\$ 3,425</u>	<u>\$ 14,015</u>	<u>\$ 3,425</u>
Component unit:					
Note payable	\$ 16,465	\$ -	\$ 4,153	\$ 12,312	\$ 4,565
Compensated absences	3,623	3,814	4,156	3,281	3,281
Total component unit	<u>\$ 20,088</u>	<u>\$ 3,814</u>	<u>\$ 8,309</u>	<u>\$ 15,593</u>	<u>\$ 7,846</u>

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2013

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 \$22,621 to \$22,623 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, 2013, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 20,148	\$ 2,475	\$ 22,623
2015	20,390	2,232	22,622
2016	20,670	1,953	22,623
2017	20,987	1,635	22,622
2018	21,344	1,279	22,623
2019-2020	43,884	1,362	45,246
	<u>\$ 147,423</u>	<u>\$ 10,936</u>	<u>\$ 158,359</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, 2013, compensated absences increased \$547 for governmental activities, decreased \$1,977 for business type activities, and decreased \$342 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 has not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2013, 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, 2013

NOTE 9. Other Required Individual Fund Disclosures

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

- A. Deficit fund balances of individual funds. The Town did not have any deficit fund balances for the year ended June 30, 2013.
- B. Excess of expenditures over appropriations. The following funds had expenditures in excess of their budgeted appropriations for the year ended June 30, 2013:

Major Fund	
Recreation Special Revenue Fund	\$ (96,898)
 Nonmajor Funds	
EMS Special Revenue Fund	(1,917)
Law Enforcement Special Revenue Fund	(5,918)
Lodger's Tax Special Revenue Fund	(892)
Street Special Revenue Fund	<u>(71,307)</u>
 Total Governmental Funds	 <u><u>\$ (176,932)</u></u>
 Proprietary Funds	
Water Proprietary Fund	\$ (28,505)
Solid Waste Proprietary Fund	<u>(51,974)</u>
 Total Proprietary Funds	 <u><u>\$ (80,479)</u></u>

- C. Designated ash 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, 2013.

NOTE 10. Pension Plan – Public Employees Retirement Association

Plan Description: Substantially all of the Town's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement 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: 16.3% for law enforcement and fire protection employees; and 9.15% for Town employees. The Town is required to contribute the following percentages of the gross covered salary: 18.5% for law enforcement and fire protection plan members; and 9.15% for Town plan members. The contribution requirements of plan members and the Town 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 ended June 30, 2013, 2012, and 2011 were \$22,456, \$25,925 and \$24,957, 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, 2013

NOTE 11. Post-Employment Benefit – State Retiree Health Care Plan

The Town of Mountainair did not participate in the Retiree Health Care Plan provided under the Retiree Health Care Act (10-7c-1 to 10-7c-17, NMSA 1978) during the year ended June 30, 2013.

NOTE 12. Contingent Liabilities

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

NOTE 13. Federal and State Grants

The Town of Mountainair participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the grantor government. As of June 30, 2013, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Town.

NOTE 14. 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.

Substantially all revenues of the Town of Mountainair Housing Authority (the Authority) are received from programs directed by the United States Department of Housing and Urban Development. Receipt of these funds is contingent upon the Authority's continued compliance with grant provisions and the continuance of the grant programs by the U.S. Governmental agency.

NOTE 15. Restricted Net Position

The government wide statement of net position and component unit's government wide statement of net position report \$264,169 and \$58,005, of restricted net position, respectively, all of which is restricted by enabling legislation. For descriptions of the related enabling legislation for special revenue funds, see pages 31 and 49.

NOTE 16. Subsequent Events

On May 7, 2013, the Town of Mountainair entered into an agreement for the El Camino Real Housing Authority to take over operations of the Town of Mountainair Housing Authority which is effective January 1, 2014. As of this date, the Town of Mountainair will cease to be a component unit of the Town of Mountainair.

The date to which events occurring after June 30, 2013, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 26, 2013 which is the date on which the financial statements were issued.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Financial Statements
June 30, 2013

NOTE 17. Subsequent Pronouncements

In March 2012, GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The standard will be implemented during fiscal year June 30, 2014.

In March 2012, GASB Statement No. 66 *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The standard will be implemented during fiscal year June 30, 2014.

In June 2012, GASB Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statements No. 25*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the Town in upcoming years.

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The Town will implement this standard during the fiscal year June 30, 2015.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, was issued. Effective Date: The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The Town is still evaluating how this reporting standard will affect the Town.

In April 2013, GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, was issued. Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The Town is still evaluating how this reporting standard will affect the Town.

SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
Town of Mountainair
Nonmajor Fund Descriptions
June 30, 2013

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.

FIRE PROTECTION 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.

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, 2013

	Special Revenue			
	Correction Fees Fund	EMS Fund	Fire Protection Fund	Law Enforcement Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 1,874	\$ -	\$ 14,299	\$ -
Other receivables	-	-	-	-
<i>Total assets</i>	<u>\$ 1,874</u>	<u>\$ -</u>	<u>\$ 14,299</u>	<u>\$ -</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ 348	\$ -
<i>Total liabilities</i>	-	-	348	-
<i>Fund balances</i>				
Spendable				
Restricted for:				
Public safety	1,874	-	13,951	-
Promotion	-	-	-	-
Public works	-	-	-	-
<i>Total fund balances</i>	<u>1,874</u>	<u>-</u>	<u>13,951</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,874</u>	<u>\$ -</u>	<u>\$ 14,299</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Special Revenue			Total Nonmajor Governmental Funds
Lodger's Tax Fund	Street Fund	FEMA Fund	
\$ 14,009	\$ 42,721	\$ 9,322	\$ 82,225
1,068	-	-	1,068
<u>\$ 15,077</u>	<u>\$ 42,721</u>	<u>\$ 9,322</u>	<u>\$ 83,293</u>
\$ -	\$ 1,553	\$ -	\$ 1,901
-	1,553	-	1,901
-	-	9,322	25,147
15,077	-	-	15,077
-	41,168	-	41,168
<u>15,077</u>	<u>41,168</u>	<u>9,322</u>	<u>81,392</u>
<u>\$ 15,077</u>	<u>\$ 42,721</u>	<u>\$ 9,322</u>	<u>\$ 83,293</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, 2013

	Special Revenue			
	Correction Fees Fund	EMS Fund	Fire Protection Fund	Law Enforcement Fund
<i>Revenues:</i>				
<i>Taxes:</i>				
Gasoline and motor vehicle	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
<i>Intergovernmental:</i>				
State operating grants	-	9,324	72,001	-
Licenses and fees	202	-	-	-
<i>Total revenues</i>	<u>202</u>	<u>9,324</u>	<u>72,001</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Public safety	1,686	10,217	37,282	26,518
Public works	-	-	-	-
Culture and recreation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	19,947	-
Interest	-	-	2,676	-
<i>Total expenditures</i>	<u>1,686</u>	<u>10,217</u>	<u>59,905</u>	<u>26,518</u>
<i>Net change in fund balances</i>	(1,484)	(893)	12,096	(26,518)
<i>Fund balances - beginning of year</i>	<u>3,358</u>	<u>893</u>	<u>1,855</u>	<u>26,518</u>
<i>Fund balances - end of year</i>	<u>\$ 1,874</u>	<u>\$ -</u>	<u>\$ 13,951</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Special Revenue			Total Nonmajor Governmental Funds
Lodger's Tax Fund	Street Fund	FEMA Fund	
\$ -	\$ 80,240	\$ -	\$ 80,240
7,628	-	-	7,628
-	-	-	81,325
-	-	-	202
<u>7,628</u>	<u>80,240</u>	<u>-</u>	<u>169,395</u>
-	-	-	75,703
-	87,860	-	87,860
3,477	-	-	3,477
-	-	-	19,947
-	-	-	2,676
<u>3,477</u>	<u>87,860</u>	<u>-</u>	<u>189,663</u>
4,151	(7,620)	-	(20,268)
<u>10,926</u>	<u>48,788</u>	<u>9,322</u>	<u>101,660</u>
<u>\$ 15,077</u>	<u>\$ 41,168</u>	<u>\$ 9,322</u>	<u>\$ 81,392</u>

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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, 2013

	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	2,700	2,700	202	(2,498)
Investment income	-	-	-	-
<i>Total revenues</i>	<u>2,700</u>	<u>2,700</u>	<u>202</u>	<u>(2,498)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	2,700	2,700	1,686	1,014
Public works	-	-	-	-
Culture and recreation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,700</u>	<u>2,700</u>	<u>1,686</u>	<u>1,014</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(1,484)	(1,484)
<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>	-	-	(1,484)	(1,484)
<i>Fund balance - beginning of year</i>	-	-	3,358	3,358
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,874</u>	<u>\$ 1,874</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ (1,484)	
No adjustments to revenues			-	
No adjustments to expenditures			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (1,484)</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, 2013

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
<i>Intergovernmental:</i>				
State operating grants	-	-	9,324	9,324
Charges for services	8,300	8,300	-	(8,300)
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>8,300</u>	<u>8,300</u>	<u>9,324</u>	<u>1,024</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	8,300	8,300	10,217	(1,917)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>8,300</u>	<u>8,300</u>	<u>10,217</u>	<u>(1,917)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(893)	(893)
<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>	-	-	(893)	(893)
<i>Fund balance - beginning of year</i>	-	-	893	893
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ (893)	
No adjustments to revenues			-	
No adjustments to expenditures			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (893)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-3

Town of Mountainair

Fire Protection Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	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	43,203	43,203	49,378	6,175
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>43,203</u>	<u>43,203</u>	<u>49,378</u>	<u>6,175</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	43,203	43,203	38,018	5,185
Public works	-	-	-	-
Culture and recreation	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>43,203</u>	<u>43,203</u>	<u>38,018</u>	<u>5,185</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>11,360</u>	<u>11,360</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>	-	-	11,360	11,360
<i>Fund balance- beginning of year</i>	<u>-</u>	<u>-</u>	<u>2,939</u>	<u>2,939</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,299</u>	<u>\$ 14,299</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ 11,360	
Adjustments to state allotment revenues			22,623	
Adjustments to expenditures for supplies and other operating costs			(21,887)	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 12,096</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-4

Town of Mountainair

Law Enforcement Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	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	20,600	20,600	20,600	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>20,600</u>	<u>20,600</u>	<u>20,600</u>	<u>-</u>
<i>Expenditures</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	20,600	20,600	26,518	(5,918)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>20,600</u>	<u>20,600</u>	<u>26,518</u>	<u>(5,918)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(5,918)</u>	<u>(5,918)</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>	-	-	(5,918)	(5,918)
<i>Fund balance - beginning of year</i>	-	-	5,918	5,918
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ (5,918)	
Adjustments to revenues for state grants recognized in the prior year			(20,600)	
No adjustments to expenditures			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (26,518)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-5

Town of Mountainair

Lodger's Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	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	12,441	12,441	6,560	(5,881)
<i>Intergovernmental:</i>				
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>12,441</u>	<u>12,441</u>	<u>6,560</u>	<u>(5,881)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	4,100	4,100	4,992	(892)
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,100</u>	<u>4,100</u>	<u>4,992</u>	<u>(892)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>8,341</u>	<u>8,341</u>	<u>1,568</u>	<u>(6,773)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(8,341)	(8,341)	-	8,341
<i>Total other financing sources (uses)</i>	<u>(8,341)</u>	<u>(8,341)</u>	<u>-</u>	<u>8,341</u>
<i>Net change in fund balance</i>	-	-	1,568	1,568
<i>Fund balance - beginning of year</i>	-	-	12,441	12,441
<i>Fund Balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,009</u>	<u>\$ 14,009</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ 1,568	
Adjustments to revenues for lodger's tax revenues			1,068	
Adjustments to expenditures for other operating expenditures			1,515	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 4,151</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-6

Town of Mountainair

Street Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	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	83,223	68,223
Other	-	-	-	-
<i>Intergovernmental:</i>				
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>15,000</u>	<u>15,000</u>	<u>83,223</u>	<u>68,223</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	15,000	15,000	86,307	(71,307)
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>15,000</u>	<u>15,000</u>	<u>86,307</u>	<u>(71,307)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(3,084)</u>	<u>(3,084)</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>	-	-	(3,084)	(3,084)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>45,805</u>	<u>45,805</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,721</u>	<u>\$ 42,721</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ (3,084)	
Adjustments to revenues for gasoline and motor vehicle tax revenues			(2,983)	
Adjustments to expenditures for other operating costs			<u>(1,553)</u>	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (7,620)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-7

Town of Mountainair

FEMA Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2013

	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	-	-	-	-
<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	9,322	9,322	-	9,322
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>9,322</u>	<u>9,322</u>	<u>-</u>	<u>9,322</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance- beginning of year</i>	<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 Position

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 558,200	\$ 558,200	\$ 561,779	\$ 3,579
<i>Total operating revenues</i>	<u>558,200</u>	<u>558,200</u>	<u>561,779</u>	<u>3,579</u>
<i>Operating expenses:</i>				
Cost of gas sold	-	-	169,439	(169,439)
Salaries	-	-	65,053	(65,053)
Supplies	-	-	6,475	(6,475)
Contract services	-	-	-	-
Other operating expenses	495,395	495,395	110,082	385,313
<i>Total operating expenses</i>	<u>495,395</u>	<u>495,395</u>	<u>351,049</u>	<u>144,346</u>
<i>Operating income (loss)</i>	<u>62,805</u>	<u>62,805</u>	<u>210,730</u>	<u>147,925</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	2,000	2,000	410	(1,590)
Miscellaneous income	-	-	5,823	5,823
<i>Total non-operating revenues (expenses):</i>	<u>2,000</u>	<u>2,000</u>	<u>6,233</u>	<u>4,233</u>
Designated cash (budgeted increase in cash)	<u>(64,805)</u>	<u>(64,805)</u>	-	64,805
<i>Change in net position</i>	-	-	216,963	216,963
<i>Total net position - beginning of year</i>	-	-	741,691	741,691
<i>Total net position - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 958,654</u>	<u>\$ 958,654</u>
<i>Change in net position (non-GAAP budgetary basis)</i>			\$ 216,963	
Adjustments to revenues for charges for services			(1,555)	
Adjustments to expenditures for depreciation, salaries and operating expenses			<u>(64,087)</u>	
<i>Change in net position (GAAP)</i>			<u>\$ 151,321</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 Position

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	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	\$ 286,638	\$ 24,638
<i>Total operating revenues</i>	<u>262,000</u>	<u>262,000</u>	<u>286,638</u>	<u>24,638</u>
<i>Operating expenses:</i>				
Salaries	-	-	105,112	(105,112)
Supplies	-	-	-	-
Contract services	-	-	-	-
Capital outlay	-	-	-	-
Other operating expenses	241,124	241,124	164,517	76,607
<i>Total operating expenses</i>	<u>241,124</u>	<u>241,124</u>	<u>269,629</u>	<u>(28,505)</u>
<i>Operating income (loss)</i>	<u>20,876</u>	<u>20,876</u>	<u>17,009</u>	<u>(3,867)</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	-	-	80	80
Miscellaneous income	-	-	2,100	2,100
<i>Total non-operating revenues (expenses):</i>	<u>-</u>	<u>-</u>	<u>2,180</u>	<u>2,180</u>
Designated cash (budgeted increase in cash)	<u>(20,876)</u>	<u>(20,876)</u>	<u>-</u>	<u>20,876</u>
<i>Change in net position</i>	-	-	19,189	19,189
<i>Total net position - beginning of year</i>	<u>-</u>	<u>-</u>	<u>141,205</u>	<u>141,205</u>
<i>Total net position - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,394</u>	<u>\$ 160,394</u>
<i>Change in net position (non-GAAP budgetary basis)</i>			\$ 19,189	
Adjustments to revenues for charges for services			(13,269)	
Adjustments to expenditures for personnel costs, supplies and other operating costs			<u>(230,516)</u>	
<i>Change in net position (GAAP)</i>			<u>\$ (224,596)</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 Position

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 110,000	\$ 110,000	\$ 171,648	\$ 61,648
<i>Total operating revenues</i>	<u>110,000</u>	<u>110,000</u>	<u>171,648</u>	<u>61,648</u>
<i>Operating expenses:</i>				
Salaries	-	-	-	-
Supplies	-	-	-	-
Depreciation	-	-	-	-
Contract services	109,320	109,320	139,350	(30,030)
Other operating expenses	-	-	21,944	(21,944)
<i>Total operating expenses</i>	<u>109,320</u>	<u>109,320</u>	<u>161,294</u>	<u>(51,974)</u>
<i>Operating income (loss)</i>	<u>680</u>	<u>680</u>	<u>10,354</u>	<u>9,674</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses):</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Designated cash (budgeted increase in cash)	<u>(680)</u>	<u>(680)</u>	<u>-</u>	<u>680</u>
<i>Change in net position</i>	-	-	10,354	10,354
<i>Total net position - beginning of year</i>	<u>-</u>	<u>-</u>	<u>25,891</u>	<u>25,891</u>
<i>Total net position - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,245</u>	<u>\$ 36,245</u>
<i>Change in net position (non-GAAP budgetary basis)</i>			\$ 10,354	
No adjustments to revenue			-	
Adjustments to expenditures for operating expenses			<u>(3,273)</u>	
<i>Change in net position (GAAP)</i>			<u>\$ 7,081</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 Position
Proprietary Fund
June 30, 2013

Statement D-1

Section 8
Housing Choice
Vouchers Program

ASSETS

Current assets:

Cash and cash equivalents	\$	35,438
Accounts receivable		2,438
Receivable from primary government		9,200
		9,200
<i>Total current assets</i>		47,076

Noncurrent Assets:

Restricted cash and cash equivalents		58,005
Capital assets		62,951
Less: accumulated depreciation		(42,730)
		(42,730)
<i>Total noncurrent assets</i>		78,226

<i>Total assets</i>	\$	125,302
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LIABILITIES AND NET POSITION

Current liabilities:

Accrued payroll	\$	594
Compensated absences, current portion		3,281
Current portion of long term debt		4,565
		4,565
<i>Total current liabilities</i>		8,440

Non-current liabilities:

Notes payable, net of current portion		7,747
		7,747
<i>Total non-current liabilities</i>		7,747

<i>Total liabilities</i>		16,187
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Net position:

Net investment in capital assets		7,909
Restricted for:		
Housing assistance payments		58,005
Unrestricted		43,201
		43,201
<i>Total net position</i>		109,115

<i>Total liabilities and net position</i>	\$	125,302
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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 Position
Proprietary Fund
For the Year Ended June 30, 2013

	Section 8 Housing Choice Vouchers Program
<i>Operating revenues</i>	
Subsidy grants	\$ 534,350
<i>Total operating revenues</i>	534,350
<i>Operating expenses</i>	
Personnel services	\$ 35,201
Occupancy expenses	7,403
Maintenance and materials	1,776
Housing assistance payments	501,596
Depreciation	2,524
Other administrative expenses	15,056
Miscellaneous expenses	2,943
<i>Total operating expenses</i>	566,499
<i>Operating (loss)</i>	(32,149)
<i>Non-operating revenues (expenses)</i>	
Miscellaneous income	714
Interest expense	(1,386)
<i>Total non-operating revenues (expenses)</i>	(672)
<i>Change in net position</i>	(32,821)
<i>Net position, beginning of year</i>	141,936
<i>Net position, end of year</i>	\$ 109,115

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, 2013

Statement D-3

	<u>Section 8 Housing Choice Vouchers Program</u>
<i>Cash flows from operating activities:</i>	
Cash payments to employees for services	\$ (33,684)
Cash payments to suppliers for goods and services	(528,774)
Cash received from subsidy grants	<u>534,350</u>
<i>Net cash (used) by operating activities</i>	<u>(28,108)</u>
<i>Cash flows from noncapital and other financing activities:</i>	
Miscellaneous income	1,209
Change in receivable from primary government	(2,000)
Change in current portion of accrued compensated absences	<u>(1,858)</u>
<i>Net cash (used) by noncapital and other financing activities</i>	<u>(2,649)</u>
<i>Cash flows from capital and related financing activities:</i>	
Interest paid	(1,386)
Principal payments on note payable	<u>(4,153)</u>
<i>Net cash (used) by capital and related financing activities</i>	<u>(5,539)</u>
<i>Net decrease in cash and cash equivalents</i>	(36,296)
<i>Cash and cash equivalents - beginning of year</i>	<u>129,739</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 93,443</u>
<i>Reconciliation of operating (loss) to net cash (used) by operating activities:</i>	
Operating (loss)	\$ (32,149)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation	2,524
Changes in assets and liabilities:	
Accrued payroll expenses	1
Current accrued compensated absences	<u>1,516</u>
<i>Net cash (used) by operating activities</i>	<u>\$ (28,108)</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 Position
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Subsidy grants	\$ 649,416	\$ 649,416	\$ 534,350	\$ (115,066)
<i>Total operating revenues</i>	<u>649,416</u>	<u>649,416</u>	<u>534,350</u>	<u>(115,066)</u>
<i>Operating expenses:</i>				
Personnel services	\$ -	\$ -	\$ 35,201	\$ (35,201)
Occupancy expenses	-	-	7,403	(7,403)
Maintenance and materials	-	-	1,776	(1,776)
Housing assistance payments	646,371	646,371	501,596	144,775
Other administrative expenses	-	-	15,056	(15,056)
Miscellaneous expenses	-	-	2,943	(2,943)
<i>Total operating expenses</i>	<u>646,371</u>	<u>646,371</u>	<u>563,975</u>	<u>82,396</u>
<i>Operating (loss)</i>	<u>3,045</u>	<u>3,045</u>	<u>(29,625)</u>	<u>(32,670)</u>
<i>Non-operating revenues (expenses):</i>				
Miscellaneous income	-	-	714	714
Interest expense	-	-	(1,386)	(1,386)
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>(672)</u>	<u>(672)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(3,045)	(3,045)	-	(3,045)
<i>Total other financing sources (uses)</i>	<u>(3,045)</u>	<u>(3,045)</u>	<u>-</u>	<u>(3,045)</u>
<i>Change in net position</i>	<u>\$ -</u>	<u>\$ -</u>	<u>(30,297)</u>	<u>\$ 30,297</u>
<i>Less: depreciation</i>			<u>2,524</u>	
<i>Change in net position, Statement D-2</i>			(32,821)	
<i>Net position, beginning of year</i>			<u>141,936</u>	
<i>Net position, end of year</i>			<u>\$ 109,115</u>	

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO

Schedule I

Town of Mountainair

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2013

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Par Value June 30, 2013
Primary Government				
MyBank				
	CHAMA VY ISD #19 NM**	8/1/2013	157670CN8	\$ 230,000
	GRANTS & CIBOLA CNTY**	11/15/2018	388240FY4	150,000
	LUNA CNTY NM SCH DISTRICT**	8/1/2016	550340DL4	<u>500,000</u>
	Total MyBank			<u><u>\$ 880,000</u></u>

Name and location of safekeeper for above pledged collateral:
The Independent Banker's Bank (TIB), Dallas, Texas

**As per NMSA 2.2.2.10(N)(4), the value of collateral consisting of obligations of the State of New Mexico, its agencies, institutions, counties, municipalities, or other subdivisions shall be par value.

STATE OF NEW MEXICO
Town of Mountainair
Schedule of Deposit and Investment Accounts
June 30, 2013

Schedule II

Bank Account Type/Name	MyBank	LGIP	Total
Primary Government			
Deposits			
Checking - Natural Gas Revenue Fund	\$ 961,405	\$ -	\$ 961,405
Checking -Municipal Water	164,597	-	164,597
Checking - Payroll Account	30,705	-	30,705
Checking - General Fund	710,725	-	710,725
Certificate of Deposit - Recreation	139,434	-	139,434
Total on deposit	<u>2,006,866</u>	<u>-</u>	<u>2,006,866</u>
Investments			
State Pool - LGIP Funds Pool 4101	-	420	420
Total investments	<u>-</u>	<u>420</u>	<u>420</u>
Total deposits and investments	2,006,866	420	2,007,286
Reconciling items	<u>(19,559)</u>	<u>-</u>	<u>(19,559)</u>
Reconciled balance	<u>\$ 1,987,307</u>	<u>\$ 420</u>	1,987,727
Less: investments per Exhibit A-1			<u>(139,854)</u>
Total cash and cash equivalents per Exhibit A-1			<u>\$ 1,847,873</u>

Bank Account Type/Name	Wells Fargo Bank
Component Unit	
Checking -Section 8 Housing	<u>\$ 97,799</u>
Total on deposit	97,799
Reconciling items	<u>(4,406)</u>
Reconciled balance	93,393
Plus: petty cash	<u>50</u>
Total cash and cash equivalents per Exhibit A-1	<u>\$ 93,443</u>

See 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, 2013

Line Item Number	Account Description	Section 8 Housing Choice Vouchers Program
Current assets:		
111	Cash - unrestricted	\$ 35,438
113	Cash - other restricted	58,005
100	Total cash	93,443
124	Accounts Receivable - Other government	9,200
128	Fraud Recovery	2,438
120	Total receivables, net of allowance for doubtful accounts	11,638
150	Total current assets	105,081
Fixed assets:		
164	Furniture, equipment & machinery - administration	62,951
166	Accumulated depreciation	(42,730)
160	Total fixed assets, net of accumulated depreciation	20,221
180	Total non current assets	20,221
190	Total assets	\$ 125,302
Current liabilities:		
321	Accrued wage/payroll taxes payable	\$ 594
322	Accrued compensated absences - current portion	3,281
344	Current portion of long-term debt - operating borrowings	4,565
310	Total current liabilities	8,440
Noncurrent liabilities:		
352	Long-term debt, net of current - operating borrowings	7,747
350	Total noncurrent liabilities	7,747
300	Total liabilities	16,187
Equity:		
508.1	Net investment in capital assets	7,909
511.1	Restricted net position	58,005
512.1	Unrestricted net position	43,201
513	Total equity/net position	109,115
600	Total liabilities and equity/net position	\$ 125,302

See 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, 2013

Schedule III
Page 2 of 2

Line Item Number	Account Description	Section 8 Housing Choice Vouchers Program
Revenues:		
70600	HUD PHA operating grants	\$ 534,350
71500	Other Revenue	714
70000	Total revenue	\$ 535,064
Expenses:		
91100	Administrative salaries	\$ 30,075
91200	Auditing fees	4,815
91500	Employee benefit contributions - administrative	5,126
91600	Office expenses	4,937
91800	Travel	1,610
91900	Other	5,513
91000	Total operating - administrative	52,076
93100	Water	134
93800	Other utilities expense	3,669
93000	Total utilities	3,803
94300	Ordinary maintenance & operations - contracts	1,776
94000	Total maintenance	1,776
96140	All other insurance	4,724
96000	Total other general expenses	4,724
96900	Total operating expenses	62,379
96720	Interest on notes payable (short and long term)	1,386
96700	Total interest expense and amortization cost	1,386
96900	Total operating expenses	63,765
97000	Excess operating revenue over operating expenses	471,299
97300	Housing assistance payments	501,596
97400	Depreciation expense	2,524
90000	Total expenses	\$ 567,885
10000	Excess (deficiency) of operating revenue over (under) expenses	(32,821)
11030	Beginning equity	141,936
	Ending equity	\$ 109,115
11170	Administrative Fee Equity	\$ 51,110
11180	Housing Assistance Payments Equity	\$ 58,005
1120	Unit Months Available	1,632
1121	Number of Unit Months Leased	1,124

See independent auditors' report

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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***

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, the budgetary comparison for the General Fund and major special revenue fund of the Town of Mountainair (the "Town"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, and the combining and individual funds and related budgetary comparisons of the Town, presented as supplementary information, and have issued our report thereon dated November 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Town'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 2010-02, FS 2012-01, FS 2007-05, and FS 2008-01 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 in the accompanying schedule of findings and questioned costs as item FS 2005-01 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 disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 2005-06, FS 2012-02, and FS 2013-001.

Town of Mountainair's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 26, 2013

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Mountainair's (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2013. The Town's major programs is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance with each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the Town of Mountainair complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control 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'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 26, 2013

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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, 2013

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 (Housing Voucher Cluster)	14.871	\$ 567,885 *
Total U.S. Department of Housing and Urban Development		567,885
Total Expenditures of Federal Awards		\$ 567,885

* 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.

3. Non-Cash Federal Assistance

The Authority did not receive any non-cash federal assistance during the year.

See independent auditor's report

STATE OF NEW MEXICO
Town of Mountainair
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 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? | Yes |

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 | Unmodified | | | | |
| 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;"> <tr> <td style="width: 50%; text-align: center;"><u>CFDA
Number</u></td> <td style="width: 50%; text-align: center;"><u>Federal Program</u></td> </tr> <tr> <td style="text-align: center;">14.871</td> <td style="text-align: center;">Section 8 Housing Choice Vouchers</td> </tr> </table> | <u>CFDA
Number</u> | <u>Federal Program</u> | 14.871 | Section 8 Housing Choice Vouchers | |
| <u>CFDA
Number</u> | <u>Federal Program</u> | | | | |
| 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

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. 2 of 5 disbursements tested were missing receipt support which totaled \$503.

Criteria: Section 13-1-1 to 13-1-20, NMSA 1978 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.

Agency's Response: We try to stress to employees that these receipts need to be turned in and we give the employees the paperwork to fill out and bring back when they pick up reimbursements. So, we will try to get this implemented and do a lot better on our next audit.

FS 2005-06-Noncompliance: Budgetary (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	\$ 103,898	\$ 96,898
EMS Special Revenue Fund	8,300	10,217	1,917
Law Enforcement Special Revenue Fund	20,600	26,518	5,918
Lodger's Tax Special Revenue Fund	4,100	4,992	892
Street Special Revenue Fund	15,000	86,307	71,307
Water Proprietary Fund	241,124	269,629	28,505
Solid Waste Proprietary Fund	109,320	161,294	51,974

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 Section 6-3-1 to 6-3-25, NMSA 1978 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.

Agency's Response: We will do the necessary budget transfers accordingly before we approve such expenditures.

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

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

Condition: During our audit we noted that the capital asset inventory system was not being reconciled resulting in the following items:

- There was a fire service vehicle improperly not listed on this year's fixed asset detail.
- Some vehicles sold by the Town at a September 4, 2012 auction were not removed from fixed asset listing.
- The client did a partial physical observation over fixed assets and did not get it certified by the Board.
- The Town changed Capital Asset software in the current year and did not implement a process in order to verify that information from the prior system was properly reconciled and entered into the new system without error.

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. There were assets included and excluded from the fixed asset listing that should not have been. The Town did not present the findings of its fixed asset observation to the Board and it was not certified by the Board.

Auditors' Recommendation: We recommend the Town properly account for capital assets and perform an annual fixed asset inventory that is then certified by the Board.

Agency's Response: We now have a new program for our fixed asset list and have to clean it up and will have it in place for the upcoming year. We will perform an annual observation of the fixed assets and have the results of this observation certified by the Town Council.

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

FS 2012-01-Material Weakness: Cash Reconciliation to the General Ledger (Repeated/Modified)

Condition: During our audit procedures, we noted that the Town doesn't reconcile the payroll cash account, MyBank CD account and the meter deposit cash account to the general ledger.

Criteria: Per Section 6.20.2.13 of NMAC, all Towns shall establish and maintain an accurate general ledger in accordance with GAAP. The general ledger will be comprised of individual funds and account groups using the department's uniform chart of accounts and shall be reconciled every fiscal year with department records. The general ledger must tie with the accounting documentation including the utility aging reports and other ledgers. Towns shall use funds and account groups to report their financial position and operating results accurately. In accordance with GASB Statement No. 34, Town shall use a full accrual basis of accounting in preparation of annual financial statements.

Effect: The Town's payroll cash account, MyBank CD account and deposit payable meter account did not reconcile to the subsidiary ledger by \$12,050, \$61,716 and \$6,994, respectively, which could result in misstatements going undetected.

Cause: The Town does not have a mechanism in place to reconcile the payroll cash account, MyBank CD and meter deposit account on a monthly basis to the subsidiary ledgers.

Auditors' Recommendations: We recommend a process be put in place to agree the payroll cash account, MyBank CD account and meter deposit subsidiary ledgers/reports to the balance on the trial balance each month. In addition, we recommend that the Town include in this process a review of the subsidiary ledger to determine that balance is reasonable and the reconciliation process is occurring.

Agency's Response: The payroll cash account, MyBank CD account is reconciled on a Quicken Account and is manually done on the back of the statements and will be reconciled to the general ledger. The meter deposits will be compared to the quarterly report to check the balances with the general ledger and make sure they balance.

FS 2012-02-Other Matter: Stale Dated Checks (Repeated/Modified)

Condition: The Town maintained two checks totaling \$57 in the outstanding checks listing of the General Fund bank reconciliation that was dated over one year old at June 30, 2013.

Criteria: Chapter 7 Article 8A, NMSA 1978, and related regulations require that the Town provide information about the payees and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for outstanding checks that were distributed but not cashed within one year.

Effect: The Town is in violation of state statutes regarding stale-dated checks. Carrying stale dated bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Cause: The Town did not implement a process to account for stale dated outstanding checks and did not void this check on a timely basis.

Auditors' Recommendations: We recommend the Town implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated checks. If checks on the outstanding check listings are greater than one year old we recommend they be voided, replaced or submitted to the Property Division of New Mexico Taxation and Revenue Department as required.

Agency's Response: There are only three employees in the City Hall office and these two checks were not defaced and overlooked. We will try to be more diligent on taking care of this matter in the future.

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

FS 2013-001-Other Matter: Incorrect filing of W-2

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

- One instance of personal use of a government vehicle not included as a fringe benefit on the employee's W-2 for the 2012 calendar year for \$156.

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 Town could be withholding and reporting incorrect social security and Medicare taxes and failing to report correct income.

Cause: The Town 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 damage and theft.

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

Agency's Response: This was discussed with the Mayor and the Utility Supervisor and it is agreed that the vehicle will be kept at the maintenance shop and not taken home.

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

FS 2007-05-Material Weakness: Preparation of Financial Statements (Repeated)

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

Criteria: According to the Auditing Standards Board 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.

Agency'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 III – 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

- 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.
- Management does not implement controls over financial reporting through ongoing monitoring, independent evaluations, and remediation of identified deficiencies.
- During the testing of voided checks, 3 of the 39 voided checks tested were not adequately defaced.
- No travel and per diem authorization form was included in the file for 2 of 5 employees tested.
- During testing of per diem, 3 out of 5 selections had 100% advance per diem instead of 80% advanced per diem.
- During testing of payroll controls, 1 out of 5 timesheets had no supervisor approval signature.
- During testing of payroll controls, 1 out of 5 employee pay rates were not appropriately authorized before increased wages were paid.

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.
- 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.
- During testing of per diem, 1 out of 1 selection had 100% advance per diem instead of 80% advanced per diem.

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.

SECTION III – 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)

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.

Per Section 2.42.2.10 of NMAC, “Upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer’s or employee’s request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals pursuant to 2.42.2.8 NMAC and 2.42.2.9 NMAC and for other travel expenses that may be reimbursed under 2.42.2.12 NMAC”.

Per Town policy, a travel and per diem authorization form must be turned in and approved before travel takes place.

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 2013 management did not have a documented policy in place to ensure internal controls were in place and working properly.

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.

Agency’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.

STATE OF NEW MEXICO
Town of Mountainair
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Schedule V
Page 9 of 9

SECTION IV – FINANCIAL STATEMENT FINDINGS – COMPONENT UNIT

None

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 2007-05: Preparation of Financial Statements, Repeated

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

FS 2010-02: Capital Assets, Repeated/Modified

FS 2012-01: Payroll Cash Account is not Being Reconciled to the GL, Repeated/Modified

FS 2012-02: Stale Dated Checks, Repeated/Modified

FS 2011-01-CU: Auto Fringe Benefit, Resolved but is a finding on the primary government this year

STATE OF NEW MEXICO

Town of Mountainair

Other Disclosures

June 30, 2013

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 26, 2013. In attendance were the following:

Representing the Town of Mountainair:

Chester Riley, Mayor
Kathy Anglin, Town Treasurer

Representing Accounting & Consulting Grouping, LLP:

Alan D. Bowers, Jr., CPA, Supervisor

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.