

STATE OF NEW MEXICO
Town of Mountainair
ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2015

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Town of Mountainair
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Town of Mountainair
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**STATE OF NEW MEXICO
Town on Mountainair
Official Roster
June 30, 2015**

TOWN COUNCIL

Chester Riley Mayor
George Immerwhar Mayor Pro Term
Larry Zamora Councilor
Barbara Chung..... Councilor
Juanita Carrillo Councilor

TOWN OFFICIALS

Suzan Brazil..... Village Clerk
Kathy Anglin..... Treasurer

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Tim Keller
New Mexico State Auditor
Santa Fe, New Mexico
and
To the Honorable Mayor and Town Council
Town of Mountainair
Mountainair, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Town of Mountainair (the Town) as of and for the year ended June 30, 2015, 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 of each of the Town's nonmajor governmental funds, nonmajor enterprise funds, fiduciary funds and the budgetary comparisons for the major capital projects funds, and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinion 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds, 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, and fiduciary funds of the Town as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the major, capital projects fund and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information:

The Town has omitted 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 the 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 other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the financial statements.

These other schedules required by Section 2.2.2 NMAC 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 financial 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, these other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 4, 2015 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.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
September 4, 2015

BASIC FINANCIAL STATEMENTS

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STATE OF NEW MEXICO
Town of Mountainair
Statement of Net Position
June 30, 2015

Exhibit A-1

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 774,409	\$ 1,034,215	\$ 1,808,624
Investments	44,640	-	44,640
Property taxes receivable	13,482	-	13,482
Other receivables	197,524	-	197,524
Due from customers (net of allowance)	-	65,648	65,648
Total current assets	1,030,055	1,099,863	2,129,918
Noncurrent assets			
Customer deposits	-	46,078	46,078
Non-depreciable capital assets	592,741	-	592,741
Depreciable capital assets	2,071,931	2,123,908	4,195,839
Less: Accumulated Depreciation	(1,827,010)	(2,018,324)	(3,845,334)
Total noncurrent assets	837,662	151,662	989,324
Total assets	\$ 1,867,717	\$ 1,251,525	\$ 3,119,242
Liabilities			
Current liabilities			
Accounts payable	\$ 170,289	\$ 21,425	\$ 191,714
Accrued salaries and benefits	6,899	3,654	10,553
Current portion of loans payable	20,670	-	20,670
Accrued compensated absences	6,930	7,553	14,483
Pension Liability	22,281	6,919	29,200
Total current liabilities	227,069	39,551	266,620
Noncurrent liabilities			
Customer deposits	-	46,078	46,078
Loans payable	86,215	-	86,215
Accrued compensated absences	6,136	9,442	15,578
Pension liability	198,132	61,419	259,551
Total noncurrent liabilities	290,483	116,939	407,422
Total liabilities	517,552	156,490	674,042
Deferred inflows of resources			
Deferred inflows/outflows (net) - decrease in PERA liability	67,830	19,860	87,690
Total deferred inflows of resources	67,830	19,860	87,690
Net position			
Net investment in capital assets	837,662	105,584	943,246
Restricted for:			
Special revenue	201,183	-	201,183
Capital projects	44,640	-	44,640
Unrestricted	198,850	969,591	1,168,441
Total net position	1,282,335	1,075,175	2,357,510
Total liabilities, deferred inflows of resources and net position	\$ 1,867,717	\$ 1,251,525	\$ 3,119,242

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Town of Mountainair
Statement of Activities
For the Year Ended June 30, 2015

Functions and Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 241,487	\$ -	\$ 189,191	\$ 154,024
Public Safety	362,244	580	104,044	-
Public Works	111,937	-	-	346,154
Culture and Recreation	81,884	12,614	-	-
Interest on Long-Term Debt	2,232	-	-	-
Total Governmental Activities	799,784	13,194	293,235	500,178
Business-Type Activities				
Water	328,273	287,518	-	-
Gas	572,990	599,541	-	-
Solid Waste	157,345	169,352	-	-
Total Business-Type Activities	1,058,608	1,056,411	-	-
Total Primary Government	\$ 1,858,392	\$ 1,069,605	\$ 293,235	\$ 500,178
General Revenues:				
Taxes:				
Property taxes				
Gross receipt taxes				
Gasoline and motor vehicle				
Other taxes				
Interest income				
Miscellaneous income				
Transfers				
Subtotal, General Revenues				
Change in Net position				
Net position - beginning				
Net position - restatement (note 16)				
Net position - as restated				
Net position - ending				

See Independent Auditors' Report and Notes to Financial Statements

**Net (Expense) Revenue and
Changes in Net Position**

<u>Government Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ 101,728	\$ -	\$ 101,728
(257,620)	-	(257,620)
234,217	-	234,217
(69,270)	-	(69,270)
(2,232)	-	(2,232)
<u>6,823</u>	<u>-</u>	<u>6,823</u>
-	(40,755)	(40,755)
-	26,551	26,551
-	12,007	12,007
<u>-</u>	<u>(2,197)</u>	<u>(2,197)</u>
6,823	(2,197)	4,626
58,388	-	58,388
240,248	62,824	303,072
42,750	-	42,750
85,554	-	85,554
232	387	619
4,455	-	4,455
<u>165,612</u>	<u>(165,612)</u>	<u>-</u>
<u>597,239</u>	<u>(102,401)</u>	<u>494,838</u>
604,062	(104,598)	499,464
1,074,430	1,143,814	2,218,244
(396,157)	35,959	(360,198)
<u>678,273</u>	<u>1,179,773</u>	<u>1,858,046</u>
<u>\$ 1,282,335</u>	<u>\$ 1,075,175</u>	<u>\$ 2,357,510</u>

STATE OF NEW MEXICO
Town of Mountainair
Balance Sheet -
Governmental Funds
June 30, 2015

	<u>General Fund</u>	<u>Municipal Streets Special Revenue</u>	<u>Recreation Special Revenue</u>
Assets			
Cash and cash equivalents	\$ 573,226	\$ 35,047	\$ 110,231
Investments	-	-	44,640
Property tax receivable	13,482	-	-
Other receivables	38,752	-	-
Total assets	<u>\$ 625,460</u>	<u>\$ 35,047</u>	<u>\$ 154,871</u>
Liabilities, deferred inflows of resources, and fund balance			
Liabilities			
Accounts payable	\$ 3,160	\$ -	\$ -
Accrued salaries and benefits	6,899	-	-
Total liabilities	<u>10,059</u>	<u>-</u>	<u>-</u>
Fund balance			
Nonspendable			
Restricted for:			
General Government	-	-	-
Public safety	-	-	-
Public Works	-	35,047	-
Culture and Recreation	-	-	110,231
Capital Projects	-	-	44,640
Unassigned	615,401	-	-
Total fund balance	<u>615,401</u>	<u>35,047</u>	<u>154,871</u>
Total liabilities and fund balance	<u>\$ 625,460</u>	<u>\$ 35,047</u>	<u>\$ 154,871</u>

See Independent Auditors' Report and Notes to Financial Statements

Other Governmental Funds	Total Governmental Funds
\$ 55,905	\$ 774,409
-	44,640
-	13,482
158,772	197,524
<u>\$ 214,677</u>	<u>\$ 1,030,055</u>

\$ 167,129	\$ 170,289
-	6,899
<u>167,129</u>	<u>177,188</u>

	-
42,881	42,881
-	35,047
13,024	123,255
-	44,640
(8,357)	607,044
<u>47,548</u>	<u>852,867</u>
<u>\$ 214,677</u>	<u>\$ 1,030,055</u>

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**STATE OF NEW MEXICO
Town of Mountainair
Balance Sheet -
Governmental Funds
June 30, 2015**

Total Fund Balance - Governmental Funds \$ 852,867

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

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds

Capital Assets	2,664,672
Less: Accumulated Depreciation	(1,827,010)

Long-term and certain other liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported as liabilities in the
funds. Long-term and other liabilities at year end consist of:

Accrued Compensated Absences	(13,066)
Long-Term Debt	(106,885)
Pension Liability	(288,751)
Total deferred inflows of resources	(87,690)

Total net position of governmental activities \$ 1,194,137

STATE OF NEW MEXICO
Town of Mountainair
Statement of Revenues, Expenses, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	<u>General Fund</u>	<u>Municipal Streets Special Revenue</u>	<u>Recreation Special Revenue</u>
Revenues			
Property taxes	\$ 58,388	\$ -	\$ -
Gross receipt taxes	240,248	-	-
Gasoline and motor vehicle	23,605	19,145	-
Other	68,606	-	11,000
State operating grants	189,191	-	-
State capital grants	154,024	-	-
Charges for services	-	-	12,614
Miscellaneous income	4,455	-	-
Interest income	232	-	-
Total revenues	<u>738,749</u>	<u>19,145</u>	<u>23,614</u>
Expenditures			
Current:			
General Government	237,197	-	-
Public Safety	294,044	-	-
Public Works	26,031	85,906	-
Culture and Recreation	36,149	-	41,387
Capital Outlay	80,000	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>673,421</u>	<u>85,906</u>	<u>41,387</u>
Excess (deficiency) of revenues over expenditures	<u>65,328</u>	<u>(66,761)</u>	<u>(17,773)</u>
Other financing sources (uses)			
Transfers in	93,965	25,762	109,325
Transfers out	(64,000)	-	-
Total other financing sources (uses)	<u>29,965</u>	<u>25,762</u>	<u>109,325</u>
Net change in fund balance	<u>95,293</u>	<u>(40,999)</u>	<u>91,552</u>
Fund balance - beginning of year	609,830	76,046	63,552
Restatement (Note 16)	(89,722)	-	(233)
Fund balance - beginning of the year, restated	<u>520,108</u>	<u>76,046</u>	<u>63,319</u>
Fund balance - end of year	<u>\$ 615,401</u>	<u>\$ 35,047</u>	<u>\$ 154,871</u>

See Independent Auditors' Report and Notes to Financial Statements

Total Nonmajor Funds	Total
\$ -	\$ 58,388
-	240,248
-	42,750
5,948	85,554
104,044	293,235
346,154	500,178
580	13,194
-	4,455
-	232
456,726	1,238,234
	237,197
61,765	355,809
-	111,937
4,348	81,884
364,371	444,371
20,390	20,390
2,232	2,232
453,106	1,253,820
3,620	(15,586)
197,242	426,294
(196,682)	(260,682)
560	165,612
4,180	150,026
33,343	782,771
10,025	(79,930)
43,368	702,841
\$ 47,548	\$ 852,867

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**STATE OF NEW MEXICO
Town of Mountainair
Governmental Funds**

Exhibit B-2
Page 2 of 2

**Reconciliation of the Statement of Revenues, Expenses and Changes
in Fund Balances - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015**

Net Change in Fund Balance - Governmental Funds **\$ 150,026**

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

Governmental funds report capital outlay 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:

Capital Expenditures recorded in capital outlay	444,371
Depreciation expense	(22,601)

Expenses reported in the statement of activities that do not require the use of
current financial resources and therefore are not reported as expenditures in the
governmental funds:

Decrease in accrued compensated absences	355
Pension Expense	(13,619)
Principal Payments on bonds and notes payable	<u>20,390</u>

Change in Net Position of Governmental Activities \$ 578,922

**STATE OF NEW MEXICO
Town of Mountainair
General Fund**

Exhibit C-1

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to actual
Revenues				
Taxes:				
Property taxes	66,000	\$ 66,000	\$ 59,044	\$ (6,956)
Gross receipts	305,130	305,130	240,248	(64,882)
Gasoline and motor vehicle	-	-	23,605	23,605
Other	9,000	9,000	13,550	4,550
Franchise tax	16,500	16,500	16,304	(196)
Intergovernmental income:				
State operating grants	162,930	162,930	189,191	26,261
State capital grants	-	-	154,024	154,024
Charges for services	35,750	35,750	-	(35,750)
License and fees	13,950	13,950	-	(13,950)
Investment income	-	-	232	232
Miscellaneous	17,000	17,000	4,455	(12,545)
Total revenue	626,260	626,260	700,653	74,393
Expenditures				
Current				
General government	321,080	321,080	232,256	88,824
Public safety	183,801	183,801	290,546	(106,745)
Public works	32,000	32,000	24,411	7,589
Culture and recreation	8,932	8,932	36,149	(27,217)
Capital outlay	-	-	80,000	(80,000)
Total expenditures	545,813	545,813	663,362	(117,549)
Excess (deficiency) of revenues over expenditures	80,447	80,447	37,291	(43,156)
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	(80,447)	(80,447)		
Transfers in	3,600	3,600	93,965	90,365
Transfers out	-	-	(64,000)	(64,000)
Total other financing sources (uses)	3,600	3,600	29,965	26,365
Net Change in fund balance	(76,847)	(76,847)	67,256	67,256
Fund balance - beginning of year	-	-	520,108	520,108
Fund balance - end of year	\$ -	\$ -	\$ 587,364	\$ 587,364
Net change in fund balance (non-GAAP budgetary basis)			67,256	
Adjustments to revenue for taxes, and transfers			38,096	
Adjustment to expenditures for salaries, maintenance, and supplies			(10,059)	
Net Change in fund balance (GAAP basis)			\$ 95,293	

See Independent Auditors' Report and Notes to Financial Statements

Town of Mountainair
Municipal StreetsStatement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	15,000	15,000	19,145	4,145
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	-	-	-	-
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	<u>15,000</u>	<u>15,000</u>	<u>19,145</u>	<u>4,145</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	85,906	(85,906)
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>85,906</u>	<u>(85,906)</u>
Excess (deficiency) of revenues over expenditures	<u>15,000</u>	<u>15,000</u>	<u>(66,761)</u>	<u>90,051</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)				
Transfers in	-	-	25,762	25,762
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>25,762</u>	<u>25,762</u>
Net Change in fund balance	15,000	15,000	(40,999)	(40,999)
Fund balance - beginning of year	-	-	35,047	35,047
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,952)</u>	<u>\$ (5,952)</u>
Net change in fund balance (non-GAAP budgetary basis)			(40,999)	
Net Change in fund balance (GAAP basis)			<u>\$ (40,999)</u>	

See Independent Auditors' Report and Notes to Financial Statements

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**STATE OF NEW MEXICO
Town of Mountainair
Recreation**

Exhibit C-3

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	11,000	11,000
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	9,300	9,300	12,614	3,314
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	7,700	7,700	-	(7,700)
Total revenue	17,000	17,000	23,614	6,614
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	41,387	(41,387)
Capital outlay	-	-	-	-
Total expenditures	-	-	41,387	(41,387)
Excess (deficiency) of revenues over expenditures	17,000	17,000	(17,773)	48,001
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	(17,000)	(17,000)	-	-
Transfers in	-	-	109,325	109,325
Transfers out	-	-	-	-
Total other financing sources (uses)	(17,000)	(17,000)	109,325	126,325
Net Change in fund balance	-	-	91,552	91,552
Fund balance - beginning of year	-	-	63,319	63,319
Fund balance - end of year	\$ -	\$ -	\$ 154,871	\$ 154,871
Net change in fund balance (non-GAAP budgetary basis)			91,552	
Net Change in fund balance (GAAP basis)			\$ 91,552	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Town of Mountainair
Statement of Net Position
Proprietary Funds
June 30, 2015

	<u>Water</u>	<u>Gas</u>	<u>Solid Waste</u>
Assets			
Cash and cash equivalents	\$ 145,151	\$ 848,428	\$ 40,636
Accounts receivable (net of allowance for doubtful accounts of \$4,484, \$2009, and \$0)	45,340	20,308	-
Total current assets	<u>190,491</u>	<u>868,736</u>	<u>40,636</u>
Noncurrent assets			
Customer deposits	18,485	27,593	-
Capital assets	1,674,399	449,509	-
Less: accumulated depreciation	<u>(1,568,815)</u>	<u>(449,509)</u>	-
Total noncurrent assets	<u>124,069</u>	<u>27,593</u>	<u>-</u>
Total assets	<u>\$ 314,560</u>	<u>\$ 896,329</u>	<u>\$ 40,636</u>
Liabilities and net position			
Liabilities			
Accounts payable	\$ 9,523	\$ 1,530	\$ 10,372
Accrued salaries and benefits	1,344	2,310	-
Compensated absences	992	6,561	-
Total current liabilities	<u>11,859</u>	<u>10,401</u>	<u>10,372</u>
Noncurrent liabilities			
Customer deposits	18,485	27,593	-
Compensated absences payable	5,880	3,562	-
Total noncurrent liabilities	<u>24,365</u>	<u>31,155</u>	<u>-</u>
Total Liabilities	<u>36,224</u>	<u>41,556</u>	<u>10,372</u>
Net position			
Net investment in capital asset	105,584	-	-
Unrestricted	<u>172,752</u>	<u>854,773</u>	<u>30,264</u>
Total net position	<u>278,336</u>	<u>854,773</u>	<u>30,264</u>
Total liabilities and net position	<u>\$ 314,560</u>	<u>\$ 896,329</u>	<u>\$ 40,636</u>

See Independent Auditors' Report and Notes to Financial Statements

Total

\$ 1,034,215

65,648

1,099,863

46,078

2,123,908

(2,018,324)

151,662

\$ 1,251,525

\$ 21,425

3,654

7,553

32,632

46,078

9,442

55,520

88,152

105,584

1,057,789

1,163,373

\$ 1,251,525

STATE OF NEW MEXICO
Town of Mountainair
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Water	Gas	Solid Waste
Operating revenues:			
Charges for services	\$ 287,518	\$ 599,541	\$ 169,352
Total operating revenues	287,518	599,541	169,352
Operating expenses:			
Depreciation and amortization	62,166	13,502	-
Personnel services	77,041	137,281	-
Supplies	13,696	15,823	-
Cost of goods sold	-	189,720	-
Contract Services	-	22,233	152,305
Miscellaneous	176,830	197,033	5,040
Total operating expense	329,733	575,592	157,345
Operating income (loss)	(42,215)	23,949	12,007
Non-operating revenues (expense):			
Gross receipts taxes	20,396	37,388	5,040
Interest income	49	338	-
interest expense	-	-	-
Total non-operating revenues (expense)	20,445	37,726	5,040
Income (loss) before contributions and transfers	(21,770)	61,675	17,047
Transfers in	103,149	125,595	-
Transfers out	-	(394,356)	-
Capital Grants	-	-	-
Total contributions and transfers	103,149	(268,761)	-
Change in Net Position	81,379	(207,086)	17,047
Net Position, beginning of year	74,907	1,091,167	(22,260)
Restatement	122,050	(29,308)	35,477
Net Position - beginning of the year, restated	196,957	1,061,859	13,217
Net Position - end of the year	\$ 278,336	\$ 854,773	\$ 30,264

See Independent Auditors' Report and Notes to Financial Statements

<u>Total</u>
\$ 1,056,411
<u>1,056,411</u>
-
75,668
214,322
29,519
189,720
174,538
378,903
<u>1,062,670</u>
<u>(6,259)</u>
62,824
387
-
<u>63,211</u>
<u>56,952</u>
228,744
(394,356)
-
<u>(165,612)</u>
(108,660)
1,143,814
128,219
<u>1,272,033</u>
<u>\$ 1,163,373</u>

STATE OF NEW MEXICO
Town of Mountainair
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	<u>Water</u>	<u>Gas</u>
Cash flow form operating activities		
Cash received form customers	\$ 297,236	\$ 604,206
Cash payments to employees for services	(78,260)	(130,874)
Cash payments to suppliers for goods and services	(193,166)	(425,990)
Net cash provided buy operating activities	<u>25,810</u>	<u>47,342</u>
Cash flow form noncapital financing activities		
Taxes received	20,396	37,388
Transfers	103,149	(268,761)
Net cash flows provided by noncapital financing activities	<u>123,545</u>	<u>(231,373)</u>
Cash Flows form capital and related financing activities:		
Acquisition of capital assets	(45,700)	-
Net cash provided (used) by capital and related financing activities	<u>(45,700)</u>	<u>-</u>
Cash flows form investing activities		
Interest income	49	338
Net cash provided by investing activities	<u>49</u>	<u>338</u>
Net increase (decrease) in cash and cash equivalents	103,704	(183,693)
Cash & cash equivalents - beginning of year	59,932	1,059,714
Cash & cash equivalents - end of year	<u>\$ 163,636</u>	<u>\$ 876,021</u>
Reconciliation of operating income (loss to net cash provided (used) by operating activities		
Operating income (loss)	\$ (42,215)	\$ 23,949
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	62,166	13,502
Changes in assets & liabilities:		
Receivables	9,786	5,083
Accounts payable	(2,640)	(1,181)
Accrued salaries and benefits	(1,001)	203
Compensated absences	(218)	6,204
Customer deposits	(68)	(418)
Net cash provided (used) by operating activities	<u>\$ 25,810</u>	<u>\$ 47,342</u>

See Independent Auditors' Report and Notes to Financial Statements

<u>Solid Waste</u>	<u>Total</u>
\$ 169,352	\$ 1,070,794
-	(209,134)
<u>(173,771)</u>	<u>(792,927)</u>
<u>(4,419)</u>	<u>68,733</u>
5,040	62,824
<u>-</u>	<u>(165,612)</u>
<u>5,040</u>	<u>(102,788)</u>
<u>-</u>	<u>(45,700)</u>
<u>-</u>	<u>(45,700)</u>
<u>-</u>	<u>387</u>
<u>-</u>	<u>387</u>
621	(79,368)
<u>40,015</u>	<u>1,159,661</u>
<u>\$ 40,636</u>	<u>\$ 1,080,293</u>
\$ 12,007	\$ (6,259)
-	75,668
-	14,869
(16,426)	(20,247)
-	(798)
-	5,986
<u>-</u>	<u>(486)</u>
<u>\$ (4,419)</u>	<u>\$ 68,733</u>

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 political 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 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's management who 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 governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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 Statements No. 39 and No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

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. Based on the criteria above the Town does not have any component units & is not a component unit of any other government agency.

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

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government Wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes 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.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 allocated to separate functions on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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.

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Town's enterprise fund is charges for services 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.

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 Municipal Streets Special Revenue Fund is 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. Authority by NMSA 1978 7-1-6.9 and 7-13-1 to 7-13-18.

The Recreation Special Revenue Fund is to account for the operations and maintenance of recreation facilities in the Town. Financing is provided by a specific annual cigarette tax levy. Authority by NMSA 7-12-1 & 7-12-15.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The Town reports the following 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.

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance

Cash and Cash Equivalents: 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, interest-bearing savings accounts, certificates of deposit, bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by 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: Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days of year end.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied. Property taxes are considered 100% collectable.

**STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015**

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (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.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements. As of June 30, 2015 the Town had no prepaid expenses as all insurance policies began July 1st and run through June 30.

Capital Assets: Capital assets, which include property, plant, utility systems, 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. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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>Asset</u>	<u>Years</u>
Buildings	32-39
Other improvements	10-40
Infrastructure	15-40
Machinery and Equipment	5-10

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2015, along with applicable PERA and Retiree Health Care (No RHC).

Unearned Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as unearned revenue. As of June 30, 2015 the Town did not have material unearned revenues.

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the asset must be offset by a corresponding liability for deferred inflows of resources. The Town has only one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue – property taxes is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The Town had no deferred inflows of resources of at June 30, 2015.

Compensated Absences: Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of five 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.

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.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

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 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 decisionmaking 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, 2015, the Town has presented restricted fund balance on the governmental funds balance sheet in the amount of \$55,905 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 pages 18-19.

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.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (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 37 and 59.
- 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, remaining landfill closure and post-closure costs, and accrued compensated absences.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 (DFA) for State approval. Once the budget has been formally approved, any amendments that increase or decrease an individual fund's budget must also be approved by the Town Councilors and the DFA. 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 in total by fund.

For Governmental Funds these budgets are prepared on a Non-GAAP cash 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.

Proprietary fund budgets are prepared on the GAAP 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 Town does not budget for depreciation expense, only capital outlay.

Formal budgetary integration is employed as a management control device at the fund level during the year for the General Fund, Special Revenue Funds, Capital Projects Funds, and Proprietary Funds.

The Town is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

For governmental funds the accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on the 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 generally accepted accounting principles, a reconciliation of basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2014 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.

For proprietary funds the accompanying Statements of Revenues, Expenses, and Changes in Net Position Budget (GAAP Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 3. Deposits and Investments

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.

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 for demand deposit accounts and \$250,000 for savings, time deposit, and NOW accounts.

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). At June 30, 2015, \$1,604,700 of the Town's bank balance of \$1,854,702 was exposed to custodial credit risk. Although the \$1,604,702 was uninsured, \$932,941 was collateralized by collateral held by the pledging bank's trust department, not in the Town's name. \$130,590 of the Town's deposits were uninsured and uncollateralized at June 30, 2015.

	MyBank
Amount of deposits	\$ 1,854,702
FDIC Coverage	(250,000)
Total Uninsured public funds	1,604,702
Collateral by securities held by pledging institutions or by its trust department or agency in other than the Town's name	932,941
Uninsured and uncollateralized	671,761
Collateral requirements (50% of uninsured funds)	802,351
Pledged Collateral	932,941
Over (under) collateralized	\$ 130,590

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 3. Deposits and Investments (Continued)

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.

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

Investments

Credit Risk

As of June 30, 2015, the Town's investment in the State Treasurer Local Government Investment Pool was rated as AAA by Standard & Poor's.

The New Mexico 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.

The Town's investments at June 30, 2015 include the following: The Town holds only one investment, a CD valued at \$44,640 at YE June 30, 2015.

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 Mexico 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 \$44,640 as investments in the Statement of Net Position; however, these are classified as deposits for disclosure purposes.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 4. Carry Amount Deposits and Investments

The Carrying Amount of deposits and investments shown above are included in the Town's Statement of Net position as follows:

Cash and cash equivalents - Governmental Activities	\$ 774,409
Cash and cash equivalents - Business-type Activities	1,034,215
Customer Deposits - Business-type Activities	46,078
Total cash and cash equivalents	1,854,702
Add: outstanding checks	109,960
Less: outstanding deposits	(796)
 Bank balance of deposits	 \$ 1,963,866

NOTE 5. Accounts and Taxes Receivable

Receivables as of June 30, 2015 are as follows:

	Governmental Funds	Proprietary Funds
Property taxes	\$ 13,482	\$ -
State Receivables	158,772	-
General Fund receivables	38,752	-
Other receivables:		
Customer Receivables	-	65,648
Total	\$ 211,006	\$ 65,648

The above receivables are deemed 100% collectible, other than customer receivables which are net of allowance for doubtful accounts. In accordance with GASB 33, property tax revenues receivables not collected within the period of availability was determined to be immaterial to the financial statements and was not reclassified as deferred inflow of resources in the governmental fund financial statements.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 6. Transfers

Operating transfers are made to close out funds and supplement other funding sources in the normal course of operations.

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	Parks and Recreation	\$ 64,000
Lodgers Tax	Parks and Recreation	9,300
Airport	Gas	125,595
Airport	Municipal Street	25,762
Airport	Parks and Recreation	36,025
Gas	General Fund	13,965
Gas	Airport	197,242
Gas	General Fund	80,000
Gas	Water	103,149
		<u>\$ 655,038</u>

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 7. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2015 follows (land and construction in progress is not subject to depreciation):

Governmental Activities:	Balance June 30, 2014	June 30, 2014 Restatement	June 30, 2014 Restated	Additions	Balance June 30, 2015
Capital assets not being depreciated:					
Land	\$ 216,134	\$ (3,764)	\$ 212,370	\$ 16,000	\$ 228,370
Construction In Progress	-	-	-	364,371	364,371
Total capital assets, not depreciated	<u>216,134</u>	<u>(3,764)</u>	<u>212,370</u>	<u>380,371</u>	<u>592,741</u>
Capital assets depreciated:					
Equipment	159,707	16,654	176,361	-	176,361
Vehicles	733,592	(8,429)	725,163	-	725,163
Buildings and improvements	1,106,407	-	1,106,407	64,000	1,170,407
Total capital assets, depreciated	<u>1,999,706</u>	<u>8,225</u>	<u>2,007,931</u>	<u>64,000</u>	<u>2,071,931</u>
Less accumulated depreciation:					
Equipment	145,542	27,820	173,362	1,500	174,862
Vehicles	557,298	(17,975)	539,323	17,039	556,362
Buildings and improvements	1,092,891	(1,167)	1,091,724	4,062	1,095,786
Total accumulated depreciation	<u>1,795,731</u>	<u>8,678</u>	<u>1,804,409</u>	<u>22,601</u>	<u>1,827,010</u>
Capital Assets, Net	<u>\$ 420,109</u>				<u>\$ 837,662</u>

There were no deletions of capital assets in fiscal year 2015. Depreciation expense for the year ended June 30, 2015 was charged to governmental activities as follows.

General Government	\$ 7,399
Public Safety	<u>15,202</u>
Total depreciation expense, governmental activities	<u>\$ 22,601</u>

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 7. Capital Assets (continued)

Business-type activities:	Balance June 30, 2014	June 30, 2014 Restatement	June 30, 2014 Restated	Additions	Deletions	Balance June 30, 2015
Capital assets not depreciated:						
Land	\$ 9,000	\$ (9,000)	\$ -	\$ -	\$ -	\$ -
Total capital assets not depreciated	9,000	-	-	-	-	-
Capital asset depreciated:						
Equipment	33,082	-	33,082	45,700	-	78,782
Vehicles	31,292	17,965	49,257	-	-	49,257
Buildings and improvements	2,032,094	(36,225)	1,995,869	-	-	1,995,869
Total capital assets, depreciated	2,096,468	(18,260)	2,078,208	45,700	-	2,123,908
Less accumulated depreciation:						
Equipment	33,082	-	33,082	9,140	-	42,222
Vehicles	31,292	17,965	49,257	-	-	49,257
Buildings and improvements	1,998,284	(137,968)	1,860,316	66,529	-	1,926,845
Total accumulated depreciation	2,062,658	(120,003)	1,942,655	75,669	-	2,018,324
capital Assets, Net	<u>\$ 42,810</u>					<u>\$ 105,584</u>

NOTE 8. Long-term Debt

Governmental Activities

During the year ended June 30, 2015, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
NMFA Loans	\$ 127,275	\$ -	\$ 20,390	\$ 106,885	\$ 20,670
Compensated Absences	24,152	5,909	-	30,061	14,483
Total Long Term Debt	<u>\$ 169,589</u>	<u>\$ 15,424</u>	<u>\$ 24,920</u>	<u>\$ 107,597</u>	<u>\$ 35,153</u>

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

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 8. Long-term Debt (continued)

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.

Governmental Activities

The debt service requirements on long term debt for governmental activities at June 30, 2015 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt
2015	20,670	1,794	22,464
2016	20,987	1,457	22,444
2017	21,344	1,085	22,429
2018	21,733	681	22,414
2019	22,151	236	22,387
	<u>\$ 106,885</u>	<u>\$ 5,253</u>	<u>\$ 112,138</u>

There is no Business related debt at June 30, 2015.

NOTE 9. 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 coverages have not changed significantly from prior years and coverages are expected to be continued.

As of June 30, 2015, 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 the Financial Statements
For the Year Ended June 30, 2015

NOTE 10. Pension Plan – Public Employees Retirement Association (PERA)

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 <http://www.pera.state.nm.us>.

Funding Policy: Plan members are required to contribute the following percentages of their gross salary: 13.85% for law enforcement and 10.65% for all other employees. The Town is required to contribute the following percentages of the gross covered salary: 18.5% for law enforcement and 9.15% for all other 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, 2015, 2014, and 2013 were \$60,551, \$69,544, and \$51,666, respectively, which equal the amount of the required contributions for each fiscal year.

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

Plan Description: The Town does not contribute to the New Mexico Retiree Health Care Fund, a cost-sharing multiple employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA).

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 12. Deficit Fund Balance

Generally accepted accounting principles require disclosures as part of the Combining Statements - Overview of certain information concerning individual funds including:

A. Deficit fund balance of individual funds: There was one funds with a deficit balance at June 30, 2015.

Deficit balances are generally covered by collection of grants or transfers from the General Fund, however this did not occur due to the unusual circumstances of the fund..

Fund	Amount
Airport	\$ (8,357)

B. Excess of expenditures over appropriations exceeded approved budgetary authority for the year ended June 30, 2015 in the following funds:

Fund	Amount
General Fund	\$ (117,549)
Municipal Street	(85,906)
Recreation	(41,387)
Airport	(197,242)
Corrections	(351)
EMS Fund	(385)
Fire Protection	(11,565)
Water	(67,733)
Gas	(302,630)
Solid Waste	\$ (3,618)

NOTE 13. Subsequent Events

The date to which events occurring after June 30, 2015, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is Setember 4, 2015, which is the date on which the financial statements were available to be issued.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 14. Leases

The Town has entered into one operating lease, which contain cancellation provisions and are subject to annual appropriations. The rent expenditures for these leases were primarily from the General Fund. Future minimum lease payments are:

Fiscal year ending June 30,	Amount
2015	\$ 187
2016	-
2017	-
2018	-
2019	-
Total	\$ 187

NOTE 15. Concentrations

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

NOTE 16. Related Party

As of June 30, 2015, the Town's management was not aware of an related party relationships.

NOTE 17. Contingent Liabilities

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

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 18. Federal and State Grants

The Town of Mountainair participated 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, 2015, 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 19. Restatements

The Town has recorded restatements to net position and fund balances to correct errors in the prior year financial statements. A summary of restatements are as follows:

Fund Name	Net position / Fund Balance June 30, 2014	Prior Period Expenses and Transfers	Capital Assets	Restated Net Position/Fund Balance June 30, 2014
Government Wide Restatements:				
Governmental Activities	\$ 1,074,430	\$ (454,998)	\$ (4,217)	615,215
Business-type Activities	1,143,814	(68,839)	197,059	1,272,033
Total	2,218,244	(523,837)	192,842	1,887,248
Major Governmental Funds Restatements:				
General Fund	609,830	(89,722)		520,108
Recreation	63,552	(233)		63,319
Total Major Governmental Funds	673,382	(89,955)	-	583,427
Nonmajor Governmental Fund Restatements:				
Lodgers Tax	10,699	10,025		20,724
Total Nonmajor Governmental Funds	10,699	10,025	-	20,724
Total Governmental Funds Restatements	684,081	(79,930)	-	604,151
Proprietary Fund Restatements:				
Water	74,906	-	122,051	196,957
Gas	1,091,167	(58,616)	29,308	1,061,859
Solid Waste	(22,260)	(10,223)	45,700	13,217
Total Proprietary Fund Restatements	\$ 1,143,813	\$ (68,839)	\$ 197,059	\$ 1,272,033

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 20. Subsequent Pronouncements

In June 2012, GASB Statement No. 68 Accounting and Financial reporting for Pensions-an amendment of GASB Statement No. 27, 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 and will significantly impact the Town.

In January 2013, GASB Statement No. 69 Government Combinations and Disposals of Government Operations, 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 November 2013, GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2014. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The standard will be implemented during fiscal year June 30, 2015.

NOTE 21. Vendor Listing

The Town had one vendor which received a sum over the \$60,000 threshold, Maytek Contractors for \$377,410. They were contracted for work in regards to the Airport which is shown in it's entirety in the Airport Fund.

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SUPPLEMENTAY INFORMATION

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STATE OF NEW MEXICO
Town of Mountainair
Nonmajor Fund Description
June 30, 2015

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 funds received from the State of New Mexico for law enforcement purposes as part of the Law Enforcement Protection Act. The fund was created by the authority of Section 29-13-3 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.

CAPITAL PROJECTS FUND

AIRPORT FUND – To account for funds received from state sources for development of the Town Heliport.

STATE OF NEW MEXICO
Town of Mountainair
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue		
	Corrections	EMS	Fire Protection
Assets			
Cash and cash equivalents	\$ 321	\$ 1,044	\$ 26,356
Other Receivables	-	-	-
Total assets	\$ 321	\$ 1,044	\$ 26,356
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund balance			
Nonspendable			
Restricted for:			
Public safety	321	1,044	26,356
Culture and recreation	-	-	-
Unassigned	-	-	-
Total fund balance	321	1,044	26,356
Total liabilities and fund balance	\$ 321	\$ 1,044	\$ 26,356

See Independent Auditors' Report and Notes to Financial Statements

<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Total Other Governmental Funds</u>
<u>Law Enforcement</u>	<u>Lodgers Tax</u>	<u>Airport</u>		
\$ 15,160	\$ 13,024	\$ -	\$ 55,905	
-	-	158,772	158,772	
<u>\$ 15,160</u>	<u>\$ 13,024</u>	<u>\$ 158,772</u>	<u>\$ 214,677</u>	
\$ -	\$ -	\$ 167,129	\$ 167,129	
-	-	167,129	167,129	
15,160	-	-	42,881	
-	13,024	-	13,024	
-	-	(8,357)	(8,357)	
<u>15,160</u>	<u>13,024</u>	<u>(8,357)</u>	<u>47,548</u>	
<u>\$ 15,160</u>	<u>\$ 13,024</u>	<u>\$ 158,772</u>	<u>\$ 214,677</u>	

STATE OF NEW MEXICO
Town of Mountainair
Combining Statement of Revenues, Expenses, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	<u>Special Revenue</u>		
	<u>Corrections</u>	<u>EMS</u>	<u>Fire Protection</u>
Revenues			
Other Taxes	\$ -	\$ -	\$ -
State Operating grants	-	8,262	73,982
State capital grants	-	-	-
Charges for services	580	-	-
Total revenue	<u>580</u>	<u>8,262</u>	<u>73,982</u>
Expenditures			
Current:			
Public safety	351	8,685	38,321
Culture and recreation	-	-	-
Health and welfare	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	20,390
Interest	-	-	2,232
Total expenditures	<u>351</u>	<u>8,685</u>	<u>60,943</u>
Excess (deficiency) of revenues over expenditures	<u>229</u>	<u>(423)</u>	<u>13,039</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	229	(423)	13,039
Fund balance - beginning of year	92	1,467	13,317
Restatement (Note 18)	-	-	-
Fund balance - beginning of year, restated	<u>92</u>	<u>1,467</u>	<u>13,317</u>
Fund balance - end of year	<u>\$ 321</u>	<u>\$ 1,044</u>	<u>\$ 26,356</u>

See Independent Auditors' Report and Notes to Financial Statements

<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Total Other Governmental Funds</u>
<u>Law Enforcement</u>	<u>Lodgers Tax</u>	<u>Airport</u>		
\$ -	\$ 5,948	\$ -	\$ 5,948	
21,800	-	-	104,044	
-	-	346,154	346,154	
-	-	-	580	
<u>21,800</u>	<u>5,948</u>	<u>346,154</u>	<u>456,726</u>	
14,408	-	-	61,765	
-	4,348	-	4,348	
-	-	-	-	
-	-	364,371	364,371	
-	-	-	20,390	
-	-	-	2,232	
<u>14,408</u>	<u>4,348</u>	<u>364,371</u>	<u>453,106</u>	
<u>7,392</u>	<u>1,600</u>	<u>(18,217)</u>	<u>3,620</u>	
-	-	197,242	197,242	
-	(9,300)	(187,382)	(196,682)	
-	(9,300)	9,860	560	
<u>7,392</u>	<u>(7,700)</u>	<u>(8,357)</u>	<u>4,180</u>	
7,768	10,699	-	33,343	
-	10,025	-	10,025	
<u>7,768</u>	<u>20,724</u>	<u>-</u>	<u>43,368</u>	
<u>\$ 15,160</u>	<u>\$ 13,024</u>	<u>\$ (8,357)</u>	<u>\$ 47,548</u>	

**STATE OF NEW MEXICO
Town of Mountainair
Corrections Fund**

Statement B-1

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP	(unfavorable)
			Basis	Final to actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants		-		-
Charges for services	2,700	2,700	580	(2,120)
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	2,700	2,700	580	(2,120)
Expenditures				
Current :				
General government				
Public safety	-	-	351	(351)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	351	(351)
Excess (deficiency) of revenues over expenditures	2,700	2,700	229	(2,471)
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	(2,700)	(2,700)	-	2,700
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in fund balance	2,700	2,700	229	229
Fund balance - beginning of year	-	-	92	92
Fund balance - end of year	\$ -	\$ -	\$ 321	\$ 321
Net change in fund balance (non-GAAP budgetary basis)			229	
Adjustments to revenue			-	
Adjustment to expenditures			-	
Net Change in fund balance (GAAP basis)			\$ 229	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
Town of Mountainair
EMS Fund**

Statement B-2

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance Favorable (unfavorable)
	Original	Final	Non-GAAP Basis	Final to actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	8,300	8,300	8,262	(38)
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	8,300	8,300	8,262	(38)
Expenditures				
Current				
General government				
Public safety	-	-	-	-
Public works	8,300	8,300	8,685	(385)
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	8,300	8,300	8,685	(385)
Excess (deficiency) of revenues over expenditures	-	-	(423)	(423)
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in fund balance	-	-	(423)	(423)
Fund balance - beginning of year	-	-	1,467	1,467
Fund balance - end of year	\$ -	\$ -	\$ 1,044	\$ 1,044
Net change in fund balance (non-GAAP budgetary basis)			(423)	
Adjustments to revenue			-	
Adjustment to expenditures			-	
Net Change in fund balance (GAAP basis)			\$ (423)	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO

Statement B-3

Town of Mountainair

Fire Protection Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance Favorable (unfavorable)
	Original	Final	Non-GAAP Basis	Final to actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	49,378	49,378	73,982	24,604
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	<u>49,378</u>	<u>49,378</u>	<u>73,982</u>	<u>24,604</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	49,378	49,378	38,321	11,057
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	20,390	(20,390)
Interest	-	-	2,232	(2,232)
Total expenditures	<u>49,378</u>	<u>49,378</u>	<u>60,943</u>	<u>(11,565)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>13,039</u>	<u>13,039</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in fund balance	-	-	13,039	13,039
Fund balance - beginning of year	-	-	13,317	13,317
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,356</u>	<u>\$ 26,356</u>
Net change in fund balance (non-GAAP budgetary basis)			13,039	
Adjustments to revenue			-	
Adjustment to expenditures			-	
Net Change in fund balance (GAAP basis)			<u>\$ 13,039</u>	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
Town of Mountainair
Law Enforcement**

Statement B-4

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance Favorable (unfavorable)
	Original	Final	Non-GAAP Basis	Final to actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	20,600	20,600	21,800	1,200
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	20,600	20,600	21,800	1,200
Expenditures				
Current				
General government	-	-	-	-
Public safety	20,600	20,600	14,408	6,192
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	20,600	20,600	14,408	6,192
Excess (deficiency) of revenues over expenditures	-	-	7,392	7,392
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in fund balance	-	-	7,392	7,392
Fund balance - beginning of year	-	-	7,768	7,768
Fund balance - end of year	\$ -	\$ -	\$ 15,160	\$ 15,160
Net change in fund balance (non-GAAP budgetary basis)			7,392	
Adjustments to revenue			-	
Adjustment to expenditures			-	
Net Change in fund balance (GAAP basis)			\$ 7,392	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Town of Mountainair
Lodgers Tax

Statement B-5

Statement of Revenues, Expenditures and Changes in Net Position
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance Favorable (unfavorable)
	Original	Final	Non-GAAP Basis	Final to actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	4,539	4,539	5,948	1,409
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	-	-	-	-
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	4,539	4,539	5,948	1,409
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	4,528	4,528	4,348	180
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	4,528	4,528	4,348	180
Excess (deficiency) of revenues over expenditures	11	11	1,600	1,589
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	(11)	(11)	-	11
Transfers in	-	-	-	-
Transfers out	-	-	(9,300)	(9,300)
Total other financing sources (uses)	-	-	(9,300)	(9,300)
Net Change in fund balance	11	11	(7,700)	(7,700)
Fund balance - beginning of year	-	-	20,724	20,724
Fund balance - end of year	\$ -	\$ -	\$ 13,024	\$ 13,024
Net change in fund balance (non-GAAP budgetary basis)			(7,700)	
Adjustments to revenue			-	
Adjustment to expenditures			-	
Net Change in fund balance (GAAP basis)			\$ (7,700)	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
Town of Mountainair
Airport Fund**

Statement-B-6

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	-	-	187,382	187,382
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	<u>-</u>	<u>-</u>	<u>187,382</u>	<u>187,382</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	197,242	(197,242)
Total expenditures	<u>-</u>	<u>-</u>	<u>197,242</u>	<u>(197,242)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(9,860)</u>	<u>384,624</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	197,242	197,242
Transfers out	-	-	(187,382)	(187,382)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>9,860</u>	<u>9,860</u>
Net Change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			<u>-</u>	
Adjustments to revenue for capital grants			158,772	
Adjustment to expenditures for capital outlay			<u>(167,129)</u>	
Net Change in fund balance (GAAP basis)			<u>\$ (8,357)</u>	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
Town of Mountainair
Water**

Statement B-7

**Statement of Revenues, Expenditures and Changes in Net Position
Budget GAAP Basis and Actual
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance Favorable (unfavorable)
	Original	Final	GAAP Basis	Final to actual
Operating revenues:				
Charges for services	\$ 263,580	\$ 263,580	\$ 287,518	\$ 23,938
Total operating revenues	263,580	263,580	287,518	23,938
Operating expenses:				
Depreciation Expense	-	-	62,166	(62,166)
Personnel services	-	-	77,041	(77,041)
Contractual services	-	-	-	-
Supplies	-	-	13,696	(13,696)
Maintenance and Materials	-	-	-	-
Utilities	-	-	-	-
Miscellaneous	262,000	262,000	176,830	85,170
Total operating expense	262,000	262,000	329,733	(67,733)
Operating income (loss)	1,580	1,580	(42,215)	(43,795)
Non-operating revenues (expense):				
Governmental contributions	-	-	20,396	20,396
Interest income	-	-	49.00	49
Debt Service	-	-	-	-
Total non-operating revenues (expense)	-	-	20,445	20,445
Income (loss) before contributions and transfers				
Transfers in	-	-	103,149	103,149
Transfers out	-	-	-	-
Capital Grants	-	-	-	-
Total contributions and transfers	-	-	103,149	103,149
Change in Net Position	\$ 1,580	\$ 1,580	81,379	\$ 79,799
Net Position, beginning of year			196,957	
Net Position - end of the year			\$ 278,336	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
Town of Mountainair
Gas**

Statement B-8

**Statement of Revenues, Expenditures and Changes in Net Position
Budget GAAP Basis and Actual
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance Favorable (unfavorable)
	Original	Final	GAAP Basis	Final to actual
Operating revenues:				
Charges for services	\$ 600,616	\$ 600,616	\$ 599,541	\$ (1,075)
Total operating revenues	<u>600,616</u>	<u>600,616</u>	<u>599,541</u>	<u>(1,075)</u>
Operating expenses:				
Depreciation Expense	-	-	13,502	(13,502)
Personnel services	-	-	137,281	(137,281)
Contractual services	-	-	22,233	(22,233)
Supplies	-	-	15,823	(15,823)
Cost of gas sold	-	-	189,720	(189,720)
Miscellaneous	272,962	272,962	197,033	75,929
Total operating expense	<u>272,962</u>	<u>272,962</u>	<u>575,592</u>	<u>(302,630)</u>
Operating income (loss)	<u>327,654</u>	<u>327,654</u>	<u>23,949</u>	<u>(303,705)</u>
Non-operating revenues (expense):				
Governmental contributions	-	-	37,388	37,388
Interest income	-	-	338	338
Debt Service	-	-	-	-
Total non-operating revenues (expense)	<u>-</u>	<u>-</u>	<u>37,726</u>	<u>37,726</u>
Income (loss) before contributions and transfers				
Transfers in	-	-	125,595	125,595
Transfers out	-	-	(394,356)	(394,356)
Capital Grants	-	-	-	-
Total contributions and transfers	<u>-</u>	<u>-</u>	<u>(268,761)</u>	<u>(268,761)</u>
Change in Net Position	<u>\$ 327,654</u>	<u>\$ 327,654</u>	<u>(207,086)</u>	<u>\$ (534,740)</u>
Net Position, beginning of year			<u>1,061,859</u>	
Net Position - end of the year			<u>\$ 854,773</u>	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
Town of Mountainair
Solid Waste**

Statement B-9

**Statement of Revenues, Expenditures and Changes in Net Position
Budget GAAP Basis and Actual
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance Favorable (unfavorable)
	Original	Final	GAAP Basis	Final to actual
Operating revenues:				
Charges for services	\$ 128,107	\$ 128,107	\$ 169,352	\$ 41,245
Total operating revenues	<u>128,107</u>	<u>128,107</u>	<u>169,352</u>	<u>41,245</u>
Operating expenses:				
Depreciation Expense	-	-	-	-
Personnel services	-	-	-	-
Contractual services	-	-	152,305	(152,305)
Supplies	-	-	-	-
Maintenance and Materials	-	-	-	-
Utilities	-	-	-	-
Miscellaneous	153,727	153,727	5,040	148,687
Total operating expense	<u>153,727</u>	<u>153,727</u>	<u>157,345</u>	<u>(3,618)</u>
Operating income (loss)	<u>(25,620)</u>	<u>(25,620)</u>	<u>12,007</u>	<u>37,627</u>
Non-operating revenues (expense):				
Governmental contributions	-	-	5,040	5,040
Interest income	-	-	-	-
Debt Service	-	-	-	-
Total non-operating revenues (expense)	<u>-</u>	<u>-</u>	<u>5,040</u>	<u>5,040</u>
Income (loss) before contributions and transfers				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Capital Grants	-	-	-	-
Total contributions and transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ (25,620)</u>	<u>\$ (25,620)</u>	<u>\$ 17,047</u>	<u>\$ 42,667</u>
Net Position, beginning of year			<u>13,217</u>	
Net Position - end of the year			<u>\$ 30,264</u>	

See Independent Auditors' Report and Notes to Financial Statements

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Town of Mountainair
Schedule of Deposits
June 30, 2015

<u>Name - Bank Account Type</u>	<u>My Bank</u>
General Fund - Checking	\$ 801,980
Gas Fund-Checking	869,488
Water Fund-Checking	157,103
Payroll-Checking	26,131
Cash Deposits	<u>\$ 1,854,702</u>
CD:	44,640
Total Deposits	<u><u>\$ 1,899,342</u></u>

See Independent Auditors' Report

STATE OF NEW MEXICO
Town of Mountainair
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2015

<u>Name of Depository</u>	<u>Maturity Date</u>	<u>CUSIP / Description</u>	<u>Par Value</u>	<u>Fair Market Value</u>
Independent Banker's Bank	11/15/2018	388240FY4	\$ 150,000	\$ 155,386
Independent Banker's Bank	8/1/2016	550340DL4	\$ 500,000	519,425
Independent Banker's Bank	8/1/2016	73085PAR0	\$ 250,000	258,130
Total Pledged Collateral				<u>\$ 932,941</u>

See Independent Auditors' Report

STATE OF NEW MEXICO
Town of Mountainair
Schedule of Vendor Information for Purchase Exceeding \$60,000
June 30, 2015

<u>RFB#/RF P#</u>	<u>Type of Procurement</u>	<u>Award Vendor</u>	<u>\$ Amount of Amended Contract</u>	<u>\$ Amount of Amended Contract</u>	<u>Name and Physical Address per the procurement document, of all Vendor(s) that responded</u>	<u>In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)</u>	<u>Was the Vendor in-State and chose Varian's preference (Y or N) for federal funds answer N/A</u>	<u>Brief Description of the Scope of Work</u>
2012-01	Advertised in News Paper	Maxtex Contractors, Inc.	\$377,410	\$ -	2201 Phoenix Ave NE Albuquerque, NM 87107	<i>In State</i>	NA	Construction of Heliport and Road

See Independent Auditors' Report

COMPLIANCE SECTION



Report on internal controls over financial reporting and in compliance and other matters based on an audit of financial statements performed in Accordance with Governmental Auditing Standards.

INDEPENDENT AUDITORS' REPORT

Honorable Tim Keller
New Mexico State Auditor
Santa Fe, New Mexico
and
To the Honorable Mayor and 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, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of the Town of Mountainair (the Town) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Town, presented as supplemental information, and have issued our report thereon dated September 4, 2015.

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 weaknesses 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 responses, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses 2005-006, 2007-005, 2008-001, 2010-002, and 2015-002.

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 deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies 2015-001.

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 one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards, finding 2005-006.

The Town's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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 entity'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.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
September 4, 2015

**STATE OF NEW MEXICO
Town of Mountainair
Schedule of Findings and Responses
June 30, 2015**

SUMMARY OF AUDIT RESULTS

Financials Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiencies identified? | Yes |
| c. Noncompliance material to the financial statements? | Yes |

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<u>AUDIT FINDING NUMBER</u>	<u>AUDIT FINDING DESCRIPTION</u>	<u>FY15</u>	<u>Type of Finding</u>
Prior Year Findings			
2005-006	Noncompliance: Budgetary Preparation of Financial	Repeated/modified	C
2007-005	Statements/Accounting System	Repeated/modified	A
2008-001	Deficiencies in Internal Control Structure Design, Operation, and Oversight	Repeated/modified	A
2010-002	Capital Assets	Repeated/modified	A
2012-001	Cash Reconciliation	Resolved	B
2014-001	Mileage and Per Diem Improperly Recording Accrued	Resolved	D
2014-002	Compensation	Resolved	A
Current Year Findings			
2015-001	Controls over Disbursements	New	B
2015-002	Fund Accounting	New	A

Findings by type

- A. Material Weakness in Internal Control of Financial Reporting
- B. Significant Deficiency in Internal Control of Financial Reporting
- C. Material Noncompliance of State Audit Rule
- D. Noncompliance of State Audit Rule

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A. AUDIT FINDINGS:

FS 2005-006 Excess – Non Compliance: Budgetary (Repeated/Modified)

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

Fund	Amount
General Fund	\$ (117,549)
Municipal Street	(85,906)
Recreation	(41,387)
Airport	(197,242)
Corrections	(351)
EMS Fund	(385)
Fire Protection	(11,565)
Water	(67,733)
Gas	(302,630)
Solid Waste	\$ (3,618)

Criteria: A budget is 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 2.2.210G.

Cause: The Town did not adequately monitor its budget in these areas. Expenditures were approved and executed in excess of the available budget or budget adjustments were not approved.

Effect: The Town is spending unauthorized funds.

Auditors' Recommendation: We recommend the budgets be monitored in terms of approving expenditures and the possible need for budget adjustments.

Management's Progress: Management admits it needs trainings in these areas to comply.

Management's Response: The Town will be doing more cross training in the office.

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FS 2007-005 Financial Reporting (Repeated/Modified)

Condition: The Town is not preparing Financial Statements or related disclosures resulting in no Management Discussion and Analysis being issued. The Town uses Excel as its main system of accounting, which causes issues relating to journal entries and financial statement preparation. KMA notes this is a major issue, and has therefore expanded on the previous finding results. We also noted that as a result transactions were recorded in the wrong fund causing a need for material audit adjustments.

Criteria: According to the Auditing Standards Board Statement AU-C 265, a system of internal controls over financial reporting does not stop at the general Ledger. Well-designed systems include Controls over financial statement presentation, including footnote disclosures.

Effect: When sufficient controls over preparation of the financial statements and related disclosures are not designed, implemented, and operating effectively, and entity's ability to prevent or detect a misstatement in its financial statements is limited. The Towns current system of accounting is limited in its ability to perform such functions.

Cause: The Towns personal do not have the time, training, nor effective tools for such preparations.

Auditors' Recommendations: We recommend the Town consider obtaining new accounting software as well as developing policies and procedures designed to prevent or detect possible misstatements. We recommend employees receive training which should include

- Governmental Accounting Standards Board
- Generally Accepted Accounting Principles
- Financial Accounting Standards Board
- Understanding of financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Management's discussion and analysis training as well as accrual basis training
- Supplementary information required by the Office of the State Auditor

This is noted as a major reoccurring issue for the town and it would be advised that it be handled expediently.

Management's Progress: Management admits it needs trainings in these areas to comply.

Management's Response: The Town has purchased an accounting program as of this date and has also incorporated the training necessary to operate the program. This will have a positive impact on the policies and procedures.

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FS 2008-001 Deficiencies in Internal Control Structure Design, Operation, and Oversight/Small Office Environment/Segregation of Duties – (Repeated/Modified)

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

- Lack of segregation of duties in regards to journal entries, and journal entries are not prepared in an accepted manner due to lack of accounting software.
- Lack of Council or management review of reconciliations
- Lack of proper financial reporting oversight.
- Lack of proper controls over the transfers of funds in between departmental bank accounts.
- Lack of Controls of adding employees and monitoring pay rate changes, and the recording of hours.
- Lack of controls in regards to monitoring and recording revenue recognition, fund accounting, coding of expenses.
- The Town does not reconcile the accounts on an on-going basis which often leaves the balances incorrect at year-end.
- The Town does not have a process in place to remedy findings from prior year audits. Several findings have been repeated.

Criteria: According to the Auditing Standards Board Statement on Auditing Standards AU-C265, a system of internal control over financial reporting does not stop at the general ledger. A well designed system of controls is needed to assure the proper preparation of the financial statements.

AU-C 265 states that ineffective oversight of the Town'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. In this case the auditor viewed it as a material weakness.

Effect: Because the internal control structure is ineffectual and proper policies are not planned and documented adequate controls are not in place to prevent or detect intentional nor unintentional misstatements of accounting information. Due to the small office environment, it is also difficult for the Town to properly segregate duties.

Cause: The Town does not have proper controls planned, documented, nor implemented to the point of working properly.

Auditors' Recommendation: We recommend the Town document proper internal control policies. We also recommend the Town continue to attempt to segregate the duties of the employees to the best point possible.

Management's Progress: Management admits it needs trainings in these areas to comply.

Management's Response: The Town will attempt to segregate the duties of all office employees to best point possible. With the limited staff it is hard to do at times and we will make a diligent effort in the future.

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FS 2010-002 Capital Assets/inventory- (Repeated/Modified)

Condition: The Town did not perform a yearly inventory as required by Section 12-6-10 NMSA 1978 and a complete capital assets listing including current year additions and deletions was not reconciled in a proper manner. Multiple items due for capitalization were not added to the listing, this amounted to \$364,371.

Criteria: Capital asset records and yearly inventory should be maintained in accordance with Section 12-6-10 NMSA 1978. The records should be detailed enough that program management is able to adequately and efficiently identify and locate any and all items.

Effect: The Town has not complied with Section 12-6-10 NMSA 1978 requirements.

Cause: The Town does not have controls in place to ensure that all capital asset additions and deletions are captured by the accounting system in a timely manner.

Auditors' Recommendations: We recommend the Town perform a physical inventory of capital assets and maintain documentation of the inventories on hand. A proper accounting system may be needed in this matter.

Management's Progress: The Town has improved the tracking of assets, but was unaware the airport work should be capitalized.

Management's Response: The Town has been informed of how to track these assets going forward and will comply.

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FS 2015-001 — Expenses and Expenditures– (Current Year Finding)

Condition: During our testwork, it was noted that 3 of the 40 viewed disbursements were lacking in the proper detail to support the expense, this amounted to \$590.

Criteria: Maintenance of adequate supporting documentation for all disbursements including purchase requisitions, purchase orders, approval for disbursements are integral parts of sound internal control system established by the management to safeguard the assets and accomplish timely preparation and submission of financial reports.

Effect: The Town's internal control over purchasing authorization, approval and double payments limits management's ability to monitor the accuracy of transactions and provide assurance with respect to public funds.

Cause: The Town did not follow proper internal control procedures.

Auditors' Recommendations: The Town should exercise more caution with its document retention, purchase authorization, and payment procedure to ensure similar instances do not occur.

Management's Response: The Town has had this problem in the past, but I do see improvement. We will continue to exercise more caution with document retention and make sure that purchase authorization is included with each voucher.

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FS 2015-002 Fund Accounting/Net Position/Fund Balance- (Current Year Finding)

Condition: KMA noted multiple occasions of the capture of revenue and expenses booked to the incorrect fund. This situation also led to the lack of the correct transfers between funds from being recorded. KMA noted during review the funds directed to the airport fund where recorded by the entity as revenue and expenses in the proprietary funds, and this amounted to \$187,382 in revenue which was classified incorrectly as well as \$197,242 in expense.

Criteria: The correct recording of transaction within the proper fund should always be maintained by the entity.

Effect: The Town had multiple instances in which the financial statements of both Governmental and Proprietary funds were misstated. This required material adjustments be made by the auditor.

Cause: The Town personnel did not have the proper training in fund accounting principles at the time of the audit.

Auditors' Recommendations: We recommend the Town track activity within the individual funds correctly moving forward and properly use transfers to move cash between funds.

Management's Response: The Town will be using a new accounting program in the future to ensure the proper tracking of fund balances and transactions

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B. STATUS OF PRIOR YEAR AUDIT FINDINGS

FS 2005-001 –Significant Deficiency Non Compliance: Budgetary repeated/modified

FS 2007-005 (FS 2007-05)-Material Weakness: Preparation of Financial Statements –
Repeated

FS 2008-001 (FS 2008-01)-Material Weakness: Deficiencies in Internal Control Structure,
Design, Operation, and Oversight – Repeated/Modified

FS 2010-002 (FS 2010-02)-Material Weakness: Capital Assets – Repeated/Modified
Resolved

FS 2012-001 (FS 2012-01)-Material Weakness: Cash Reconciliation to the General Ledger –
Resolved

FS 2014-001 –Other matter Mileage and per Diem-Resolved

FS 2014-002 –Material Weakness: improper Recording of Accrued Compensation-Resolved

**STATE OF NEW MEXICO
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Exit Conference
June 30, 2015**

Exit Conference

An exit conference was held on September 4, 2015 with Geoff Mamerow and Robert Peixotto, CPA of KMA meeting with the following Town officials:

Chester Riley
Suzan Brazil
Kathy Anglin

Mayor
Town Clerk
Treasurer

Auditor Prepared Financial Statements

KMA assisted the Town in the preparation of the GAAP-based financial statements and notes to the financial statements. The financial statements were prepared using the original books and records provided by the management of the Town. The responsibility for the financial statements remains with the Town.