



STATE OF NEW MEXICO

Town of Mountainair

**ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2019**

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INTRODUCTORY SECTION

STATE OF NEW MEXICO
Town of Mountainair
Table of Contents
June 30, 2019

Page No.

INTRODUCTORY SECTION:

Official Roster6

FINANCIAL SECTION:

Independent Auditors' Report.....8-10

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

Statement of Net Position (Exhibit A-1) 13

Statement of Activities (Exhibit A-2) 14-15

Fund Financial Statements:

Balance Sheet – Governmental Funds (Exhibit B-1)..... 16

Reconciliation of the Balance Sheet – Governmental Funds to
the Statement of Net Position (Exhibit B-1) 17

Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds (Exhibit B-2) 18

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds to the Statement of Activities
(Exhibit B-2)..... 19

Statement of Revenues and Expenditures – Budget (Non-GAAP Budgetary
Basis) and Actual (Non-GAAP Budgetary Basis):
General Fund (Exhibit C-1)..... 20

Statement of Revenues and Expenditures – Budget (Non-GAAP Budgetary
Basis) and Actual (Non-GAAP Budgetary Basis):
Fire Protection (Exhibit C-2) 21

Statement of Revenues and Expenditures – Budget (Non-GAAP Budgetary
Basis) and Actual (Non-GAAP Budgetary Basis):
Municipal Street (Exhibit C-3)..... 23

Proprietary Funds - Statement of Net Position (Exhibit D-1) 24

Proprietary Funds - Statement of Revenues, Expenditures and Changes in Net
Position (Exhibit D-2)..... 25

**STATE OF NEW MEXICO
Town of Mountainair
Table of Contents
June 30, 2019**

Page No.

Proprietary Funds - Statement of Cash Flows (Exhibit D-3).....	26
Notes to the Financial Statements.....	27-50
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of the Town's Proportionate Share of the Net Pension liability – of PERA – Municipal General (Schedule I).....	52
Schedule of the Town's Proportionate Share of the Net Pension liability – of PERA – Municipal Police (Schedule I).....	53
Schedule of Contributions PERA Fund Division – Municipal General (Schedule II).....	54
Schedule of Contributions PERA Fund Division – Municipal Police (Schedule II).....	55
Notes to the Required Supplementary Information.....	56
SUPPLEMENTARY INFORMATION:	
Nonmajor Fund Description - Governmental Funds	59
Combining of Balance Sheet – Nonmajor Governmental Funds	60-61
Combining Statements of Revenues, Expenses, and Changes in Fund Balances – Nonmajor Governmental Funds	62-63
SUPPORTING SCHEDULES:	
Schedule of Deposits (Schedule III)	66
Schedule of Collateral Pledged by Depository (Schedule IV).....	67
COMPLIANCE SECTION:	
Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	70-71
Schedule of Findings and Responses.....	72-74
Exit Conference	75

**STATE OF NEW MEXICO
Town on Mountainair
Official Roster
June 30, 2019**

TOWN COUNCIL

- Peter Nieto Mayor
- Adrian Padilla Mayor Pro Tem
- Ernie Lopez Councilor
- Juanita Carrillo Councilor
- Jose (Richard) Torres Councilor

TOWN OFFICIALS

- Dennis Fulfer Town Clerk
- Phyllis Royce Treasurer

FINANCIAL SECTION



Auditors~Consultants~CPA

INDEPENDENT AUDITORS' REPORT

Brian S. Colón, ESQ.
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, New Mexico (the Town) as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Town's basic financial statements 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 responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental 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, and accordingly, no such opinion is expressed.

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 opinion.

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, the aggregate remaining fund information, and the budgetary comparisons for the General fund and Major Special Revenue Funds of the Town, as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that Schedule I, Schedule II and the Notes to Required Supplementary Information on pages 52-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purposes of forming opinions on the Town's financial statements that collectively comprise the Town's basic financial statements. The combining and individual non-major fund financial statements (Statement A-1 and A-2) and the Supporting Schedules III and IV required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and Supporting Schedules III and IV required by Section 2.2.2 NMAC is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and Supporting Schedules III and IV required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019 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 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.

Southwest Accounting Solutions, LLC
Southwest Accounting Solutions, LLC
Albuquerque, New Mexico
October 29, 2019

BASIC FINANCIAL STATEMENTS

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STATE OF NEW MEXICO
Town of Mountainair
Statement of Net Position
June 30, 2019

Exhibit A-1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 474,042	\$ 1,230,005	\$ 1,704,047
Restricted cash	-	51,699	51,699
GRT receivables	48,437	-	48,437
Property taxes receivable	11,012	-	11,012
Other receivables	11,697	-	11,697
Customer receivable	-	82,251	82,251
Total current assets	<u>545,188</u>	<u>1,363,955</u>	<u>1,909,143</u>
Noncurrent assets			
Non-depreciable capital assets	249,978	-	249,978
Depreciable capital assets	2,684,799	2,313,437	4,998,236
Less: Accumulated Depreciation	(2,037,254)	(2,158,356)	(4,195,610)
Total noncurrent assets	<u>897,523</u>	<u>155,081</u>	<u>1,052,604</u>
Deferred outflows of resources			
Deferred pension outflows	226,277	71,045	297,322
Total Deferred outflows	<u>226,277</u>	<u>71,045</u>	<u>297,322</u>
Total assets, and deferred outflows of resources	<u>\$ 1,668,988</u>	<u>\$ 1,590,081</u>	<u>\$ 3,259,069</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 15,455	\$ 22,706	\$ 38,161
Accrued salaries and benefits	17,241	5,972	23,213
Current portion of loans payable	22,151	-	22,151
Landfill liability	-	4,020	4,020
Total current liabilities	<u>54,847</u>	<u>32,698</u>	<u>87,545</u>
Noncurrent liabilities			
Customer deposits	-	51,699	51,699
Net pension liability	535,089	167,498	702,587
Total noncurrent liabilities	<u>535,089</u>	<u>219,197</u>	<u>754,286</u>
Total liabilities	<u>589,936</u>	<u>251,895</u>	<u>841,831</u>
Deferred inflows of resources			
Deferred pension inflows	48,823	15,127	63,950
Total deferred inflows of resources	<u>48,823</u>	<u>15,127</u>	<u>63,950</u>
Net position			
Net investment in capital assets	897,523	155,081	1,052,604
Restricted for:			
Special revenue	103,289	-	103,289
Unrestricted	29,417	1,167,978	1,197,395
Total net position	<u>1,030,229</u>	<u>1,323,059</u>	<u>2,353,288</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,668,988</u>	<u>\$ 1,590,081</u>	<u>\$ 3,259,069</u>

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, 2019

<u>Functions and Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 353,128	\$ 16,571	\$ 122,854	\$ 33,284
Public safety	560,569	13,045	111,041	-
Public works	67,714	-	-	-
Culture and recreation	40,409	-	-	-
Interest on long-term debt	990	-	-	-
Total Governmental Activities	<u>1,022,810</u>	<u>29,616</u>	<u>233,895</u>	<u>33,284</u>
Business-Type Activities				
Water	234,415	296,034	-	-
Gas	539,573	459,847	-	-
Solid Waste	154,701	172,380	-	-
Total Business-Type Activities	<u>928,689</u>	<u>928,261</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 1,951,499</u>	<u>\$ 957,877</u>	<u>\$ 233,895</u>	<u>\$ 33,284</u>
General Revenues:				
Taxes:				
Property taxes				
Gross receipt taxes				
Gasoline and motor vehicle				
Other taxes				
Interest income				
Miscellaneous income				
Subtotal, General revenues				
Change in Net position				
Net position - beginning				
Net position - ending				

See Independent Auditors' Report and Notes to Financial Statements

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

Government Activities	Business- Type Activities	Total
\$ (180,419)	\$ -	\$ (180,419)
(436,483)	-	(436,483)
(67,714)	-	(67,714)
(40,409)	-	(40,409)
(990)	-	(990)
<u>(726,015)</u>	<u>-</u>	<u>(726,015)</u>
-	61,619	61,619
-	(79,726)	(79,726)
-	17,679	17,679
<u>-</u>	<u>(428)</u>	<u>(428)</u>
<u>(726,015)</u>	<u>(428)</u>	<u>(726,443)</u>
60,757	-	60,757
247,786	90,051	337,837
77,203	-	77,203
45,774	-	45,774
186	174	360
25,870	100,000	125,870
<u>457,576</u>	<u>190,225</u>	<u>647,801</u>
(268,439)	189,797	(78,642)
1,298,668	1,133,262	2,431,930
<u>\$ 1,030,229</u>	<u>\$ 1,323,059</u>	<u>\$ 2,353,288</u>

STATE OF NEW MEXICO
Town of Mountainair
Balance Sheet-
Governmental Funds
June 30, 2019

Exhibit B-1
Page 1 of 2

	<u>General Fund # 101</u>	<u>Fire Protection # 209</u>	<u>Municipal Streets # 216</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 374,904	\$ 5,068	\$ 65,706	\$ 28,364	\$ 474,042
Property tax receivable	11,012	-	-	-	11,012
GRT receivable	48,437	-	-	-	48,437
Other receivables	5,941	-	5,001	755	11,697
Total assets	<u>\$ 440,294</u>	<u>\$ 5,068</u>	<u>\$ 70,707</u>	<u>\$ 29,119</u>	<u>\$ 545,188</u>
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 13,850	\$ -	\$ -	\$ 1,605	\$ 15,455
Accrued salaries and benefits	17,241	-	-	-	17,241
Total liabilities	<u>31,091</u>	<u>-</u>	<u>-</u>	<u>1,605</u>	<u>32,696</u>
Fund balance					
Restricted for:					
Public safety	-	5,068	70,707	3,773	79,548
Culture and recreation	-	-	-	23,741	23,741
Committed to:					
Minimum Fund Balance	75,237	-	-	-	75,237
Unassigned	333,966	-	-	-	333,966
Total fund balance	<u>409,203</u>	<u>5,068</u>	<u>70,707</u>	<u>27,514</u>	<u>512,492</u>
Total liabilities and fund balance	<u>\$ 440,294</u>	<u>\$ 5,068</u>	<u>\$ 70,707</u>	<u>\$ 29,119</u>	<u>\$ 545,188</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Town of Mountainair
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2019

Exhibit B-1
Page 2 of 2

Total Fund Balance - Governmental Funds	\$	512,492
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		2,934,777
Less: Accumulated depreciation		(2,037,254)
Deferred outflows and inflows relating to pension liabilities are not payable / collected in the current period and therefore are not reported in the fund financial statements. Deferred outflows and inflows consist of the following:		
Deferred Outflows		226,277
Deferred Inflows		(48,823)
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:		
Long-term debt		(22,151)
Net pension liability		(535,089)
Total net position of governmental activities	\$	<u>1,030,229</u>

STATE OF NEW MEXICO
Town of Mountainair
Statement of Revenues, Expenses and Changes in Fund Balances –
Governmental Funds
For the Year Ended June 30, 2019

Exhibit B-2
Page 1 of 2

	<u>General Fund # 101</u>	<u>Fire Protection # 209</u>	<u>Municipal Streets # 216</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Property taxes	\$ 60,757	\$ -	\$ -	\$ -	60,757
Gross receipt taxes	247,786	-	-	-	247,786
Gasoline and motor vehicle taxes	77,203	-	-	-	77,203
Other taxes	18,683	-	21,781	5,310	45,774
State operating grants	122,854	81,213	-	29,828	233,895
State capital grants	11,504	-	-	-	11,504
Federal Operating grant	21,780	-	-	-	21,780
Charges for services	16,571	-	-	13,045	29,616
Miscellaneous income	12,009	-	13,861	-	25,870
Interest income	186	-	-	-	186
Total revenues	<u>589,333</u>	<u>81,213</u>	<u>35,642</u>	<u>48,183</u>	<u>754,371</u>
Expenditures					
Current:					
General government	314,573	-	-	-	314,573
Public safety	404,513	55,708	12,098	27,046	499,365
Public works	60,321	-	-	-	60,321
Culture and recreation	19,981	-	-	16,016	35,997
Capital outlay	103,452	-	-	20,000	123,452
Debt service:					
Principal	-	21,733	-	-	21,733
Interest	-	990	-	-	990
Total expenditures	<u>902,840</u>	<u>78,431</u>	<u>12,098</u>	<u>63,062</u>	<u>1,056,431</u>
Excess (deficiency) of revenues over expenditures	<u>(313,507)</u>	<u>2,782</u>	<u>23,544</u>	<u>(14,879)</u>	<u>(302,060)</u>
Net change in fund balance	<u>(313,507)</u>	<u>2,782</u>	<u>23,544</u>	<u>(14,879)</u>	<u>(302,060)</u>
Fund balance - beginning of the year	<u>722,710</u>	<u>2,286</u>	<u>47,163</u>	<u>42,393</u>	<u>814,552</u>
Fund balance - end of year	<u>\$ 409,203</u>	<u>\$ 5,068</u>	<u>\$ 70,707</u>	<u>\$ 27,514</u>	<u>\$ 512,492</u>

See Independent Auditors' Report and Notes to Financial Statements

**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, 2019**

Net Change in Fund Balance - Governmental Funds \$ (302,060)

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	123,452
Depreciation expense	(70,945)

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	6,159
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The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Pension expense	(46,778)
Principal payments on bonds and notes payable	<u>21,733</u>

Change in Net Position of Governmental Activities	<u><u>\$ (268,439)</u></u>
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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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Basis)</u>	<u>Favorable (Unfavorable)</u>
				<u>Final to actual</u>
Revenues				
Taxes:				
Property taxes	\$ 54,000	\$ 54,000	\$ 60,321	\$ 6,321
Gross receipts tax	333,501	333,501	241,401	(92,100)
Gasoline and motor vehicle	-	-	77,203	77,203
Franchise tax	10,200	10,200	18,683	8,483
Intergovernmental income:				
State operating grants	185,154	185,154	122,854	(62,300)
State capital grants	-	-	11,504	11,504
Federal grants	-	-	21,780	21,780
Motor vehicle	9,000	9,000	-	(9,000)
Charges for services	35,750	35,750	-	(35,750)
License and fees	3,750	3,750	-	(3,750)
Investment income	-	-	186	186
Miscellaneous	117,000	117,000	105,870	(11,130)
Total revenue	<u>748,355</u>	<u>748,355</u>	<u>659,802</u>	<u>(88,553)</u>
Expenditures				
Current				
General government	328,670	352,670	321,440	31,230
Public safety	385,536	457,000	486,357	(29,357)
Public works	32,000	62,000	60,321	1,679
Culture and recreation	18,000	19,995	19,981	14
Capital outlay	14,000	14,000	13,658	342
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>778,206</u>	<u>905,665</u>	<u>901,757</u>	<u>3,908</u>
Excess (deficiency) of revenues over expenditures	<u>(29,851)</u>	<u>(157,310)</u>	<u>(241,955)</u>	<u>(84,645)</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	29,851	157,310	-	-
Transfers in	-	-	-	-
Transfers out	35,000	35,000	-	(35,000)
Total other financing sources (uses)	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>(35,000)</u>
Net change in fund balance	64,851	192,310	(241,955)	
Fund balance - beginning of year			722,710	
Fund balance - end of year			<u>\$ 480,755</u>	
Net change in fund balance (non-GAAP budgetary basis)			(241,955)	
Adjustments to revenue for changes in receivables			(70,469)	
Adjustment to expenditures for changes in liabilities			(1,083)	
Net Change in fund balance (GAAP basis)			<u>\$ (313,507)</u>	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
Town of Mountainair
Fire Protection**

Exhibit C-2

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to actual
Revenues				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts tax	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	59,000	59,000	58,490	(510)
State capital grants	-	-	-	-
Permits	-	-	-	-
Motor vehicle	-	-	-	-
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	59,000	59,000	58,490	(510)
Expenditures				
Current				
General government	-	-	-	-
Public safety	60,000	60,000	55,708	4,292
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	60,000	60,000	55,708	4,292
Excess (deficiency) of revenues over expenditures	(1,000)	(1,000)	2,782	3,782
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	1,000	1,000	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	1,000	1,000	2,782	
Fund balance - beginning of year			2,286	
Fund balance - end of year			\$ 5,068	
Net change in fund balance (non-GAAP budgetary basis)			2,782	
Adjustments to revenue for changes in receivables			-	
Adjustment to expenditures for changes in accounts payable			-	
Net Change in fund balance (GAAP basis)			\$ 2,782	

See Independent Auditors' Report and Notes to Financial Statements

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Town of Mountainair

Municipal Street

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to actual
Revenues				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts tax	-	-	-	-
Gasoline and motor vehicle	22,000	22,000	16,780	(5,220)
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Permits	-	-	-	-
Motor vehicle	-	-	-	-
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	13,000	13,000	13,861	861
Total revenue	<u>35,000</u>	<u>35,000</u>	<u>30,641</u>	<u>(4,359)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	15,000	15,000	12,098	2,902
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>15,000</u>	<u>15,000</u>	<u>12,098</u>	<u>2,902</u>
Excess (deficiency) of revenues over expenditures	<u>20,000</u>	<u>20,000</u>	<u>18,543</u>	<u>(1,457)</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	(20,000)	(20,000)	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(20,000)</u>	<u>(20,000)</u>	18,543	
Fund balance - beginning of year			23,544	
Fund balance - end of year			<u>\$ 42,087</u>	
Net change in fund balance (non-GAAP budgetary basis)			18,543	
Adjustments to revenue for changes in receivables			5,001	
Adjustment to expenditures for changes in accounts payable			-	
Net Change in fund balance (GAAP basis)			<u>\$ 23,544</u>	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Town of Mountainair
Statement of Net Position
Proprietary Funds
June 30, 2019

Exhibit D-1

	Water # 506	Gas # 501	Solid Waste # 202	Total
Assets				
Cash and cash equivalents	\$ 264,902	\$ 918,303	\$ 46,800	\$ 1,230,005
Restricted cash	20,718	30,981	-	51,699
Customer receivable	44,550	29,330	8,371	82,251
Total current assets	<u>330,170</u>	<u>978,614</u>	<u>55,171</u>	<u>1,363,955</u>
Noncurrent assets				
Capital assets	1,805,928	507,509	-	2,313,437
Less: accumulated depreciation	(1,662,447)	(495,909)	-	(2,158,356)
Total noncurrent assets	<u>143,481</u>	<u>11,600</u>	<u>-</u>	<u>155,081</u>
Deferred outflows of resources				
Deferred pension outflows	24,564	46,481	-	71,045
Total Deferred outflows	<u>24,564</u>	<u>46,481</u>	<u>-</u>	<u>71,045</u>
Total assets, and deferred outflows of resources	<u>\$ 498,215</u>	<u>\$ 1,036,695</u>	<u>\$ 55,171</u>	<u>\$ 1,590,081</u>
Liabilities and net position				
Liabilities				
Accounts payable	\$ 7,175	\$ 13,850	\$ 1,681	\$ 22,706
Accrued salaries and benefits	1,897	4,075	-	5,972
Landfill Liability	-	-	4,020	4,020
Total current liabilities	<u>9,072</u>	<u>17,925</u>	<u>5,701</u>	<u>32,698</u>
Noncurrent liabilities				
Customer deposits	20,718	30,981	-	51,699
Pension liability	58,998	108,500	-	167,498
Total noncurrent liabilities	<u>79,716</u>	<u>139,481</u>	<u>-</u>	<u>219,197</u>
Total Liabilities	<u>88,788</u>	<u>157,406</u>	<u>5,701</u>	<u>251,895</u>
Deferred inflows of resources				
Deferred inflows	5,666	9,461	-	15,127
Total deferred inflows of resources	<u>5,666</u>	<u>9,461</u>	<u>-</u>	<u>15,127</u>
Net position				
Net investment in capital asset	143,481	11,600	-	155,081
Unrestricted	260,280	858,228	49,470	1,167,978
Total net position	<u>403,761</u>	<u>869,828</u>	<u>49,470</u>	<u>1,323,059</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 498,215</u>	<u>\$ 1,036,695</u>	<u>\$ 55,171</u>	<u>\$ 1,590,081</u>

See Independent Auditors' Report and Notes to Financial Statements

Town of Mountainair

**Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019**

	Water # 506	Gas # 501	Solid Waste # 202	Total
Operating revenues:				
Charges for services	\$ 296,034	\$ 459,847	\$ 172,380	\$ 928,261
Total operating revenues	<u>296,034</u>	<u>459,847</u>	<u>172,380</u>	<u>928,261</u>
Operating expenses:				
Depreciation and amortization	1,011	11,600	-	12,611
Personnel services	87,945	158,829	-	246,774
Supplies	21,615	31,585	-	53,200
Cost of goods sold	-	125,845	-	125,845
Contract services	-	-	154,701	154,701
Miscellaneous	123,844	211,714	-	335,558
Total operating expense	<u>234,415</u>	<u>539,573</u>	<u>154,701</u>	<u>928,689</u>
Operating income (loss)	<u>61,619</u>	<u>(79,726)</u>	<u>17,679</u>	<u>(428)</u>
Non-operating revenues (expense):				
Gross receipts taxes	23,636	61,344	5,071	90,051
State Capital grant	100,000	-	-	100,000
Interest income	77	97	-	174
Total non-operating revenues (expense)	<u>123,713</u>	<u>61,441</u>	<u>5,071</u>	<u>190,225</u>
Change in Net Position	<u>185,332</u>	<u>(18,285)</u>	<u>22,750</u>	<u>189,797</u>
Net Position - beginning of the year	<u>218,429</u>	<u>888,113</u>	<u>26,720</u>	<u>1,133,262</u>
Net Position - end of the year	<u><u>\$ 403,761</u></u>	<u><u>\$ 869,828</u></u>	<u><u>\$ 49,470</u></u>	<u><u>\$ 1,323,059</u></u>

STATE OF NEW MEXICO
Town of Mountainair
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

Exhibit D-3

	Water # 506	Gas # 501	Waste #202	Total
Cash flow from operating activities				
Cash received from customers	\$ 297,206	\$ 460,131	\$ 172,336	\$ 929,673
Cash payments to employees for services	(86,226)	(151,604)	-	(237,830)
Cash payments to suppliers for goods and services	(156,188)	(359,330)	(159,956)	(675,474)
Net cash provided by operating activities	<u>54,792</u>	<u>(50,803)</u>	<u>12,380</u>	<u>16,369</u>
Cash flow from noncapital financing activities				
Taxes received	23,636	61,344	5,071	90,051
Net cash flows provided by noncapital financing activities	<u>23,636</u>	<u>61,344</u>	<u>5,071</u>	<u>90,051</u>
Cash Flows from capital and related financing activities:				
Acquisition of capital assets	(131,529)	-	-	(131,529)
Proceeds from capital governmental contributions	100,000	-	-	100,000
Net cash provided (used) by capital and related financing activities	<u>(31,529)</u>	<u>-</u>	<u>-</u>	<u>(31,529)</u>
Cash flows from investing activities				
Interest income	78	97	-	175
Net cash provided by investing activities	<u>78</u>	<u>97</u>	<u>-</u>	<u>175</u>
Net increase (decrease) in cash and cash equivalents	46,977	10,638	17,451	75,066
Cash & cash equivalents - beginning of year	238,643	938,646	29,349	1,206,638
Cash & cash equivalents - end of year	<u>\$ 285,620</u>	<u>\$ 949,284</u>	<u>\$ 46,800</u>	<u>\$ 1,281,704</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 61,619	\$ (79,726)	\$ 17,679	\$ (428)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	1,010	11,600	-	12,610
Pension expense	4,924	9,848	-	14,772
Changes in assets & liabilities:				
Receivables	(34)	(666)	(44)	(744)
Accounts payable	(10,729)	9,814	(184)	(1,099)
Accrued salaries and benefits	(1,294)	(1,474)	-	(2,768)
Landfill Liability	-	-	(5,071)	(5,071)
Compensated absences	(1,910)	(1,149)	-	(3,059)
Customer deposits	1,206	950	-	2,156
Net cash provided (used) by operating activities	<u>\$ 54,792</u>	<u>\$ (50,803)</u>	<u>\$ 12,380</u>	<u>\$ 16,369</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies

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

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

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

This summary of significant accounting policies of the Town is presented to assist in the understanding of Town's financial statements. The financial statements and notes are the representation of Town'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, 2019

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 and 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 is reported in three parts: net investments 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, 2019

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, 2019

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.

Fire Protection - Accounts for grant funds received from state sources for development of an EMS system within the Town and capital purchased for fire protection equipment. Authorized by state law 24-10A-1, NMSA 1978.

Municipal Streets – 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

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

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

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, interest-bearing savings accounts, 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.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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, 2019 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.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2019 along with applicable PERA liabilities.

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, 2019 the Town did not have material unearned revenues.

Deferred Outflows of Resources Related to Pension: In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Town recognized deferred outflows of resources presented on the Statement of Net Position which arise due to the implementation of GASB Statement No. 68 and the related net pension liability in the amount of \$297,322. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become due.

Deferred Inflows of Resources Related to Pension: In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measureable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The Town recognized deferred inflows of resources presented on the Statement of Net Position which arise due to the implementation of GASB Statement No. 68 and the related net pension liability in the amount of \$63,950. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 of the employee. Payouts occur at the first payroll of July and the first Payroll of January. As a result of Payouts, there is no Compensated Absence accrual at June 30, 2019. Any July payout amounts are included in accrued payroll. Qualified employees are entitled to accumulate sick leave at a rate of fourteen days per year. Sick leave can be carried for one year only. Upon termination employees receive no pay for sick time accumulated.

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.

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Net Investment in Capital Assets - Net investment in capital assets consist of 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.

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.

Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “investment in capital assets, net of related debt.”

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Fund Balance: During 2009, GASB adopted Statement No. 54 to clarify the fund balance reporting guidelines of GASB 54. The fund balance reporting established by GASB 54 must be followed by all five of the governmental-type funds used by state and local governments. Based on the requirements of GASB 54, the total fund balance can be conceptually separated into two primary components: 1) Non-spendable fund balance and 2) Spendable fund balance. Fund balance is reported in these five classifications:

Non-spendable – the non-spendable balance includes amounts that cannot be spent because they are not in spendable form or legally, contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash; it also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

Committed – This fund balance amount has spending limitations that are constrained by the government’s highest level of decision-making authority.

At June 30, 2019, the Town has presented restricted fund balance on the governmental funds balance sheet in the amount of \$103,289 for various Town operations as restricted by enabling legislation in the special revenue funds, debt service, and for capital projects. The details of these special revenue funds are located on the balance sheet page 16.

Assigned – The assigned fund balance classification is intended to be used for specific purposes such as special revenue funds, capital project funds, debt service funds, and permanent funds.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amount not contained in other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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 for the upcoming budget year. The Town has presented restricted fund balance on the governmental funds balance sheet in the amount of \$75,237 to meet minimum fund balance requirements for the General Fund.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The Town applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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.

NOTE 2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 2. Stewardship, Compliance, and Accountability (continued)

Budgetary Information (continued)

Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. The Town is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The Town Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

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 a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2019 is presented as part of the budgetary statements.

NOTE 3. Deposits and Investments

State statutes authorize the investment of Town funds in a wide variety of instruments including certificates of deposit and other similar obligations, the state investment pool, money market accounts, and United States Government obligations. The Town is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2019.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Town. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest on 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.

All of the Town's accounts at an insured depository institution, including time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2019, \$1,507,316 of the Town’s bank balance of \$1,760,316 was exposed to custodial credit risk, \$1,000,000 was collateralized by collateral held by the pledging bank’s trust department, not in the Town’s name, and \$510,316 was uninsured and uncollateralized.

	MyBank
Amount of deposits	\$ 1,760,316
FDIC Coverage	(250,000)
Total Uninsured public funds	1,510,316
Collateral by securities held by pledging institutions or by its trust department or agency in other than the Town's name	1,000,000
Uninsured and uncollateralized	510,316
Collateral requirements (50% of uninsured funds)	755,158
Pledged Collateral	1,000,000
Over (under) collateralized	\$ 244,842

The collateral pledged is listed on Schedule IV 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.

Investments

As of June 30, 2019, the Town had \$425 held in the New Mexico Local Government investment pool. For financial presentation purposes this is reported as cash.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

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 Exhibit A-1	\$ 474,042
Cash and cash equivalents - Business-type Activities Exhibit A-1	1,230,005
Restricted cash- Business-type Activities Exhibit A-1	51,699
Total cash and cash equivalents	1,755,746
Add: outstanding checks and adjustments	7,588
Less: outstanding deposits	(2,593)
Less: LGIP investments	(425)
Bank balance of deposits	\$ 1,760,316

NOTE 5. Accounts and Taxes Receivable

Receivables as of June 30, 2019 are as follows:

	Governmental Funds	Proprietary Funds	
Property taxes	11,012		
Gross receipt taxes	48,437	\$ -	
Franchise taxes	3,901	-	
Gas taxes	5,001		
Lodgers Tax	755		
MVD Receivables	2,040		
Other receivables:			
Customer Receivables-Net	-	82,251	
Total	\$ 71,146	\$ 82,251	

The above receivables are deemed 100% collectible, other than customer receivables which are net of allowance for doubtful accounts of \$4,311. 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.

NOTE 6. Transfers

Operating transfers are made to close out funds and supplement other funding sources in the normal course of operations. There were no Transfers for the year ended June 30, 2019.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 7. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2019 follows (land and construction in progress is not subject to depreciation):

Governmental Activities:	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 228,370	\$ -	\$ -	\$ 228,370
Construction In Progress (CIP)	-	21,608	-	21,608
Total capital assets, not depreciated	<u>228,370</u>	<u>21,608</u>	<u>-</u>	<u>249,978</u>
Capital assets depreciated:				
Equipment	194,259	-	-	194,259
Vehicles	838,972	101,844	(4,650)	936,166
Buildings and Infrastructure	1,554,374	-	-	1,554,374
Total capital assets, depreciated	<u>2,587,605</u>	<u>101,844</u>	<u>(4,650)</u>	<u>2,684,799</u>
Less accumulated depreciation:				
Equipment	174,396	6,621	-	181,017
Vehicles	650,692	40,236	(4,650)	686,278
Buildings and Infrastructure	1,145,871	24,088	-	1,169,959
Total accumulated depreciation	<u>1,970,959</u>	<u>70,945</u>	<u>(4,650)</u>	<u>2,037,254</u>
Capital Assets, Net	<u>\$ 845,016</u>			<u>\$ 897,523</u>

Depreciation expense for the year ended June 30, 2019 was charged to governmental activities as follows:

General government	\$ 24,518
Public safety	38,920
Public works	4,701
Culture and recreation	2,806
Total	<u>\$ 70,945</u>

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 7. Capital Assets (continued)

Business-type activities:	Balance June 30, 2018	Additions	Balance June 30, 2019
Capital assets not being depreciated:			
Construction In Progress (CIP)	\$ -	\$ 112,400	\$ 112,400
Total capital assets, not depreciated	-	112,400	112,400
Capital asset depreciated:			
Equipment	78,782	-	78,782
Vehicles	107,257	-	107,257
Buildings and improvements	1,995,869	19,129	2,014,998
Total capital assets, depreciated	2,181,908	19,129	2,201,037
Less accumulated depreciation:			
Equipment	78,782	-	78,782
Vehicles	84,057	11,600	95,657
Buildings and improvements	1,982,906	1,011	1,983,917
Total accumulated depreciation	2,145,745	12,611	2,158,356
capital Assets, Net	<u>\$ 36,163</u>		<u>\$ 155,081</u>

NOTE 8. Long-term Debt

Governmental Activities

During the year ended June 30, 2019, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
NMFA Loans	\$ 43,884	\$ -	\$ 21,733	\$ 22,151	\$ 22,151
Compensated Absences	6,158	-	6,158	-	-
Total Governmental Activities:	<u>\$ 50,042</u>	<u>\$ -</u>	<u>\$ 27,891</u>	<u>\$ 22,151</u>	<u>\$ 22,151</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 \$22,444 to \$22,387 over the term of the loan. The loan bears interest of 0.61% to 2.13% and matures in May 2020. The note payable and all payments of principal and interest thereon are paid with pledged revenues payable from the revenues distributed to the Town from the 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.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 8. Long-term Debt (continued)

Governmental Activities (continued)

The debt service requirements on long term debt for governmental activities at June 30, 2019 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt
2020	\$ 22,151	\$ 236	\$ 22,429
	\$ 22,151	\$ 236	\$ 22,429

Business-Type Activities

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Landfill Liability	\$ 9,092	\$ -	\$ 5,072	\$ 4,020	\$ 4,020
Compensated Absences	3,059	-	3,059	-	-
Total Business -Type Activities	\$ 12,151	\$ -	\$ 8,131	\$ 4,020	\$ 4,020

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 coverage's have not changed significantly from prior years and coverage's are expected to be continued.

As of June 30, 2019, 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, 2019

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

Plan Description: The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2018 available at <http://saonm.org>.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

Contributions. In addition See PERA’s comprehensive annual financial report for contributions provided descriptions.

PERA Contribution Rates and Pension Factors as of July 1, 2018						
Coverage Plan	Employee Contribution		Employer Contribution Percentage	Pension Factor per		Pension Maximum as a Percentage of the
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2019. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2018.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Town's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2018. Only employer contributions for the pay period end dates that fell within the period of July 1, 2017 to June 30, 2018 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2018 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For the Municipal General Division at June 30, 2019, the Town reported a liability of \$495,849 (of which a selected amount is allotted to the Business-Type funds per the financial statements) for its proportionate share of the net pension liability. At June 30, 2019, the Town's proportion was .0311% percent, which was a slight decrease from its proportion measured as of June 30, 2018.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

For the year ended June 30, 2019, the Town recognized PERA Municipal General Division pension expense of \$49,240. At June 30, 2019 the Town reported PERA Municipal General Division (Includes Proprietary Funds) deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,330	\$ 13,018
Changes of assumptions	44,956	2,851
Net difference between projected and actual earnings on pension plan investments	36,775	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	68,242	25,950
Town's contributions subsequent to the measurement date	<u>33,096</u>	<u>-</u>
Total	<u>\$ 197,399</u>	<u>\$ 41,819</u>

\$33,096 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2020	\$ 61,053
2021	31,850
2022	27,510
2023	2,071
Thereafter	-
<u>Total</u>	<u>\$ 122,484</u>

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

For the Municipal Police at June 30, 2019, the Town reported a liability of \$206,738 for its proportionate share of the net pension liability. At June 30, 2019, the Town's proportion was .0303% percent, which was a slight increase from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Town recognized PERA Municipal Police Division pension expense of \$12,310. At June 30, 2019, the Town reported PERA Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,122	\$ 20,493
Changes of assumptions	23,589	1,264
Net difference between projected and actual earnings on pension plan investments	14,227	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	43,711	374
Town's contributions subsequent to the measurement date	8,274	-
Total	<u>\$ 99,923</u>	<u>\$ 22,131</u>

\$8,274 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2020	\$ 32,292
2021	18,948
2022	17,407
2023	871
Thereafter	-
Total	<u>\$ 69,518</u>

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

Actuarial Assumptions: The total pension liability at June 30, 2019 was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Asset valuation method	4 year smoothed Market Value
Retirement	Changes to current assumed rates of
Disability	Lower rates for State police, Muni Male
Remaining Amortization Period	30 Years
Administrative Expenses	.5% of Payroll
Actuarial assumptions:	Fair value
Investment rate of return	7.25% Static
Payroll growth	3.00% Static
Projected salary increases	3.25%-13.5%
Real investment Return	4.75% above inflation.
Mortality assumption	RPH-2014 Blue Collar Mortality
Experience study dates	July 1, 2012 to June 30, 2017

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.5%	7.48%
Risk Reduction	21.5%	2.37%
Credit Oriented	15.0%	5.47%
Real Assets	20.0%	6.48%
Total	100%	

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

Discount rate: The discount rate used to measure the total pension liability was 7.25 %. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Town's net pension liability in each PERA Fund Division that Town participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the single discount rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
PERA Fund Division Municipal Government			
Town's proportionate share of the net pension liability	\$ 764,070	\$ 495,849	\$ 274,122
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
PERA Fund Division Municipal Police			
Town's proportionate share of the net pension liability	\$ 317,879	\$ 206,738	\$ 116,133

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

The Town had no PERA payables at June 30, 2019.

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).

NOTE 12. Subsequent Events

The date to which events occurring after June 30, 2019, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is October 29, 2019, which is the date on which the financial statements were available to be issued. There were none noted.

STATE OF NEW MEXICO
Town of Mountainair
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 13. Leases

The Town has one lease, which contains cancellation provisions and are subject to annual appropriations, at June 30, 2019 the lease was running on a temporary month to month basis. There are no current future minimum lease payments.

NOTE 14. Concentrations

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

NOTE 15. Related Party

As of June 30, 2019, the Town's management was not aware of any related party relationships.

NOTE 16. Landfill Closure/Post Closure Care

State and federal laws and regulations require that the Town place a final cover on its landfill and perform certain maintenance and monitoring functions at the landfill sites for thirty years after closure. The landfill was closed in 1992. The recognition of post-closure care cost is based on the professional service contract with John Shomaker & Associates, Inc. for monitoring and analysis of the landfill site applied to the remaining life of the landfill. An expense provision and related liability have been recognized based on the estimated post-closure care costs.

The post-closure period was estimated at twenty-five years beginning in 1993. Because of 1) changes in regulations, 2) the necessary maintenance and monitoring functions, and 3) the assumption upon which the post closure costs are estimated, the actual liability and costs may differ from the estimated liability and costs. The liability for the post-closure costs as reflected in the government wide financial statements is \$4,020 which is an estimate of the remaining liability as of June 30, 2019 for post-closure costs.

NOTE 17. GASB 77 Disclosures (Tax Abatement)

Management is not aware of any tax abatement agreements that existed as of June 30, 2019.

REQUIRED SUPPLEMENTAY INFORMATION

Town of Mountainair

Schedule of the Town of Mountainair Proportionate Share of the Net Pension Liability of PERA Fund Division – Municipal General Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years*

MUNICIPAL GENERAL FUND

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (asset)	0.0311	0.0237	0.0282	0.0284	0.0292
Town's proportionate share of the net pension liability (asset)	\$ 495,849	\$ 495,849	\$ 450,541	\$ 289,563	\$ 227,791
Town's covered-employee payroll	\$ 369,555	\$ 334,501	\$ 333,649	\$ 316,612	\$ 314,225
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	134.17%	148.24%	135.03%	91.46%	72.49%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.00%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

Town of Mountainair

Schedule of the Town of Mountainair Proportionate Share of the Net Pension Liability of PERA Fund Division – Municipal Police Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years*

MUNICIPAL POLICE FUND

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (asset)	0.0303	0.0213	0.0191	0.0194	0.0194
Town's proportionate share of the net pension liability (asset)	\$ 206,738	\$ 206,738	\$ 140,926	\$ 93,286	\$ 60,960
Town's covered-employee payroll	\$ 44,266	\$ 32,798	\$ 37,800	\$ 34,500	\$ 34,100
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	467.04%	630.34%	372.82%	270.39%	178.77%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.00%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

STATE OF NEW MEXICO
Town of Mountainair
Schedules of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division - Municipal General
Last 10 Years*

Schedule II

MUNICIPAL GENERAL FUND

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 32,890	\$ 29,771	\$ 29,695	\$ 28,178	\$ 27,966
Contributions in relation to the contractually required contribution	33,096	33,096	29,695	48,585	47,111
Contribution deficiency (excess)	\$ (206)	\$ (3,325)	\$ (0)	\$ (20,407)	\$ (19,145)
Town's covered-employee payroll	\$ 369,555	\$ 334,501	\$ 333,649	\$ 316,612	\$ 314,225
Contributions as a percentage of covered-employee payroll	8.96%	9.89%	8.90%	15.35%	14.99%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

STATE OF NEW MEXICO
Town of Mountainair
Schedules of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division - Municipal Police
Last 10 Years*

Schedule II

MUNICIPAL POLICE FUND

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 8,211	\$ 6,084	\$ 7,012	\$ 6,400	\$ 6,326
Contributions in relation to the contractually required contribution	\$ 8,274	\$ 6,084	\$ 7,012	\$ 7,544	\$ 7,100
Contribution deficiency (excess)	\$ (63)	\$ 0	\$ (0)	\$ (1,144)	\$ (774)
Town's covered-employee payroll	\$ 44,266	\$ 32,798	\$ 37,800	\$ 34,500	\$ 34,100
Contributions as a percentage of covered-employee payroll	18.69%	18.55%	18.55%	21.87%	20.82%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

STATE OF NEW MEXICO
Town of Mountainair
Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Changes of benefit terms

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY18 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2018.pdf.

Changes of assumptions

The PERA salary scale, inflation and payroll assumptions were updated to reflect assumptions used in the PERA June 30, 2018 pension valuation. Assumptions including the following were updated: Per capita costs, future trend for health costs and medical election assumptions.

SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
Town of Mountainair
Nonmajor Fund Description
June 30, 2019

SPECIAL REVENUE FUNDS

RECREATION – 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.

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

LAW ENFORCEMENT – 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 – 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.

STATE OF NEW MEXICO
Town of Mountainair
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue				
	Recreation # 217	Corrections # 201	EMS # 206	Law Enforcement # 211	Lodgers Tax # 214
Assets					
Cash and cash equivalents	\$ 7,003	\$ 1,635	\$ 2,138	\$ -	\$ 17,588
Other receivables	-	-	-	-	755
Total assets	<u>\$ 7,003</u>	<u>\$ 1,635</u>	<u>\$ 2,138</u>	<u>\$ -</u>	<u>\$ 18,343</u>
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,605
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,605</u>
Fund balance					
Nonspendable					
Restricted for:					
Public safety	-	1,635	2,138	-	-
Culture and recreation	7,003	-	-	-	16,738
Total fund balance	<u>7,003</u>	<u>1,635</u>	<u>2,138</u>	<u>-</u>	<u>16,738</u>
Total liabilities and fund balance	<u>\$ 7,003</u>	<u>\$ 1,635</u>	<u>\$ 2,138</u>	<u>\$ -</u>	<u>\$ 18,343</u>

See Independent Auditors' Report and Notes to Financial Statements

**Total Nonmajor
Governmental
Funds**

\$	28,364
	755
\$	<u>29,119</u>

\$	1,605
	<u>1,605</u>

	3,773
	<u>23,741</u>
	27,514
\$	<u><u>29,119</u></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, 2019

	Special Revenue				
	Recreation # 217	Corrections # 201	EMS # 206	Law Enforcement # 211	Lodgers Tax # 214
Revenues					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ 5,310
State operating grants	-	-	8,028	21,800	-
Charges for services	2,530	6,815	-	3,700	-
Total revenue	2,530	6,815	8,028	25,500	5,310
Expenditures					
Current:					
Public safety	-	5,655	10,502	10,889	-
Culture and recreation	9,967	-	-	-	6,049
Capital outlay	-	-	-	20,000	-
Total expenditures	9,967	5,655	10,502	30,889	6,049
Excess (deficiency) of revenues over expenditures	(7,437)	1,160	(2,474)	(5,389)	(739)
Net change in fund balance	(7,437)	1,160	(2,474)	(5,389)	(739)
Fund balance - beginning of year	14,440	475	4,612	5,389	17,477
Fund balance - end of year	\$ 7,003	\$ 1,635	\$ 2,138	\$ -	\$ 16,738

See Independent Auditors' Report and Notes to Financial Statements

**Total Nonmajor
Governmental
Funds**

\$	5,310
	29,828
	13,045
	<u>48,183</u>
	27,046
	16,016
	20,000
	<u>63,062</u>
	<u>(14,879)</u>
	<u>(14,879)</u>
	<u>42,393</u>
\$	<u><u>27,514</u></u>

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SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
Town of Mountainair
Schedule of Deposits
June 30, 2019**

Schedule III

<u>Bank Name / Account Type</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Adjustments</u>	<u>Totals</u>
United Business Bank						
General fund - checking	Checking	\$ 495,278	\$ 2,114	\$ 4,909	\$ 14,283	506,766
Gas fund-checking	Checking	363,093	-	-	(14,283)	348,810
Gas Fund-CD	CD	600,174	300	-	-	600,474
Water fund-checking	Checking	288,121	179	2,679	-	285,621
Payroll-checking	Checking	13,650	-	-	-	13,650
Total My Bank		<u>1,760,316</u>	<u>2,593</u>	<u>7,588</u>	<u>-</u>	<u>1,755,321</u>
New Mexico Local Growth Investment Pool (LGIP)						
LGIP	Investment	425	-	-	-	425
Total LGIP		<u>425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>425</u>
Total Deposits and Investments		<u>\$ 1,760,741</u>	<u>\$ 2,593</u>	<u>\$ 7,588</u>	<u>-</u>	<u>\$ 1,755,746</u>
Total cash and cash equivalents per Statement of Net Position						\$ 1,704,047
Total restricted cash and cash equivalents per Statement of Net Position						51,699
Total cash and cash equivalents						<u>\$ 1,755,746</u>

See Independent Auditors' Report

STATE OF NEW MEXICO

Schedule IV

Town of Mountainair

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2019

<u>Name of Depository</u>	<u>Maturity Date</u>	<u>CUSP</u>	<u>CUSIP / Description</u>	<u>Fair Market Value</u>
United Business Bank	11/27/2019	218-722	Letter of Credit	1,000,000
Total Pledged Collateral				<u>\$ 1,000,000</u>

See Independent Auditors' Report

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COMPLIANCE SECTION



Auditors~Consultants~CPA

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

INDEPENDENT AUDITOR'S REPORT

Honorable Brian Colón, ESQ.
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 and 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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 29, 2019.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items FS 2007-005 and FS 2008-001 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Southwest Accounting Solutions, LLC

Southwest Accounting Solutions, LLC

Albuquerque, New Mexico

October 29, 2019

**STATE OF NEW MEXICO
Town of Mountainair
Schedule of Findings and Responses
June 30, 2019**

SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|-------------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiencies identified? | No |
| c. Noncompliance material to the financial statements? | No |

A. STATUS OF PRIOR YEAR AUDIT FINDINGS

AUDIT FINDING NUMBER	AUDIT FINDING DESCRIPTION	Status of Prior Year Findings	Type of Finding
Prior Year Findings			
2007-005	Financial Reporting	Repeated/modified	A
2008-001	Segregation of Duties	Repeated/modified	A

Findings by type

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

STATE OF NEW MEXICO
Town of Mountainair
Schedule of Findings and Responses
June 30, 2019

B. AUDIT FINDINGS:

FS 2019-001 (2007-005) Financial Reporting – Material Weakness (Repeated/Modified)

Condition: The Town uses Excel as its main system of accounting, which results in no controls related to journal entries and financial statement preparation. Also, cash allocations between the general fund, special revenue funds and proprietary funds is not tracked and properly dedicated to the restricted use between financial statement periods.

The Town did obtain fund accounting software at year end June 30, 2019, however implementation of this software was still in progress at year end, thereby the progress needed to remove the finding had not yet been achieved.

Criteria: Per GASB 34 special revenue funds are intended to be used to report specific revenue sources that are limited to being used for a particular purpose and the annual reports should allow users to assess a government's accountability by assisting them in determining compliance with finance-related laws, rules, and regulations. Further, governmental auditing standards "Yellow Book" statement 6.66 states "The assessment of the sufficiency and appropriateness of computer process information included consideration regarding the completeness and accuracy of the data for the intended purpose".

Effect: Data produced by the financial management system that was used in the preparation of the financial statements required material adjustments to materially state the Town's financial statements. Also the Town is at high risk of spending restricted resources for purposes that are not within restriction of the monies granted to the Town. Further there is a high risk that a material misstatement may exist in the Towns financial statements that was not detected due to the accuracy of the information produced by the Town's financial management system.

Cause: The Town performs all fund accounting in an Excel document.

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 accounting

Management's Progress: Town is in progress of implementing new software which was obtained at June 30, 2019.

Management's Response: The Town has obtained other software and is in the process of conversion at the time of audit. The Town realizes Excel makes things difficult, however the clerk is engaged in training and the Town has begun using the new accounting software. The Town Treasurer will be responsible for implementing the new software.

STATE OF NEW MEXICO
Town of Mountainair
Schedule of Findings and Responses
June 30, 2019

Timeline: June 30, 2020

FS 2019-002 (2008-001) Small Office Environment/Segregation of Duties – Material Weakness – (Repeated/Modified)

Condition: The Town does not have a comprehensive documented internal 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 controls in regards to monitoring and recording revenue recognition, fund accounting, coding of expenses.

As noted in finding 2019-001, The Town did obtain fund accounting software at year end June 30, 2019, however implementation of this software was still in progress at year end, thereby the progress needed to remove the finding had not yet been achieved.

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: The Town is exposed to a high risk that is prone to instances intentional and unintentional misstatement and improper use of Town resources will not be prevented and detected in a timely manner.

Cause: The Town does not have proper controls planned, documented, nor implemented.

Auditors' Recommendation: We recommend the Town perform a risk assessment and document mitigating controls that are implemented to respond to the small office environment of the Town that also addresses the Towns use of Excel for the financial management system.

Management's Progress: Town is in progress of implementing new software which was obtained at June 30, 2019.

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 they will make a diligent effort in the future. The Town Treasurer will be responsible for implementing the new policies. Now that the Town has obtained new software, segregation of duties is expected to occur in the coming 2020 fiscal year.

Timeline: June 30, 2020

STATE OF NEW MEXICO
Town of Mountainair
Exit Conference
June 30, 2019

Exit Conference

An exit conference was held on October 29, 2019 in attendance were the following:

Representing the Town of Mountainair:

Peter Nieto	Mayor
Dennis Fulfer	Town Clerk
Phyllis Royce	Treasurer

Representing Southwest Accounting Solutions, LLC:

Geoff Mamerow, CFE

Auditor Prepared Financial Statements

Southwest Accounting Solutions, LLC 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.