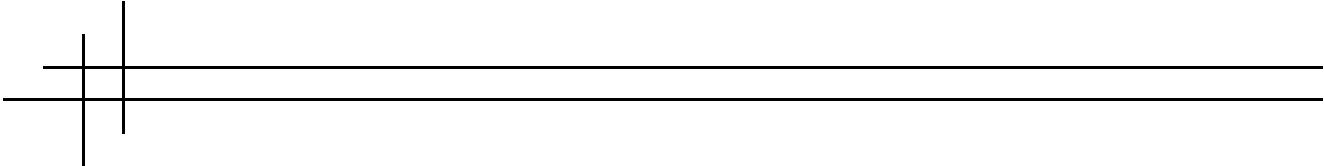




STATE OF NEW MEXICO
TOWN OF HAGERMAN

ANNUAL FINANCIAL REPORT
June 30, 2007

De'Aun Willoughby CPA, PC
Certified Public Accountant
Melrose, New Mexico



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STATE OF NEW MEXICO
TOWN OF HAGERMAN
Official Roster
June 30, 2007

TOWN COUNCIL

Cliff Waide	Mayor
Jim Pilley	Mayor-Pro-Tem
Connie Andrews	Councilman
Mark Lovas	Councilman
Bill Shaw	Councilman

ADMINISTRATIVE OFFICIALS

Beverly West	Clerk/Treasurer
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Independent Auditor's Report

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Members of the TOWN OF HAGERMAN

Mr. Balderas and Members of the Board

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the TOWN OF HAGERMAN, (Town), as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's nonmajor governmental funds, and the budgetary comparisons for the nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Town's management.

The Town has not maintained adequate accounting records as explained further in findings and responses. The Town lacks internal controls over its cash. Receipts are not sequentially numbered. Cash is not adequately safeguarded by the Town. Cash deposits cannot be traced back to the respective receipts. Checks are not sequentially numbered. Documentation for expenditures is substantively missing. The same employee who reconciles the bank account can also sign checks. Work performed is not reviewed by the supervisor. As a result of these internal control problems the Town has inadequate documentation to show that: all its revenue transactions and events that should have been recorded are recorded; that revenue amounts and related data were recorded appropriately; that revenue transactions and events that occurred have been recorded in the correct accounting period; or that revenue transactions and events have been recorded in the proper accounts. As a result of these internal control problems the Town has inadequate documentation to show that: all its expenditure transactions and events that should have been recorded are recorded; amounts and related data were recorded that expenditure appropriately; that expenditure transactions and events that occurred have been recorded in the correct accounting period; or that expenditure transactions and events have been recorded in the proper accounts. As a result of these internal control problems the Town does not have adequate evidence that all cash that should be recorded is recorded in its various funds. The Town's records do not permit the application of other auditing procedures to its revenues, expenditures and cash.

The Town's utility billing system could not provide accurate information regarding the amount of delinquent accounts, resulting in the Town's inability to reasonable estimate the allowance for doubtful accounts associated with the utility's accounts receivable. This problem resulted in the Town's inability to report its utility accounts receivable at the correct amount in the related business-type activities. The Town's records do not permit the application of other auditing procedures to the utility accounts receivable and related allowance for doubtful accounts.

The Town lacks information about its capital assets. The Town could not provide the auditors with lists of its capital assets at historical cost, showing when each item was purchased, for the governmental activities or for the business-type activities. The Town does not have depreciation schedules for its capital assets. The Town does not know how depreciation on its business-type capital assets was calculated in previous fiscal years. The Town does not have a system of internal controls in place to safeguard its assets or to ensure that the capital assets are not misstated in the Town's financial statements. As a result of these problems with its capital assets the Town's management cannot assert the existence of its capital assets, its right to those assets, that all assets that should be included are included, or the proper valuation of its capital assets. The Town's records do not permit the application of other auditing procedures to the Town's capital assets.

Because we were unable to obtain adequate supporting documentation for the Town's revenues, expenditures, cash, utility accounts receivable, and capital assets, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the governmental activities, the business-type activities, each major fund, the budgetary comparisons of the general fund or the major special revenue funds or the aggregate remaining fund information of the Town. Also, because we were unable to obtain adequate supporting documentation for the Town's revenues, expenditures, cash and utility accounts receivable, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the Town's nonmajor governmental funds, or the budgetary comparisons presented as supplementary information.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2010, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Town has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

We were engaged for the purpose of forming opinions on the Town's basic financial statements, the combining and individual fund financial statements and budgetary comparisons. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Due to the Town's deficiencies in internal controls over the information presented in these schedules and the resulting lack of adequate documentation, the scope of our work was not sufficient to enable us to express, and we do not express an opinion regarding whether they are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

 De'Ann Willoughby, CPA PC

March 11, 2010

FINANCIAL SECTION

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Government-Wide Statement of Net Assets
June 30, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 399,842	\$ 29,472	\$ 429,314
Receivables			
Taxes	27,659	471	28,130
Accounts	0	43,040	43,040
Restricted Cash	0	26,703	26,703
Total Current Assets	<u>427,501</u>	<u>99,686</u>	<u>527,187</u>
Capital Assets			
Land	138,730	154,890	293,620
Construction in Progress	303,186	0	303,186
Infrastructure	188,438	0	188,438
Building & Improvements	2,099,251	103,053	2,202,304
Equipment & Vehicles	1,364,815	950,228	2,315,043
Water System	0	202,705	202,705
Sewer System	0	224,573	224,573
Less: Accumulated Depreciation	0	(987,960)	(987,960)
Total Capital Assets	<u>4,094,420</u>	<u>647,489</u>	<u>4,741,909</u>
Total Assets	<u>4,521,921</u>	<u>747,175</u>	<u>5,269,096</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	14,792	1,029	15,821
Accrued Salaries and Benefits	2,468	1,721	4,189
Accrued Interest	758	1,250	2,008
Current Portion of Long-Term Debt	7,900	3,417	11,317
Total Current Liabilities	<u>25,918</u>	<u>7,417</u>	<u>33,335</u>
Noncurrent Liabilities			
Customer Deposits	0	26,703	26,703
Compensated Absences	9,432	3,783	13,215
Notes and Loans Payable	303,339	234,278	537,617
Total Noncurrent Liabilities	<u>312,771</u>	<u>264,764</u>	<u>577,535</u>
Total Liabilities	<u>338,689</u>	<u>272,181</u>	<u>610,870</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,783,181	409,794	4,192,975
Unrestricted	400,051	65,200	465,251
Total Net Assets	<u>\$ 4,183,232</u>	<u>\$ 474,994</u>	<u>\$ 4,658,226</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Government-Wide Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Net(Expenses) Revenue and Change		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities						
General Government	\$ 123,910	\$ 1,557	\$ 179,089	\$ 0	\$ 56,736	\$ 0
Public Safety	297,315	11,475	152,012	0	(133,828)	0
Public Works	53,147	0	0	282,451	229,304	0
Culture & Recreation	32,537	0	0	0	(32,537)	0
Interest on Long-Term Obligations	968	0	0	0	(968)	0
Total Governmental Activities	<u>507,877</u>	<u>13,032</u>	<u>331,101</u>	<u>282,451</u>	<u>118,707</u>	<u>0</u>
Business-type Activities						
Utility	380,534	371,321	50,000	0	0	40,787
Total Business-type Activities	<u>380,534</u>	<u>371,321</u>	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>40,787</u>
Total Primary Government	<u>\$ 888,411</u>	<u>\$ 384,353</u>	<u>\$ 381,101</u>	<u>\$ 282,451</u>	<u>118,707</u>	<u>40,787</u>
General Revenues						
Gross Receipts Taxes					216,956	0
Gasoline Taxes					11,021	0
Property Taxes					6,173	0
Cigarette Taxes					3,094	0
Franchise Taxes					21,731	0
Other Taxes					1,050	5,411
Miscellaneous					16,855	0
Total General Revenues and Transfers					<u>276,880</u>	<u>5,411</u>
Change in Net Assets					<u>395,587</u>	<u>46,198</u>
Net Assets - beginning					3,787,645	429,389
Restatement-Note O					0	(593)
Restated Beginning Net Assets					<u>3,787,645</u>	<u>428,796</u>
Net Assets - ending					<u>\$ 4,183,232</u>	<u>\$ 474,994</u>

The notes to the financial statements are an integral part of this statement.

is in Net Assets

Total

56,736
(133,828)
229,304
(32,537)

(968)

118,707

40,787

40,787

159,494

216,956

11,021

6,173

3,094

21,731

6,461

16,855

282,291

441,785

4,217,034

(593)

4,216,441

4,658,226

STATE OF NEW MEXICO
TOWN OF HAGERMAN
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2007

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Street Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 245,423	\$ 139,944	\$ 7,562
Receivables			
Taxes	27,133	0	417
Total Assets	<u>\$ 272,556</u>	<u>\$ 139,944</u>	<u>\$ 7,979</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 2,147	\$ 11,405	\$ 0
Accrued Salaries and Benefits	2,468	0	0
Total Liabilities	<u>4,615</u>	<u>11,405</u>	<u>0</u>
 Fund Balances			
Reserved Reported In:			
Special Revenue Fund	0	128,539	7,979
Unreserved Reported In:			
General Fund	267,941	0	0
Total Fund Balances	<u>267,941</u>	<u>128,539</u>	<u>7,979</u>
 Total Liabilities and Fund Balances	 <u>\$ 272,556</u>	 <u>\$ 139,944</u>	 <u>\$ 7,979</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2007

	Non-Major Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 6,913	\$ 399,842
Receivables		
Taxes	109	27,659
Total Assets	<u>\$ 7,022</u>	<u>\$ 427,501</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 1,240	\$ 14,792
Accrued Salaries and Benefits	0	2,468
Total Liabilities	<u>1,240</u>	<u>17,260</u>
 Fund Balances		
Reserved Reported In:		
Special Revenue Fund	5,782	142,300
Unreserved Reported In:		
General Fund	0	267,941
Total Fund Balances	<u>5,782</u>	<u>410,241</u>
 Total Liabilities and Fund Balances	 <u>\$ 7,022</u>	 <u>\$ 427,501</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2007

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

Total Fund Balance - Governmental Funds	\$	410,241
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of Capital Assets	\$	4,094,420	
Accumulated Depreciation is		<u>0</u>	4,094,420

Long-term and certain other liabilities, including loans 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 :

Notes and Loans Payable	(311,239)	
Accrued Interest	(758)	
Compensated Absences	<u>(9,432)</u>	<u>(321,429)</u>

Total Net Assets - Governmental Activities	\$	<u><u>4,183,232</u></u>
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The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2007

	General Fund	Fire Fund	Street Fund
Revenues			
Taxes			
Gross Receipt Taxes	\$ 216,956	\$ 0	\$ 0
Gasoline Taxes	0	0	11,021
Property Taxes	7,137	0	0
Cigarette Taxes	2,094	0	0
Franchise Taxes	21,731	0	0
Other Taxes	1,050	0	0
Charges for Services	1,557	0	0
License, Fees and Fines	9,213	0	0
State & Local Grants	355,604	122,312	105,936
Miscellaneous	16,855	0	0
Total Revenues	<u>632,197</u>	<u>122,312</u>	<u>116,957</u>
Expenditures			
Current			
General	124,541	0	0
Public Safety	224,670	55,322	0
Public Works	53,147	0	0
Culture & Recreation	28,163	0	0
Capital Outlay	221,395	297,753	188,438
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>651,916</u>	<u>353,075</u>	<u>188,438</u>
Excess (Deficiency) of Revenues Over Expenditures	(19,719)	(230,763)	(71,481)
Other Financing Sources (Uses)			
Loan Proceeds	0	287,481	0
Transfer In/(Out)	(42,315)	42,655	0
Total Other Financing Sources (Uses)	<u>(42,315)</u>	<u>330,136</u>	<u>0</u>
Net Change in Fund Balance	(62,034)	99,373	(71,481)
Fund Balances at Beginning of Year	<u>329,975</u>	<u>29,166</u>	<u>79,460</u>
Fund Balance End of Year	<u>\$ 267,941</u>	<u>\$ 128,539</u>	<u>\$ 7,979</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2007

	Non-Major Governmental Funds	Total Governmental Funds
Revenues		
Taxes		
Gross Receipt Taxes	\$ 0	\$ 216,956
Gasoline Taxes	0	11,021
Property Taxes	0	7,137
Cigarette Taxes	1,000	3,094
Franchise Taxes	0	21,731
Other Taxes	0	1,050
Charges for Services	0	1,557
License, Fees and Fines	2,262	11,475
State & Local Grants	29,700	613,552
Miscellaneous	0	16,855
Total Revenues	<u>32,962</u>	<u>904,428</u>
Expenditures		
Current		
General	0	124,541
Public Safety	14,154	294,146
Public Works	0	53,147
Culture & Recreation	4,374	32,537
Capital Outlay	0	707,586
Debt Service		
Principal	15,845	15,845
Interest	810	810
Total Expenditures	<u>35,183</u>	<u>1,228,612</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,221)	(324,184)
Other Financing Sources (Uses)		
Loan Proceeds	0	287,481
Transfer In/(Out)	(340)	0
Total Other Financing Sources (Uses)	<u>(340)</u>	<u>287,481</u>
Net Change in Fund Balance	(2,561)	(36,703)
Fund Balances at Beginning of Year	<u>8,343</u>	<u>446,944</u>
Fund Balance End of Year	<u>\$ 5,782</u>	<u>\$ 410,241</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
To the Statement of Activities
June 30, 2007

Net Change in Fund Balance \$

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

Some property taxes and receivables will not be collected for several months after the Town's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities.

Property Taxes

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$	0
Capital Outlays		<u>707,586</u>

The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net assets.

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

In the Statement of Activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due.

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Changes in Net Assets of Governmental Activities \$

The notes to the financial statements are an integral part of this statement.

(36,703)

(964)

707,586

(287,481)

15,845

(158)

(2,538)

395,587

STATE OF NEW MEXICO
TOWN OF HAGERMAN
GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Taxes				
Property Taxes	\$ 6,874	\$ 6,784	\$ 5,410	\$ (1,374)
Franchise Taxes	15,000	15,000	16,949	1,949
Gross Receipts	250,000	250,000	217,013	(32,987)
Cigarette Taxes	2,500	2,500	1,775	(725)
Motor Vehicle	1,150	1,150	1,050	(100)
Charges for Services	1,500	1,500	1,557	57
License, Fees and Fines	12,500	12,500	9,213	(3,287)
Small Cities Assistance	103,113	103,113	120,075	16,962
State & Local Grants	828,408	828,408	235,529	(592,879)
Miscellaneous	12,769	12,769	16,855	4,086
Total Revenues	<u>1,233,814</u>	<u>1,233,724</u>	<u>625,426</u>	<u>(608,298)</u>
Expenditures				
Financial				
Personnel Services	88,124	88,124	83,955	4,169
Operating Expense	<u>90,028</u>	<u>90,028</u>	<u>24,066</u>	<u>65,962</u>
Total Financial	<u>178,152</u>	<u>178,152</u>	<u>108,021</u>	<u>70,131</u>
Judicial				
Personnel Services	12,534	12,534	9,471	3,063
Operating Expenses	<u>11,000</u>	<u>11,000</u>	<u>6,212</u>	<u>4,788</u>
Total Judicial	<u>23,534</u>	<u>23,534</u>	<u>15,683</u>	<u>7,851</u>
Public Safety				
Personnel Services	156,798	156,798	150,701	6,097
Operating Expenses	<u>47,882</u>	<u>47,882</u>	<u>52,053</u>	<u>(4,171)</u>
Total Public Safety	<u>204,680</u>	<u>204,680</u>	<u>202,754</u>	<u>1,926</u>
Fire Department				
Personnel Services	3,500	3,500	1,921	1,579
Operating Expenses	3,828	3,828	0	3,828
Capital Purchases	<u>400,000</u>	<u>400,000</u>	<u>147,230</u>	<u>252,770</u>
Total Fire Department	<u>407,328</u>	<u>407,328</u>	<u>149,151</u>	<u>258,177</u>
Streets				
Operating Expenses	<u>28,100</u>	<u>28,100</u>	<u>21,488</u>	<u>6,612</u>
Total Streets	<u>28,100</u>	<u>28,100</u>	<u>21,488</u>	<u>6,612</u>
Ambulance				
Operating Expenses	7,063	7,063	11,204	(4,141)
Debt Service				
Principal	7,968	7,968	7,968	0
Interest	0	0	0	0
Total Ambulance	<u>\$ 15,031</u>	<u>\$ 15,031</u>	<u>\$ 19,172</u>	<u>\$ (4,141)</u>

STATE OF NEW MEXICO
TOWN OF HAGERMAN
GENERAL FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
CDBG Planning Grant				
Operating Expenses	\$ 40,563	\$ 40,563	\$ 31,658	\$ 8,905
Total CDBG Planning Grant	<u>40,563</u>	<u>40,563</u>	<u>31,658</u>	<u>8,905</u>
Parks & Recreation				
Operating Expenses	45,091	45,091	27,890	17,201
Capital Purchases	335,367	335,367	74,165	261,202
Total Parks & Recreation	<u>380,458</u>	<u>380,458</u>	<u>102,055</u>	<u>278,403</u>
Museum				
Operating Expenses	1,500	1,500	197	1,303
Total Museum	<u>1,500</u>	<u>1,500</u>	<u>197</u>	<u>1,303</u>
Total Expenditures	<u>1,279,346</u>	<u>1,279,346</u>	<u>650,179</u>	<u>629,167</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(45,532)</u>	<u>(45,622)</u>	<u>(24,753)</u>	<u>20,869</u>
Other Financing Sources (Uses)				
Transfer from D.A.R.E.	340	340	340	0
Transfer to Fire	<u>(42,655)</u>	<u>(42,655)</u>	<u>(42,655)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(42,315)</u>	<u>(42,315)</u>	<u>(42,315)</u>	<u>0</u>
Net Change in Cash Balance	(87,847)	(87,937)	(67,068)	20,869
Cash Balance Beginning of Year	<u>312,491</u>	<u>312,491</u>	<u>312,491</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 224,644</u>	<u>\$ 224,554</u>	<u>\$ 245,423</u>	<u>\$ 20,869</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ (67,068)	
Net Change in Taxes Receivables			5,806	
Net Change in Accounts Payables			732	
Net Change in Deferred Revenue			964	
Net Change in Accrued Payroll			<u>(2,468)</u>	
Net Change in Fund Balance			<u>\$ (62,034)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
SPECIAL REVENUE FUND-FIRE FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 122,312	\$ 122,312	\$ 122,312	\$ 0
Total Revenues	<u>122,312</u>	<u>122,312</u>	<u>122,312</u>	<u>0</u>
Expenditures				
Public Safety				
Operating Expense	142,521	142,521	45,232	97,289
Capital Purchases	10,272	10,272	10,272	0
Total Public Safety	<u>152,793</u>	<u>152,793</u>	<u>55,504</u>	<u>97,289</u>
Total Expenditures	<u>152,793</u>	<u>152,793</u>	<u>55,504</u>	<u>97,289</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(30,481)</u>	<u>(30,481)</u>	<u>66,808</u>	<u>97,289</u>
Other Financing Sources (Uses)				
Transfer In/(Out)	0	0	42,655	42,655
Total Other Sources	<u>0</u>	<u>0</u>	<u>42,655</u>	<u>42,655</u>
Net Change in Cash Balance	(30,481)	(30,481)	109,463	139,944
Cash Balance Beginning of Year	<u>30,481</u>	<u>30,481</u>	<u>30,481</u>	<u>0</u>
Cash Balance End of Year	\$ <u>0</u>	\$ <u>0</u>	\$ <u>139,944</u>	\$ <u>139,944</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ 109,463	
Net Change in Accounts Payables			<u>(10,090)</u>	
Net Change in Fund Balance			\$ <u>99,373</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
SPECIAL REVENUE FUND-STREETS FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Taxes	\$ 12,000	\$ 12,000	\$ 10,604	\$ (1,396)
State Grants	160,518	160,518	160,517	(1)
Total Revenues	<u>172,518</u>	<u>172,518</u>	<u>171,121</u>	<u>(1,397)</u>
Expenditures				
Public Works				
Capital Outlay	190,795	190,795	188,438	2,357
Total Public Works	<u>190,795</u>	<u>190,795</u>	<u>188,438</u>	<u>2,357</u>
Total Expenditures	<u>190,795</u>	<u>190,795</u>	<u>188,438</u>	<u>2,357</u>
Excess (Deficiency) of Revenues Over Expenditures	(18,277)	(18,277)	(17,317)	960
Cash Balance Beginning of Year	<u>24,879</u>	<u>24,879</u>	<u>24,879</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 6,602</u>	<u>\$ 6,602</u>	<u>\$ 7,562</u>	<u>\$ 960</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (17,317)	
Net Change in Taxes Receivables			<u>(54,164)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (71,481)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
PROPRIETARY FUND
Statement of Net Assets
June 30, 2007

	<u>Utility Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 29,472
Receivables	
Taxes	471
Accounts	43,040
Total Current Assets	<u>72,983</u>
Restricted Assets	
Restricted Cash	<u>26,703</u>
Total Restricted Assets	<u>26,703</u>
Capital Assets	
Land & Water Rights	154,890
Buildings & Improvements	103,053
Equipment & Vehicles	950,228
Water System	202,705
Sewer System	224,573
Less: Accumulated Depreciation	<u>(987,960)</u>
Total Capital Assets	<u>647,489</u>
Total Assets	<u>747,175</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	1,029
Accrued Salaries and Benefits	1,721
Accrued Interest	1,250
Current Portion of Long-Term Debt	3,417
Total Current Liabilities	<u>7,417</u>
Noncurrent Liabilities	
Customer Deposits	26,703
Compensated Absences	3,783
Long-Term Debt	<u>234,278</u>
Total Noncurrent Liabilities	<u>264,764</u>
Total Liabilities	<u>272,181</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	409,794
Unrestricted	<u>65,200</u>
Total Net Assets	<u>\$ 474,994</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
PROPRIETARY FUND
Statement of Revenue, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007

Operating Revenues	
Sales & Service	\$
Total Operating Revenues	
Operating Expenses	
Salaries & Benefits	
Operating Expense	
Depreciation	
Total Operating Expenses	
Operating Income	
Nonoperating Revenue (Expenses)	
Environmental Gross Receipts Tax	
State & Local Grants	
Interest Expense	
Total Nonoperating Revenue (Expenses)	
Change in Net Assets	
Total Net Assets - Beginning	
Restatement Note-O	
Restated Beginning Net Assets	
Total Net Assets - Ending	\$

The notes to the financial statements are an integral part of this statement.

<hr/>	
	Utility Fund
	<hr/>
	371,321
	<hr/>
	371,321
	<hr/>
	102,890
	223,399
	42,692
	<hr/>
	368,981
	<hr/>
	2,340
	<hr/>
	5,411
	50,000
	(11,553)
	<hr/>
	43,858
	<hr/>
	46,198
	<hr/>
	429,389
	(593)
	<hr/>
	428,796
	<hr/>
	474,994
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STATE OF NEW MEXICO
TOWN OF HAGERMAN
PROPRIETARY FUND
Combined Statement of Cash Flows
For the Year Ended June 30, 2007

	<u>Utility Fund</u>
Cash Flows from Operating Activities	
Cash Received From Customers	\$ 372,041
Cash Paid to Suppliers and Employees	334,970
Net Cash Provided by Operating Activities	<u>37,071</u>
Cash Flows from Capital & Related Financing Activities	
Environmental Gross Receipts Tax	5,411
State & Local Grants	50,000
Acquisition and Construction of Capital Assets	(50,000)
Interest paid on Capital Debt	(11,573)
Principal paid on Capital Debt	(3,335)
Net Cash Provided by Capital & Related Financing Activities	<u>(9,497)</u>
Net Increase (Decrease) in Cash	27,574
Cash, Beginning of the Year	<u>28,601</u>
Cash, End of the Year	<u>\$ 56,175</u>
Reconciliation of Cash	
Cash and Cash Equivalents	\$ 29,472
Restricted Cash	26,703
	<u>\$ 56,175</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 2,340
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	42,692
Change in Assets and Liabilities	
(Increase) Decrease in Taxes Receivable	(471)
(Increase) Decrease in Accounts Receivable	720
Increase (Decrease) in Accounts Payable	(15,078)
Increase (Decrease) in Accrued Payroll & Benefits	1,721
Increase (Decrease) in Accrued Interest	1,250
Increase (Decrease) in Meter Deposits	687
Increase (Decrease) in Compensated Absences	3,210
Net Cash Provided by Operating Activities	<u>\$ 37,071</u>

The notes to the financial statements are an integral part of this statement.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Hagerman (Town), have been prepared in conformity with principles generally accepted in the United States of America (GAAP) as applied to governmental accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. Governments are also required to follow pronouncements of the Financial Accounting Standards Board (FASB) prior to November 30, 1989, that do not conflict with or contradict GASB pronouncements. The more significant of the Town's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments. In addition, in June 2001, the GASB issued Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus - an amendment to Statement No. 34. Statement No. 21 and No. 34 and Statement No. 38, Certain Financial Note Disclosures, are being implemented in conjunction with GASB Statement No. 34. These statements clarify, modify, establish and rescind certain disclosure requirements under GASB Statement No. 34. These statements have an impact on the results of operations or the financial position of the Town.

Financial Reporting Entity

The Town was incorporated under the laws of the State of New Mexico. The Town operates under a Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and administrative services.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and the units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a special-purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. GASB Statement No. 14, fiscally independent means that the Town may, without the approval of another governmental entity, determine or modify its own budget, levy its own taxes or set rates, and issue bonded debt.

The Town has no component units, defined by GASB Statement No. 14 as other legally separate entities for which the elected Town members are financially accountable. There are no other primary governments with which the Town Board Members are financially accountable. There are no other primary governments with which the Town has a significant relationship.

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with financial and contractual provisions. The minimum number of funds are maintained consistent with managerial requirements.

The funds of the Town are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund are shown below.

Basis of Presentation and Basis of Accounting

Government-Wide Financial Statements (GWFS)

The government-wide financial statements (the statement of net assets and the statement of assets) report information on all of the activities of the Town. Fiduciary funds are not included. Fiduciary Funds are reported only in the Statement of Fiduciary Net Assets at the fund financial level. The effect of interfund activity, within the governmental and business-type activities column removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely in part on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are covered by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from services, or privileges provided by a given program 2) operating grants and contributions that are used to meet the operational requirements of a particular program such as the fire protection and medical services operating grants and the and 3) capital grants such as the highway cooperative meeting capital requirements of a particular program. Taxes and other items not properly in program revenues are reported instead as general revenues.

The Town segregates transactions related to certain functions or activities in separate funds for financial management and to demonstrate legal compliance. Separate statements are prepared for governmental and proprietary activities. These statements present each major fund in a separate column in the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are carried out. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Town has presented the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town and accounts for the revenues and expenditures of the Town not encompassed within other funds.

Fire Fund - To account for the operation and maintenance of the Town Fire Department. Financed in part from an annual state fire allotment. The fund was created by the authority of state grant provisions (3-34-3, 59A-53-1).

Street Fund - To account for the distributions of tax revenues distributed to the Town for utility improvement projects. The fund was created by the authority of state grant provisions. (3-34-3, 59A-53-1).

Proprietary Funds - Proprietary Fund Financial Statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows.

The Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non current) are reported in the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets shows the increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Additionally, the Town reports the following non-major funds types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of various sources that are legally restricted to expenditures for specified purposes.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when expenditures are recognized in the accounts and reported in the financial statements. Basis relates to the timing of the measurement made, regardless of the measurement focus applied.

The Government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included in the statement of net assets and the operating statements present increases (revenues) and decreases in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the fund. The Town considers property taxes as available if they are collected within 30 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures and expenditures related to compensated absences are recorded only when payment is due.

The specific revenue recognition policy for property taxes are recognized when levied, derived from gross receipts tax are recognized when the underlying transaction takes place, and other revenues are recognized when all of the eligibility requirements have been met.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, income and intergovernmental revenues. Gross Receipts Taxes collected and held by the state on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Budgetary Control

1. Prior to June 1, the Town's Clerk-Treasurer submits the budget for the fiscal year commencing following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by the Local Government Division of the State Department of Finance and Administration.
3. The Town treasurer is authorized to transfer budgeted amounts between departments within the same fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council and the State Department of Finance and Administration.

4. Formal budgetary integration is employed as a management control device during the year
5. Legal budget control for expenditures is by fund.

Cash and Cash Equivalents

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

The Town is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978 money in banks, savings and loan associations and/or credit unions whose accounts are insured of the United States.

Investments

All money not immediately necessary for the public uses of the Town may be invested in :

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or which has a taxable valuation of real property for the last preceding year of at least one (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation on any bonds at maturity at any time within five years last preceding; or
- (b) securities that are issued by the United States government or by its agencies or instruments that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.
- (c) in contracts with banks, savings and loan associations or credit unions for the present resale at a specified time in the future of specific securities at specified prices at a price representing the interest income to be earned by the investor. The contract shall be shown on the financial institution as being the property of the investor and the designation shall be consistent with the investment. The contract shall be fully secured by obligations of the United States having a value of at least one hundred two percent of the contract. The collateral required for investment contracts provided for in this subsection shall be shown on the books of the financial institution as the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amounts due from state government agencies related to various grant agreements. Payables represent routine expenses for services rendered and products purchased and accrued salaries and benefits.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Receivables and payables were eliminated to minimize the "grossing up" effect on assets and the governmental activities column.

Restricted Assets

Restricted assets consist of those funds expendable for operating purposes but restricted by conditions imposed by outside agencies as to the specific purpose for which they may be expended.

Capital Assets

Capital assets, which includes property, plant, equipment (including software), and infrastructure reported in the applicable governmental or business-type activities columns in the government statements and in the fund financial statements for proprietary funds. Capital assets are recorded at cost and depreciated over their estimated useful lives (with no salvage value). Capital assets are reported on the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Donated capital assets are recorded at their estimated fair market value on the date of acquisition. Additions, improvements and other capital outlays that significantly extend the useful life of existing assets are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The period interest is not capitalized in the proprietary funds.

Estimated useful life is management's estimate of how long the asset is expected to meet service requirements. Straight line depreciation is used based on the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Building Improvements	40-50
Infrastructure	20-30
Vehicles	5-7
Machinery and Equipment	5-10
Office Equipment	5
Computer Equipment	5

Revenue

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which the Town is the primary obligor are reported as capital and related financing activities, noncapital financing activities, or investments. Transactions normally are not reported as components of operating income.

Compensated Absences

Towns' employees are entitled to certain compensated absences based on their employment classification and length of employment. The Town allows employees with the exception of the Law Enforcement personnel to accumulate unused sick leave up to but not exceed 720 hours. The Town does not allow for accrued sick leave to be converted to cash payouts upon resignation or termination.

Full-time, permanent employees with the exception of the Law Enforcement personnel can accumulate vacation time up to but can not exceed 240 hours per calendar year and is payable upon termination of employment. The Town maintains vacation leave on a calendar basis. Law Enforcement Personnel time is set at 14 days per 12 month period, credited on the anniversary date of hire. Vacation time can not be carried over on their next anniversary. All vacation pay leave is accrued when reported on government-wide and proprietary fund financial statements. A liability for these amounts are reported on governmental funds only if they have matured as a result of an employees resignation, termination or retirement.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital projects related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding principal of any borrowing used for the acquisition, construction or improvements of those assets, an unspent proceeds. Net assets are reported as restricted when there are limitations imposed by the grantors or laws or regulations of other governments. When an expense is incurred for purposes of a capital project both restricted and unrestricted net assets are available it will first be applied to restricted resources.

NOTE B: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budgetary Basis for all Governmental Fund Types is presented on the budgetary basis to provide a comparison with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to budgetary basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

Reconciliations are located at the bottom of each budget actual.

NOTE C: CASH AND INVESTMENTS

The Town is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. The schedule calculating the requirement and disclosing the pledged securities.

Hagerman National		Balance	Reconciled
<u>Name of Account</u>		<u>Per Bank</u>	<u>Balance</u>
		<u>06/30/07</u>	
Operating Account	3102181	\$ 99,968	\$ 60,592
Certificate of Deposit	61607	62,688	62,688
TOTAL Deposited		<u>162,656</u>	<u>\$ 123,280</u>
Less: FDIC Coverage		<u>(162,656)</u>	
Uninsured Amount		0	
50% collateral requirement		0	
Pledged securities		0	
Over (Under) requirement		<u>\$ 0</u>	
Wells Fargo			
Operating Account	120-5324513	\$ 381,863	\$ <u>332,737</u>
TOTAL Deposited		381,863	
Less: FDIC Coverage		<u>(100,000)</u>	
Uninsured Amount		281,863	
50% collateral requirement		140,932	
Pledged securities		280,839	
Over (Under) requirement		<u>\$ 139,908</u>	

The following securities are pledged at **Wells Fargo**:

<u>Type</u>	<u>CUSIP #</u>	<u>Market or</u>	<u>Maturity Date</u>	<u>Custodian</u>
		<u>Par Value</u>		
FNCL	31409CV69	\$ 228,557	5/01/2036	Wells Fargo
FNCL	31409UUZ6	22,088	5/01/2036	Wells Fargo
GNSF	36225BFS2	2,727	8/15/2029	Wells Fargo
GNSF	36225BM54	27,466	4/15/2031	Wells Fargo
		<u>\$ 280,839</u>		

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2007

The difference between the bank balance and the reconciled balance is outstanding deposit checks and pending bank adjustments.

Custodial Credit Risk-Deposits

<u>Depository Account</u>	
Insured	\$
Collateralized:	
Collateral held by the pledging bank in Town's name	
Uninsured and uncollateralized	
Total Deposits	\$

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits would not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$280,839 of the Town's bank balance of \$544,519 was exposed to custodial credit risk.

NOTE D: CAPITAL ASSETS

Capital Assets Balances and Activity for the Year Ended June 30, 2007, is as follows:

	<u>Balance 6/30/06</u>	<u>Increases</u>	<u>Decreases</u>
Governmental Activities			
Capital Assets, not being Depreciated			
Land	\$ 138,730	\$ 0	\$ 0
Construction on Progress	71,519	231,667	0
Total Capital Assets not being Depreciated	<u>210,249</u>	<u>231,667</u>	<u>0</u>
Capital Assets, being Depreciated			
Infrastructure	0	188,438	0
Buildings & Improvements	2,099,251	0	0
Equipment & Vehicles	<u>1,077,334</u>	<u>287,481</u>	<u>0</u>
Total Capital Assets, being Depreciated	<u>3,176,585</u>	<u>475,919</u>	<u>0</u>
Total Capital Assets	<u>3,386,834</u>	<u>707,586</u>	<u>0</u>
Less Accumulated Depreciation			
Infrastructure	0	0	0
Buildings & Improvements	0	0	0
Equipment & Vehicles	<u>0</u>	<u>0</u>	<u>0</u>
Total Accumulated Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
Capital Assets, net	<u>\$ 3,386,834</u>	<u>\$ 707,586</u>	<u>\$ 0</u>
Depreciation expense was not allocated to governmental activities.			
Total depreciation expenses		<u>\$ 0</u>	

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2007

	Balance 6/30/06	Increases	Decreases
Business-Type Activities			
Capital Assets not being Depreciated			
Land	\$ 9,890	\$ 0	\$ 0
Water Rights	145,000	0	0
Total Capital Assets not being Depreciated	<u>154,890</u>	<u>0</u>	<u>0</u>
Capital Assets, being Depreciated			
Buildings & Improvements	103,053	0	0
Equipment & Vehicles	950,228	0	0
Water System	152,705	50,000	0
Sewer System	224,573	0	0
Total Capital Assets	<u>\$ 1,430,559</u>	<u>\$ 50,000</u>	<u>\$ 0</u>
Less Accumulated Depreciation			
Buildings & Improvements	\$ 85,524	2,061	\$ 0
Machinery & Equipment	720,137	31,199	0
Water System	73,176	3,818	0
Sewer System	66,431	5,615	0
Total Accumulated Depreciation	<u>945,268</u>	<u>42,693</u>	<u>0</u>
Capital Assets, net	<u>\$ 640,181</u>	<u>\$ 7,307</u>	<u>\$ 0</u>

NOTE E: LONG TERM DEBT

A summary of activity in the Long-Term Debt is as follows:

	Governmental Activity
\$23,964 December 14, 2004 loan held by Kansas State Bank with annual rental payments of \$8,775, including interest at 9.935% through December 4, 2006. The debt is paid for out of the Law Enforcement Protection fund with State LEPF Funds.	\$ 0
\$34,498 December 25, 2004 loan held by New Mexico Finance Authority with annual payments of \$7,959 with no interest through May 1, 2010. The debt is paid for out of the General fund with General fund revenues.	23,758
\$287,481 December 1, 2007 loan held by New Mexico Finance Authority with annual payment of \$42,000 with interest at 6% through May 1, 2016. The debt is paid for out of the Fire Fund.	287,481
\$125,000 1997 loan held by Rural Utility Services with annual installments of \$7,019, including interest at 4.875% through February 19, 2037.	0
\$137,000 1999 loan held by Rural Utility Services with annual installments of \$7,700, including interest at 4.5% to 5.5% through April 15, 2039.	0
	<u>311,239</u>
Less Current Portion	(7,900)
Long Term Portion	<u>\$ 303,339</u>

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2007

In prior years, the general fund has typically been used to liquidate governmental activities long for compensated absences.

Governmental Activities:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Capital Leases:				
NMFA Ambulance	\$ 31,638	0	7,880	23,758 \$
Kansas State Bank	7,965	0	7,965	0
NMFA Fire Truck	0	287,481	0	287,481
Compensated Absences	6,894	4,722	2,184	9,432
Long Term Liabilities	<u>\$ 46,497</u>	<u>292,203</u>	<u>18,029</u>	<u>320,671 \$</u>

The capital assets to capital leases listed above have been added to the Town's capital assets

Business-Type Activities:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
RUS 1997	\$ 113,029	0	1,635	111,394 \$
RUS 1999	128,001	0	1,700	126,301
Compensated Absences *	4,384	2,920	3,521	3,783
Long Term Liabilities	<u>\$ 245,414</u>	<u>2,920</u>	<u>6,856</u>	<u>241,478 \$</u>

* Restated beginning balance, last years audit showed \$0.

Governmental Activities:

The annual requirements to amortize the NMFA Ambulance loan outstanding as of June 30, : interest payments are as follows:

	Principal	Interest
2008	\$ 7,900	\$ 0
2009	7,919	0
2010	7,939	0
	<u>\$ 23,758</u>	<u>\$ 0</u>

The annual requirements to amortize the NMFA Fire loan outstanding as of June 30, 2007, in payments are as follows:

	Principal	Interest
2008	\$ 0	\$ 0
2009	25,401	16,310
2010	34,343	7,657
2011	35,305	6,695
2012	36,305	5,698
2013-2016	156,127	11,912
	<u>\$ 287,481</u>	<u>\$ 48,272</u>

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2007

Business-Type Activities:

The annual requirements to amortize the 1997 Rural Utility Service loan outstanding as of June 30, 2007, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,716	\$ 5,393
2009	1,802	5,307
2010	1,892	5,217
2011	1,986	5,123
2012	2,086	5,024
2013-2017	12,095	23,450
2018-2022	15,425	20,120
2023-2027	19,674	15,871
2028-2032	25,092	10,453
2033-2037	29,626	3,559
	<u>\$ 111,394</u>	<u>\$ 99,517</u>

The annual requirements to amortize the 1999 Rural Utility Service loan outstanding as of June 30, 2007, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,700	\$ 6,000
2009	1,800	6,000
2010	1,800	5,900
2011	2,000	5,800
2012	2,000	5,700
2013-2017	11,800	27,000
2018-2022	14,900	23,800
2023-2027	18,900	19,900
2028-2032	23,700	15,000
2033-2037	29,900	8,900
2038-2039	17,801	1,500
	<u>\$ 126,301</u>	<u>\$ 125,500</u>

NOTE F: PROPERTY TAXES

The County collects the Town's share of property taxes assessed. Property taxes attach an lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners on the 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the Town on a monthly basis. The Town's share of property taxes in the General Fund. Only those collections received are recorded as revenue in the budget presentation.

NOTE G: RECEIVABLES

Receivables as of June 30, 2007, were as follows:

	<u>General</u>	<u>Streets</u>	<u>Non Major</u>
Taxes	\$ 27,133	\$ 417	\$ 109
Accounts	0	0	0
	<u>\$ 27,133</u>	<u>\$ 417</u>	<u>\$ 109</u>

All receivable balances are expected to be collected within one year.

NOTE H: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of June 30, 2007, the Town had the following interfund transfers:

Transfer From		Transfer To	
General	\$	42,655	
D.A.R.E.		340	
	\$	42,995	
			\$
			42,995

The above transfers were made to the funds to support current operations and closed an old fun

NOTE I: DEFINED BENEFIT PENSION PLAN

Plan Description. Substantially all of the Town’s full-time employees participate in a pu retirement system authorized under the Public Employees Retirement Act (Chapter 10, Arti 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, v sharing multiple-employer defined benefit retirement plan. The plan provides for retirement be benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. I separate, publicly available financial report that includes financial statements and required information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy. Plan members (other than police and fire) are required to contribute 7% of the Law enforcement and fire plan members are required to contribute 7% of their salary, respectiv is required to contribute 10% for law enforcement 7% for all other plan members. Th requirements of plan members and the Town are established in State statute under Chapter NMSA 1978. The requirements may be amended by acts of the legislature. The employees cc of their gross salary with the Town contributing 5.25% of the employees portion as well as al portion. The Town contributions to PERA for the fiscal years ending June 30, 2007, 2006 ; approximately \$26,588, \$24,808, and \$25,906, respectively, which equal the amount o contributions for each fiscal year.

NOTE J: RETIREE HEALTH CARE ACT CONTRIBUTIONS

The Town has elected not to participate in the New Mexico Retiree Health Care Authority po employee benefits.

NOTE K: RISK MANAGEMENT

The Town is exposed to various risks of loss to torts; theft, damage and destruction of ass omissions; injuries to employees; and natural disasters. The workers compensation insurance Mexico Mutual Casualty Insurance Company. The Towns health insurance is through Ne Insurance Fund. Insurance on general liability, auto crime inland marine, building and conte breakdowns law enforcement officers and public official's liability was obtained through Company of Hanover. The fire and EMS accident insurance is through Nationwide Life Insura The New Mexico Self Insurance Fund determines annually how to change participating municipalities for employee health care coverage.

All participating municipalities pay the same cost per employee each year, as determined by Ni Insurance Fund. The municipalities retain no risk of having to pay extra for an employee's cla the Town's health insurance settlements did not exceed the insurance coverage in any of the | Also, there were no significant reductions in the employee health insurance coverage provid Mexico Self Insurance Fund in the fiscal year then ended, compare to the previous year.

NOTE L: DEFICIT FUND BALANCE

The Emergency Medical Services Fund had a deficit fund balance of \$(1,240).

NOTE M: RELATED PARTY

The Town purchased supplies and services from Waide Irrigation in the amount of \$13,566. The Town is the owner of Waide Irrigation.

NOTE N: SURETY BOND

The officials and certain employees of the Town are covered by a surety bond as required by the NMSA, 1978 Compilation.

NOTE O: CONTINGENCIES

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

NOTE P: RESTATEMENTS

Net Assets in the Proprietary Funds were restated as follows:

Compensated Absences	\$	(4,384)
Accrued Interest		<u>3,791</u>
Net Change	\$	<u><u>(593)</u></u>

Compensated Absences were not included in the prior year audit. Accrued interest was included in the prior year audit payable for an amount of \$5,061. The correct amount of accrued interest was \$1,270 for a net change of \$3,791.

NOTE Q: CONSTRUCTION COMMITMENTS

The Town has two ongoing construction projects. The Town Hall is being remodeled and an In-Park building is being developed.

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June 30, 2007

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303,186

441,916

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4,094,420

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4,094,420

Balance
6/30/07

9,890
145,000

154,890

103,053
950,228
202,705
224,573

1,480,559

87,585
751,336
76,994
72,046

987,960

647,489

Business-Type
Activity

0

0

0

111,395

126,300
237,695
(3,417)

234,278

June 30, 2007,

<u>Total</u>
7,109
7,109
7,109
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7,110
35,545
35,545
35,545
35,545
33,185
<u>210,911</u>

June 30, 2007,

<u>Total</u>
7,700
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7,700
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7,700
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**SUPPLEMENTAL INFORMATION RELATED TO
NON MAJOR FUNDS**

NONMAJOR SPECIAL REVENUE FUNDS

Recreation Fund

To account for the operation and maintenance of the Town's youth recreation program. Financing by the state shared cigarette tax. The fund was created by the authority of state statute. (NMSA

Law Enforcement Protection Fund

To account for funds received from the State of New Mexico for law enforcement purposes. created by the authority of state grant provisions. (NMSA 29-13-3)

Emergency Medical Services Fund

To account for the operation and maintenance of the Town's EMS Department. Financing is prior annual EMS allotment. The fund was created by the authority of state grant provisions. (NMSA 8

D.A.R.E. Fund

To account for money collected or received for the purpose of educating local school districts abuse. The fund was created by the authority of state grant provisions. (NMSA 9-7-17)

Correction Fund

To account for the collection of fines which are used to supplement the cost of prisoner housing was created by the authority of state statute. (Section 29-1301 NMSA 1978)

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STATE OF NEW MEXICO
TOWN OF HAGERMAN
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2007

	<u>Recreation Fund</u>	<u>Law Enforcement Protection Fund</u>	<u>Emergency Medical Services Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,542	\$ 0	\$ 0
Receivables			
Taxes	109	0	0
Total Assets	<u>\$ 2,651</u>	<u>\$ 0</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,240</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>1,240</u>
Fund Balance			
Reserved Reported In:			
Special Revenue	<u>2,651</u>	<u>0</u>	<u>(1,240)</u>
Total Fund Balance	<u>2,651</u>	<u>0</u>	<u>(1,240)</u>
 Total Liabilities and Fund Balance	 <u>\$ 2,651</u>	 <u>\$ 0</u>	 <u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2007

	<u>D.A.R.E. Fund</u>	<u>Corrections Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 0	\$ 4,371	\$ 6,913
Receivables			
Taxes	<u>0</u>	<u>0</u>	<u>109</u>
Total Assets	<u>\$ 0</u>	<u>\$ 4,371</u>	<u>\$ 7,022</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,240</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>1,240</u>
Fund Balance			
Reserved Reported In:			
Special Revenue	<u>0</u>	<u>4,371</u>	<u>5,782</u>
Total Fund Balance	<u>0</u>	<u>4,371</u>	<u>5,782</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 4,371</u>	<u>\$ 7,022</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2007

	Recreation Fund	Law Enforcement Protection Fund	Emergency Medical Services Fund
Revenues			
Cigarette Taxes	\$ 1,000	\$ 0	\$ 0
Fees	0	0	0
State Grants	0	21,800	7,900
Total Revenues	<u>1,000</u>	<u>21,800</u>	<u>7,900</u>
Expenditures			
Current			
Public Safety	0	11,318	646
Culture & Recreation	4,374	0	0
Debt Service			
Principal	0	7,965	7,880
Interest	0	810	0
Total Expenditures	<u>4,374</u>	<u>20,093</u>	<u>8,526</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,374)</u>	<u>1,707</u>	<u>(626)</u>
Other Financing Sources (Uses)			
Transfer In/(Out)	0	0	0
Total Other Sources	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(3,374)	1,707	(626)
Fund Balances at Beginning of Year	<u>6,025</u>	<u>(1,707)</u>	<u>(614)</u>
Fund Balance End of Year	<u>\$ 2,651</u>	<u>\$ 0</u>	<u>\$ (1,240)</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2007

	D.A.R.E. Fund	Corrections Fund	Total
Revenues			
Cigarette Taxes	\$ 0	\$ 0	\$ 1,000
Fees	0	2,262	2,262
State Grants	0	0	29,700
Total Revenues	<u>0</u>	<u>2,262</u>	<u>32,962</u>
Expenditures			
Current			
Public Safety	0	2,190	14,154
Culture & Recreation	0	0	4,374
Debt Service			
Principal	0	0	15,845
Interest	0	0	810
Total Expenditures	<u>0</u>	<u>2,190</u>	<u>35,183</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>72</u>	<u>(2,221)</u>
Other Financing Sources (Uses)			
Transfer In/(Out)	(340)	0	(340)
Total Other Sources	<u>(340)</u>	<u>0</u>	<u>(340)</u>
Net Change in Fund Balance	(340)	72	(2,561)
Fund Balances at Beginning of Year	<u>340</u>	<u>4,299</u>	<u>8,343</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 4,371</u>	<u>\$ 5,782</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
SPECIAL REVENUE FUND-RECREATION FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Cigarette Taxes	\$ 1,100	\$ 1,100	\$ 891	\$ (209)
Total Revenues	<u>1,100</u>	<u>1,100</u>	<u>891</u>	<u>(209)</u>
Expenditures				
Culture & Recreation				
Operating Expense	<u>7,000</u>	<u>7,000</u>	<u>4,374</u>	<u>2,626</u>
Total Culture & Recreation	<u>7,000</u>	<u>7,000</u>	<u>4,374</u>	<u>2,626</u>
Total Expenditures	<u>7,000</u>	<u>7,000</u>	<u>4,374</u>	<u>2,626</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,900)	(5,900)	(3,483)	2,417
Cash Balance Beginning of Year	<u>6,025</u>	<u>6,025</u>	<u>6,025</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 125</u>	<u>\$ 125</u>	<u>\$ 2,542</u>	<u>\$ 2,417</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (3,483)	
Net Change in Taxes Receivables			109	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (3,374)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
SPECIAL REVENUE FUND-LAW ENFORCEMENT PROTECTION FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 21,800	\$ 21,800	\$ 21,800	\$ 0
Total Revenues	<u>21,800</u>	<u>21,800</u>	<u>21,800</u>	<u>0</u>
Expenditures				
Public Safety				
Operating Expenses	13,025	13,025	13,025	0
Debt Service				
Principal	7,965	7,965	7,965	0
Interest	810	810	810	0
Total Public Safety	<u>21,800</u>	<u>21,800</u>	<u>21,800</u>	<u>0</u>
Total Expenditures	<u>21,800</u>	<u>21,800</u>	<u>21,800</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Net Change in Accounts Payables			<u>1,707</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,707</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
SPECIAL REVENUE FUND-EMERGENCY MEDICAL SERVICES FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 7,900	\$ 7,900	\$ 7,900	\$ 0
Total Revenues	<u>7,900</u>	<u>7,900</u>	<u>7,900</u>	<u>0</u>
Expenditures				
Public Safety				
Operating Expenses	439	439	439	0
Debt Service				
Principal	<u>7,880</u>	<u>7,880</u>	<u>7,880</u>	<u>0</u>
Total Public Safety	<u>8,319</u>	<u>8,319</u>	<u>8,319</u>	<u>0</u>
Total Expenditures	<u>8,319</u>	<u>8,319</u>	<u>8,319</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(419)	(419)	(419)	0
Cash Balance Beginning of Year	<u>419</u>	<u>419</u>	<u>419</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (419)	
Net Change in Accounts Payables			<u>(207)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (626)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
SPECIAL REVENUE FUND-D.A.R.E. FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Public Works				
Personnel Services	0	0	0	0
Operating Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Public Works	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Other Financing Sources (Uses)				
Transfer to General	<u>(340)</u>	<u>(340)</u>	<u>(340)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(340)</u>	<u>(340)</u>	<u>(340)</u>	<u>0</u>
Net Change in Cash Balance	<u>(340)</u>	<u>(340)</u>	<u>(340)</u>	<u>0</u>
Cash Balance Beginning of Year	<u>340</u>	<u>340</u>	<u>340</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>(340)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(340)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
SPECIAL REVENUE FUND-CORRECTIONS FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Fees	\$ 3,360	\$ 3,360	\$ 2,262	\$ (1,098)
Total Revenues	<u>3,360</u>	<u>3,360</u>	<u>2,262</u>	<u>(1,098)</u>
Expenditures				
Public Safety				
Local Fees	0	0	1,518	(1,518)
Judicial	240	240	168	72
Automation	720	720	504	216
Housing of Prisoners	6,500	6,500	0	6,500
Total Public Safety	<u>7,460</u>	<u>7,460</u>	<u>2,190</u>	<u>5,270</u>
Total Expenditures	<u>7,460</u>	<u>7,460</u>	<u>2,190</u>	<u>5,270</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,100)	(4,100)	72	4,172
Cash Balance Beginning of Year	<u>4,299</u>	<u>4,299</u>	<u>4,299</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 199</u>	<u>\$ 199</u>	<u>\$ 4,371</u>	<u>\$ 4,172</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 72	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 72</u>	

The notes to the financial statements are an integral part of this statement.

ENTERPRISE FUNDS

Utility

To account for the provision of water and sewer service to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to administration, operations, maintenance, financing and related debt service, and billing and collections.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
PROPRIETARY FUND-UTILITY FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Sales & Service	\$ 375,000	\$ 375,000	\$ 370,734	\$ (4,266)
Fees	9,500	9,500	1,307	(8,193)
Gross Receipt Tax	6,000	6,000	4,940	(1,060)
State & Local Grants	125,000	125,000	50,000	(75,000)
Total Revenues	<u>515,500</u>	<u>515,500</u>	<u>426,981</u>	<u>(88,519)</u>
Expenditures				
Personnel Services	103,503	103,503	101,770	1,733
Operating Expenses	268,938	268,938	233,415	35,523
Capital Outlay	125,000	125,000	50,000	75,000
Debt Service				
Interest	11,574	11,574	11,574	0
Principal	3,335	3,335	3,335	0
Total Expenditures	<u>512,350</u>	<u>512,350</u>	<u>400,094</u>	<u>112,256</u>
Excess (Deficiency) of Revenues Over Expenditures	3,150	3,150	26,887	23,737
Cash Balance Beginning of Year	<u>2,585</u>	<u>2,585</u>	<u>2,585</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 5,735</u>	<u>\$ 5,735</u>	<u>\$ 29,472</u>	<u>\$ 23,737</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 26,887	
Depreciation			(42,692)	
Purchase of Capital Assets			50,000	
Principal Paid			3,335	
Net Changes in Taxes Receivable			471	
Net Changes in Accounts Receivable			(720)	
Net Changes in Accounts Payable			15,078	
Net Changes in Accrued Salaries & Benefits			(1,721)	
Net Changes in Accrued Interest			(1,250)	
Net Changes in Compensated Absences			(3,190)	
Change in Net Assets			<u>\$ 46,198</u>	

The notes to the financial statements are an integral part of this statement.

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

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*

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Members of the TOWN OF HAGERMAN

Mr. Balderas and Members of the Board

We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of the major funds' activities of the Town of Hagerman, as of and for the year ended June 30, 2007, which collectively comprise the Town of Hagerman's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 11, 2010. We were also engaged to audit the financial statements of each of the Town's nonmajor governmental funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007 as listed in the table of contents. Due to the Town's deficiencies in internal controls and the lack of adequate documentation, the scope of our work was not sufficient to enable us to express, and we did not express opinions on these opinion units.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing the audit procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as 2003-2, 2004-1, 2004-2, 2004-3, and 2004-7 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2003-2, 2004-1, 2004-2, 2004-3, and 2004-7 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Hagerman's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2003-1, 2004-4, 2004-9, 2007-1 and 2007-2.

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

This report is intended solely for the information and use of management, the New Mexico State Legislature and its committees, the Office of the State Auditor, the New Mexico Department of Finance and Administration - Local Government and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

De'Ann Willoughby CPA PC

March 11, 2010

Prior Year Audit Findings

	<u>Status</u>
2003-1 Late Audit Report	Repeated
2003-2 Capital Assets	Repeated
2004-1 Preparation of Financial Statements	Repeated
2004-2 Inadequate Internal Controls over Information Technology	Repeated
2004-3 Lack of Internal Controls	Repeated
2004-4 1099 Forms Not Being Used	Repeated
2004-6 Credit Card Finance Charges	Resolved
2004-7 Utility Billings Understated and Meter Deposits Misstated	Repeated
2004-9 Payroll	Repeated & Modified
2006-1 Cash Receipts Test Work	Resolved
2006-2 Travel and Per Diem-Calculation and Approval	Resolved
2006-3 Payroll Payments for Services Not Rendered	Resolved
2006-4 Bids	Resolved
2006-5 Budget	Resolved

Current Year Audit Findings

2003-1 Late Audit Report

Condition

The June 30, 2007 audit report was submitted to the Office of the New Mexico State Auditor after the December 1, 2007 deadline. The report was received at the Office of the New Mexico State Auditor on March 15, 2010.

Criteria

Towns audits are to be submitted to the State Auditor by December 1 as required by NMAC 2.2.2.9A (1) (d).

Effect

Those relying on the financial statements including but not limited to the NM Department of Finance and Administration (DFA) and Local Government Division (LGD) did not have audited financial statements to facilitate their oversight function.

Cause

The audit contract was not signed until after the report was already late.

Recommendation

The Town should contract with an auditor that will perform and submit the audit reports timely.

Response

The Town has hired the current auditor to get audits up to date. The June 30, 2008 & 2009 audits are being submitted; audits for the June 30, 2010 and beyond will be submitted by the statutory deadline.

2003-2 Capital Assets

Condition

The Town does not know what its capital assets are or how much they cost. The Town could not provide the auditors with a list of their capital assets at historical cost showing when each item was purchased. The Town does not have a depreciation schedule for its proprietary funds or for its governmental capital assets. The Town does not know how depreciation on its capital assets was calculated in previous fiscal years. The Town does not have a system of internal controls in place to safeguard its assets or to ensure that capital assets are not misstated in the Town's financial statements.

Criteria

To comply with 1 NMAC 1.2.1.8 and 12-6-10 NMSA 1978, a complete capital asset listing including current year additions and deletions should be maintained at all times.

Effect

The Town's financial statements cannot accurately reflect the value of the Town's capital assets due to the Town's lack of information about its capital assets. The Town's capital assets are at risk for being misappropriated because they are not properly accounting for and inventoried each year.

Cause

The Town was unaware of how to account for its capital assets and does not have the appropriate software and procedures in place to capitalize and depreciate its capital assets.

Recommendation

We recommend the Town develop a current depreciation schedule for its capital assets, whether through an accounting software or an excel spreadsheet that is updated and maintained monthly if necessary. Either report should be able to generate accurate and detailed information to reconcile capital assets additions and deletions, current year depreciation expense and accumulated depreciation to roll forward the schedules each fiscal year. We recommend that the Town contract with a consultant to obtain assistance or receive training if necessary, to accomplish this work.

Response

A depreciation schedule will be available by the June 30, 2010 audit.

2004-1 SAS 112 Compliance

Condition

The Auditing Standards Board has issued *Statement on Auditing Standards No. 112, Communicating Internal Control Related Matters Identified in an Audit* (SAS 112). The new standard provides guidance to auditors on communicating matters related to an audit of financial statements. The standard requires the auditor to evaluate identified control deficiencies and determine whether these deficiencies, individually or in combination, are significant deficiencies or material weaknesses.

Criteria

Statement on Auditing Standards (SAS) 112, Communication of Internal Control Related Matters Identified in an Audit, requires that management clearly accept responsibility for preparing all financial information and company's financial statements.

Effect

The Town's management may not be able to detect errors in reporting or financial presentation if they exist. Management may not be qualified to review the financial statements prepared by the auditor.

Cause

The Towns staff has not been trained on Governmental Accounting Standards and related procedures to prepare financial statements.

Recommendation

We recommend that the employees who participate in the accounting function obtain training in governmental accounting and the preparation of financial statements.

Response

The Town will continue to rely on the auditor to prepare the financial statements.

2004-2 Inadequate Internal Controls over Information Technology**Condition**

During our audit, we noted that adequate controls for access to programs and data have not been established by management to restrict access to proper authorized individuals. Lack of controls were noticed in Monitoring, Physical Access, Information Security Policy/User Awareness, Identification and Authentication, and Configuration of Access Rules/Access Administration. Adequate controls are not in place to ensure recoverability from interruptions in service in a timely manner and to restore critical information services in the event of a disaster.

Criteria

The State of New Mexico guidelines S-GUIDE-002.003 (per NMSA 1978 Section 15-1C-1 et. Seq. and NMAC 1.12.6 and NMAC 1.12.2) establishes that protection of IT assets and resources including data and information. The policy establishes that the protection must provide for IT assets, resources and data/information from unauthorized access, use, disclosure, disruption, modification or destruction in order to provide integrity, confidentiality, availability, accountability and assurance, and to establish that controls must maintain over information systems, resources, and data/information sufficient to contain risk of loss or misuse of information.

Effect

The Towns' lack of IT policies, lack of controls over access levels, passwords, monitoring, physical access and contingency planning leaves the Town at risk for loss or misuse of data and information. Adequate protection has not been established to safeguard IT assets and resources.

Cause

The Town is not properly safeguarding IT assets and resources. They lack the policies and administrative knowledge of this area to be effective in reconciling this deficiency.

Recommendation

We recommend that the Town establishes a policy that will govern IT use and security. And that all personnel are to read and sign the policy stating they understand the significant of following all policies regarding IT control.

Response

An IT policy will be established and disseminated.

2004-3 Lack of Internal Controls

Condition

The Town lacks internal controls over its cash. Receipts are not sequentially numbered. Cash is not adequately safeguarded by the Town. Cash deposits cannot be traced back to the respective receipts. Checks are not sequentially numbered. Documentation for expenditures is substantively missing. The same employee who reconciles the bank account can also sign checks. Work performed is not reviewed by the supervisor. As a result of these internal control problems the Town has inadequate documentation to show that: all its revenue transactions and events that should have been recorded are recorded; that revenue amounts and related data were recorded appropriately; that revenue transactions and events that occurred have been recorded in the correct accounting period; or that revenue transactions and events have been recorded in the proper accounts. We also noted that adequate controls for access to programs and data have not been established by management to restrict access to proper authorized individuals. We noticed that the bookkeeper was leaving her work area without protecting her computer from unauthorized users.

Criteria

Per SAS AU 110.03, management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process and report transactions (as well as events and conditions) consistent with assertions embodied in the financial statements. Per SAS AU 325.32, some examples of deficiencies in the design of controls are: inadequate design of internal control over a significant account or process; inadequate documentation of the components of internal control; insufficient control consciousness within the organization, for example, the tone at the top and the control environment; absent or inadequate segregation of duties within a significant account or process; absent or inadequate controls over the safeguarding of assets; inadequate design of monitoring controls used to assess the design and operating effectiveness of the entity's internal control over time; the absence of an internal process to report deficiencies in internal control to management on a timely basis.

Effect

The lack of proper internal controls places the Town's accounting records at risk for containing material misstatements that do not get detected and corrected timely. The Town's accounting activity cannot be verified without the underlying documentation available to support the Town's spending. The Town's assets are at risk of being misappropriated because checks or receipts could be taken and not detected, or expenditures could be made to unauthorized individuals and not be detected because of missing documentation.

Cause

The Town does not have a written internal control policy to prevent or detect the misappropriation of assets. The filing system is inefficient. Personnel are not adequately trained regarding internal controls. The Town has only two accounting employees.

Recommendation

We recommend that the governing body approve internal control policies and procedures documented by the Town and submitted to the governing body for approval. We also recommend that as a part of the new internal control procedures that the governing body perform extensive oversight of specific duties to mitigate the lack of segregation of duties caused by having two employees.

Response

Bookkeeping program will be closed when the employee is absent from the work area. Additionally, offices have been remodeled and access is limited.

2004-4 1099 Forms Not Being Used

Condition

The Town is not preparing 1099 forms in compliance with federal law.

Criteria

Local governments must issue 1099 forms when applicable payments are made during the course of their business. See the related Form 1099 and Form 1096 instructions issued by the IRS.

Effect

IRS regulations were not followed. IRS could assess a \$50 penalty per 1099 form not prepared. These penalties are not budgeted for.

Cause

The Town was unaware of its responsibility to prepare 1099 forms and submit them to the vendors and report them to the IRS with the Form 1096.

Recommendation

The Town should implement a review process at the end of the year to ensure that all contract labor requiring a 1099 actually receives one and that they file the Forms 1099 and Form 1096 with the IRS.

Response

Forms 1099 and Form 1096 were filed for calendar year 2009 and will continue to be filed annually.

2004-7 Utility Billings Understated and Meter Deposits Misstated

Condition

The Town lacks internal controls over its cash. Receipts are not sequentially numbered. Cash is not adequately safeguarded by the Town. Cash deposits cannot be traced back to the respective receipts. Checks are not sequentially numbered. Documentation for expenditures is substantively missing. The same employee who reconciles the bank account can also sign checks. Work performed is not reviewed by the supervisor. As a result of these internal control problems the Town has inadequate documentation to show that: all its revenue transactions and events that should have been recorded are recorded; that revenue amounts and related data were recorded appropriately; that revenue transactions and events that occurred have been recorded in the correct accounting period; or that revenue transactions and events have been recorded in the proper accounts. As a result of these internal control problems the Town has inadequate documentation to show that: all its expenditure transactions and events that should have been recorded are recorded; amounts and related data were recorded that expenditure appropriately; that expenditure transactions and events have been recorded in the proper accounts. Also, during our audit, we noted that adequate controls for access to programs and data have not been established by management to restrict access to proper authorized individuals. We noticed that the bookkeeper was leaving her work area without protecting her computer from unauthorized users.

Criteria

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

Effect

The utility receivables may be materially misstated due to the lack of information regarding the allowance for doubtful accounts. The Town may not be receiving all money due from delinquent accounts. The Town may not be maintaining the correct restricted cash balance for customer deposits.

Cause

The UB Billing Software does not appear not to be working properly, resulting in a lack of information about delinquent accounts and a lack of information regarding utility meter deposits paid and refunded.

Recommendation

We recommend that the Town establish procedures: (1) detect in a timely manner billing amounts that appear significantly misstated,(2) correctly determine delinquent accounts; and (3) maintain an accurate listing of utility meter deposits.

Response

UB Billing Software was not working properly and reports that had been successfully generated for past audits were not retrievable. A new software program with in-state support has been installed and in use as of February/March 2010.

2004-9 Payroll**Condition**

During our testing of payroll, we noted that fringe benefit the employees of the Town received were not reported on the employees' W-2s.

Criteria

In accordance with IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits, the benefits should be included on the W-2s.

Effect

Taxable wages were understated and IRS regulations were violated allowing penalties to be assessed by the IRS.

Cause

Town personnel were unaware that fringe benefits were to be reported as part of employee compensation.

Recommendation

We recommend the fringe benefits be added to the employees' W-2s.

Response

Fringe benefits were added to our 2009 W-2's and will continue to be added annually.

2007-1 Expenditure Documentation

Condition

As a result of internal control problems the Town has inadequate documentation to show that: all its expenditure transactions and events that should have been recorded are recorded; amounts and related data were recorded that expenditure appropriately; that expenditure transactions and events that occurred have been recorded in the correct accounting period; or that expenditure transactions and events have been recorded in the proper accounts. As a result of these internal control problems the Town does not have adequate evidence that all cash that should be recorded is recorded in its various funds. The Town's records do not permit the application of other auditing procedures to its revenues, expenditures and cash. Documentation could not be located for 10 of 186 expenditures sampled. The dollar amount of the 10 checks totaled \$34,580.

Criteria

NMAC 6.20.2.17 states that each municipality shall establish and implement written policies and procedures for purchasing, which shall be in compliance with the procurement code section 13-1-21, NMSA 1978.

Effect

The proper maintenance of supporting documentation relating to financial transaction is necessary to mitigate possible dual payments and invoices, resolution of disputes with vendors, etc.

Cause

Management was not able or was careless with their recordkeeping responsibilities.

Recommendation

We recommend the Town follows all policies and procedures.

Response

We will be more careful with documentation and filing procedures to correct these deficiencies.

2007-2 Department of Labor

Condition

During our test we were not furnished with a State Unemployment quarterly report. The Town assumed that the Quarterly report for 9/30/06 was not filed.

Criteria

According to New Mexico Department of Labor regulations all wages paid to employees are to reported quarterly. Also, any wages paid over the taxable base rate of \$17,900 are to be considered excess wages and reported as such on the quarterly report.

Effect

The Town could be responsible for additional taxes and penalties.

Cause

Documents were not kept in a orderly fashion and the employee was unable to locate the documents.

Recommendation

We recommend that the Town keeps important documents in organized and designated area to be easily found when requested and to ensure the timeliness of filing.

Response

The Town will implement a system to ensure that all reports are filed and filed timely.

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby, CPA.

Exit Conference

An exit conference was held on March 11, 2010 in attendance was Cliff Waide-Mayor, Jim Pilley-Mayor Pro-Tem, Beverly West-Town Clerk and De'Aun Willoughby, CPA.