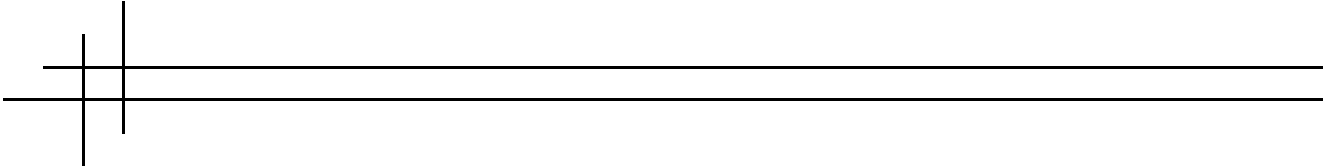




STATE OF NEW MEXICO
TOWN OF HAGERMAN

ANNUAL FINANCIAL REPORT
June 30, 2009

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



STATE OF NEW MEXICO
TOWN OF HAGERMAN
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STATE OF NEW MEXICO
TOWN OF HAGERMAN
Official Roster
June 30, 2009

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, 2009, 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, 2009, 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. 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.

 CPA PC

March 11, 2010

FINANCIAL SECTION

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Government-Wide Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 739,725	\$ 60,778	\$ 800,503
Receivables			
Taxes	25,509	509	26,018
Accounts	0	37,122	37,122
Restricted Cash	0	29,274	29,274
Total Current Assets	<u>765,234</u>	<u>127,683</u>	<u>892,917</u>
Capital Assets			
Land	138,730	154,890	293,620
Construction in Progress	1,442,354	0	1,442,354
Infrastructure	209,112	0	209,112
Building & Improvements	2,099,251	103,053	2,202,304
Equipment & Vehicles	1,460,409	950,228	2,410,637
Water System	0	202,705	202,705
Sewer System	0	733,924	733,924
Less: Accumulated Depreciation	0	(1,073,344)	(1,073,344)
Total Capital Assets	<u>5,349,856</u>	<u>1,071,456</u>	<u>6,421,312</u>
Total Assets	<u>6,115,090</u>	<u>1,199,139</u>	<u>7,314,229</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	14,339	27,013	41,352
Accrued Salaries and Benefits	4,829	3,106	7,935
Accrued Interest	2,092	1,229	3,321
Current Portion of Long-Term Debt	45,436	3,692	49,128
Total Current Liabilities	<u>66,696</u>	<u>35,040</u>	<u>101,736</u>
Noncurrent Liabilities			
Customer Deposits	0	29,274	29,274
Compensated Absences	11,755	5,222	16,977
Notes and Loans Payable	321,365	226,984	548,349
Total Noncurrent Liabilities	<u>333,120</u>	<u>261,480</u>	<u>594,600</u>
Total Liabilities	<u>399,816</u>	<u>296,520</u>	<u>696,336</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,983,055	840,780	5,823,835
Unrestricted	732,219	61,839	794,058
Total Net Assets	<u>\$ 5,715,274</u>	<u>\$ 902,619</u>	<u>\$ 6,617,893</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, 2009

Functions/Programs	Expenses	Program Revenues			Net(Expenses) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities							
General Government	\$ 139,063	\$ 1,914	\$ 250,915	\$ 0	\$ 113,766	\$ 0	\$ 113,766
Public Safety	330,767	8,923	169,392	0	(152,452)	0	(152,452)
Public Works	1,296	0	0	784,010	782,714	0	782,714
Culture & Recreation	46,777	0	0	0	(46,777)	0	(46,777)
Interest on Long-Term Obligations	14,616	0	0	0	(14,616)	0	(14,616)
Total Governmental Activities	<u>532,519</u>	<u>10,837</u>	<u>420,307</u>	<u>784,010</u>	<u>682,635</u>	<u>0</u>	<u>682,635</u>
Business-type Activities							
Utility	458,350	408,728	0	0	0	(49,622)	(49,622)
Total Business-type Activities	<u>458,350</u>	<u>408,728</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(49,622)</u>	<u>(49,622)</u>
Total Primary Government	<u>\$ 990,869</u>	<u>\$ 419,565</u>	<u>\$ 420,307</u>	<u>\$ 784,010</u>	<u>682,635</u>	<u>(49,622)</u>	<u>633,013</u>
General Revenues							
Gross Receipts Taxes					168,874	0	168,874
Gasoline Taxes					14,287	0	14,287
Property Taxes					8,504	0	8,504
Cigarette Taxes					2,942	0	2,942
Franchise Taxes					21,323	0	21,323
Other Taxes					169,964	8,004	177,968
Interest Income					1,440	871	2,311
Miscellaneous					8,020	0	8,020
Total General Revenues and Transfers					<u>395,354</u>	<u>8,875</u>	<u>404,229</u>
Change in Net Assets					1,077,989	(40,747)	1,037,242
Net Assets - beginning					<u>4,637,285</u>	<u>943,366</u>	<u>5,580,651</u>
Net Assets - ending					<u>\$ 5,715,274</u>	<u>\$ 902,619</u>	<u>\$ 6,617,893</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, 2009

	General Fund	Fire Fund	Capital Projects
ASSETS			
Cash and Cash Equivalents	\$ 505,081	\$ 175,505	\$ 9,843
Receivables			
Taxes	24,265	0	0
Interfund Balance	4,772	0	0
Total Assets	<u>\$ 534,118</u>	<u>\$ 175,505</u>	<u>\$ 9,843</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Interfund Balance	\$ 0	\$ 0	\$ 0
Accounts Payable	8,497	2,314	0
Accrued Salaries and Benefits	4,829	0	0
Total Liabilities	<u>13,326</u>	<u>2,314</u>	<u>0</u>
Fund Balances			
Reserved for Capital Projects	0	0	9,843
Reserved Reported In:			
Special Revenue Fund	0	173,191	0
Unreserved Reported In:			
General Fund	520,792	0	0
Total Fund Balances	<u>520,792</u>	<u>173,191</u>	<u>9,843</u>
Total Liabilities and Fund Balances	<u>\$ 534,118</u>	<u>\$ 175,505</u>	<u>\$ 9,843</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, 2009

	Non-Major Governmental Funds	Total Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 49,296	\$ 739,725
Receivables		
Taxes	1,244	25,509
Interfund Balance	0	4,772
Total Assets	\$ 50,540	\$ 770,006
 LIABILITIES AND FUND BALANCE		
Liabilities		
Current Liabilities		
Interfund Balance	\$ 4,772	\$ 4,772
Accounts Payable	3,528	14,339
Accrued Salaries and Benefits	0	4,829
Total Liabilities	8,300	23,940
 Fund Balances		
Reserved for Capital Projects	0	9,843
Reserved Reported In:		
Special Revenue Fund	42,240	215,431
Unreserved Reported In:		
General Fund	0	520,792
Total Fund Balances	42,240	746,066
 Total Liabilities and Fund Balances	 \$ 50,540	 \$ 770,006

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, 2009

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

Total Fund Balance - Governmental Funds	\$	746,066
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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	\$	5,349,856	
Accumulated depreciation is		<u>0</u>	5,349,856

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	(366,801)	
Accrued Interest	(2,092)	
Compensated Absences	<u>(11,756)</u>	<u>(380,649)</u>

Total net assets - governmental activities	\$	<u><u>5,715,273</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, 2009

	General Fund	Fire Fund	Capital Projects
Revenues			
Taxes			
Gross Receipt Taxes	\$ 168,874	\$ 0	\$ 0
Gasoline Taxes	0	0	0
Property Taxes	8,504	0	0
Cigarette Taxes	1,959	0	0
Franchise Taxes	21,323	0	0
State Shared Gross Receipt Tax	169,964	0	0
Charges for Services	1,914	0	0
License, Fees and Fines	6,912	0	0
Federal Grants	0	0	433,416
State & Local Grants	250,915	137,670	350,594
Interest Income	1,440	0	0
Miscellaneous	7,923	97	0
Total Revenues	<u>639,728</u>	<u>137,767</u>	<u>784,010</u>
Expenditures			
Current			
General	138,855	0	0
Public Safety	240,156	51,753	0
Public Works	1,296	0	0
Culture & Recreation	45,730	0	0
Capital Outlay	11,538	44,691	873,667
Debt Service			
Principal	10,637	25,401	0
Interest	5,315	16,310	0
Total Expenditures	<u>453,527</u>	<u>138,155</u>	<u>873,667</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>186,201</u>	<u>(388)</u>	<u>(89,657)</u>
Other Financing Sources (Uses)			
Loan Proceeds	0	0	99,500
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>99,500</u>
Net Change in Fund Balance	186,201	(388)	9,843
Fund Balances at Beginning of Year	<u>334,591</u>	<u>173,579</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 520,792</u>	<u>\$ 173,191</u>	<u>\$ 9,843</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, 2009

	Non-Major Governmental Funds	Total Governmental Funds
Revenues		
Taxes		
Gross Receipt Taxes	\$ 0	\$ 168,874
Gasoline Taxes	14,287	14,287
Property Taxes	0	8,504
Cigarette Taxes	983	2,942
Franchise Taxes	0	21,323
State Shared Gross Receipt Tax	0	169,964
Charges for Services	0	1,914
License, Fees and Fines	2,010	8,922
Federal Grants	0	433,416
State & Local Grants	31,722	770,901
Interest Income	0	1,440
Miscellaneous	0	8,020
Total Revenues	<u>49,002</u>	<u>1,610,507</u>
Expenditures		
Current		
General	0	138,855
Public Safety	37,405	329,314
Public Works	0	1,296
Culture & Recreation	1,047	46,777
Capital Outlay	0	929,896
Debt Service		
Principal	0	36,038
Interest	0	21,625
Total Expenditures	<u>38,452</u>	<u>1,503,801</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>10,550</u>	<u>106,706</u>
Other Financing Sources (Uses)		
Loan Proceeds	0	99,500
Total Other Sources (Uses)	<u>0</u>	<u>99,500</u>
Net Change in Fund Balance	10,550	206,206
Fund Balances at Beginning of Year	<u>31,690</u>	<u>539,860</u>
Fund Balance End of Year	<u>\$ 42,240</u>	<u>\$ 746,066</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, 2009

Excess (Deficiency) of Revenues Over Expenditures \$ 206,206

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

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>929,896</u>	929,896

The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net assets. (99,500)

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 36,038

In the Statement of Activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due. 7,009

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. (1,661)

Changes in Net Assets of Governmental Activities \$ 1,077,988

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

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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Taxes				
Property Taxes	\$ 7,129	\$ 7,129	\$ 8,667	\$ 1,538
Franchise Taxes	18,000	18,000	19,057	1,057
Gross Receipts	126,000	126,000	168,471	42,471
Cigarette Taxes	2,200	2,200	2,021	(179)
Motor Vehicle	1,350	1,350	1,064	(286)
State Shared Gross Receipt	118,000	118,000	169,445	51,445
Charges for Services	7,500	7,500	1,914	(5,586)
License, Fees and Fines	8,830	8,830	6,912	(1,918)
Small Cities Assistance	129,277	129,277	231,932	102,655
State & Local Grants	23,783	23,783	18,983	(4,800)
Interest Income	1,500	1,500	1,440	(60)
Miscellaneous	69,337	69,337	6,859	(62,478)
Total Revenues	512,906	512,906	636,765	123,859
Expenditures				
Executive Department				
Personnel Services	1,600	1,600	1,528	72
Operating Expense	2,500	2,500	2,419	81
Total Executive Department	4,100	4,100	3,947	153
Financial				
Personnel Services	55,000	55,000	53,207	1,793
Operating Expenses	65,000	65,000	62,472	2,528
Total Financial	120,000	120,000	115,679	4,321
Judicial				
Personnel Services	12,500	12,500	12,292	208
Operating Expenses	6,000	6,000	5,839	161
Total Judicial	18,500	18,500	18,131	369
Public Safety				
Personnel Services	185,000	185,000	181,139	3,861
Operating Expenses	50,000	50,000	47,120	2,880
Total Public Safety	235,000	235,000	228,259	6,741
Streets				
Operating Expenses	1,500	1,500	1,296	204
Total Streets	\$ 1,500	\$ 1,500	\$ 1,296	\$ 204

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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Industrial Park				
Debt Service				
Principal	\$ 2,718	\$ 2,718	\$ 2,718	\$ 0
Interest	5,315	5,315	5,315	0
Total Industrial Park	<u>8,033</u>	<u>8,033</u>	<u>8,033</u>	<u>0</u>
Ambulance				
Operating Expenses	12,000	12,000	10,308	1,692
Capital Purchases	15,000	15,000	11,538	3,462
Debt Service				
Principal	7,968	7,968	7,919	49
Total Ambulance	<u>34,968</u>	<u>34,968</u>	<u>29,765</u>	<u>5,203</u>
Parks & Recreation				
Personnel Services	2,800	2,800	2,864	(64)
Operating Expenses	45,000	45,000	43,714	1,286
Total Parks & Recreation	<u>47,800</u>	<u>47,800</u>	<u>46,578</u>	<u>1,222</u>
Museum				
Operating Expenses	500	500	257	243
Total Museum	<u>500</u>	<u>500</u>	<u>257</u>	<u>243</u>
Total Expenditures	<u>470,401</u>	<u>470,401</u>	<u>451,945</u>	<u>18,456</u>
Excess (Deficiency) of Revenues Over Expenditures	42,505	42,505	184,820	142,315
Cash Balance Beginning of Year	<u>325,033</u>	<u>325,033</u>	<u>325,033</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 367,538</u>	<u>\$ 367,538</u>	<u>\$ 509,853</u>	<u>\$ 142,315</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ 184,820	
Net Change in Taxes Receivables			2,963	
Net Change in Accounts Payables			(134)	
Net Change in Accrued Salaries & Benefits			(1,448)	
Net Change in Fund Balance			<u>\$ 186,201</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 127,891	\$ 127,891	\$ 137,670	\$ 9,779
Miscellaneous	0	0	96	96
Total Revenues	<u>127,891</u>	<u>127,891</u>	<u>137,766</u>	<u>9,875</u>
Expenditures				
Public Safety				
Operating Expense	77,566	77,566	53,623	23,943
Capital Purchases	186,377	186,377	44,691	141,686
Debt Service				
Principal	25,401	25,401	25,401	0
Interest	16,310	16,310	16,310	0
Total Public Safety	<u>305,654</u>	<u>305,654</u>	<u>140,025</u>	<u>165,629</u>
Total Expenditures	<u>305,654</u>	<u>305,654</u>	<u>140,025</u>	<u>165,629</u>
Excess (Deficiency) of Revenues Over Expenditures	(177,763)	(177,763)	(2,259)	175,504
Cash Balance Beginning of Year	<u>177,763</u>	<u>177,763</u>	<u>177,763</u>	<u>0</u>
Cash Balance End of Year	\$ <u>0</u>	\$ <u>0</u>	\$ <u>175,504</u>	\$ <u>175,504</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ (2,259)	
Net Change in Accounts Payables			<u>1,871</u>	
Net Change in Fund Balance			\$ <u>(388)</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, 2009

ASSETS	Utility Fund
Current Assets	
Cash and Cash Equivalents	\$ 60,778
Receivables	
Taxes	509
Accounts	37,122
Total Current Assets	98,409
Restricted Assets	
Restricted Cash	29,274
Total Restricted Assets	29,274
Capital Assets	
Land & Water Rights	154,890
Buildings & Improvements	103,053
Equipment & Vehicles	950,228
Water System	202,705
Sewer System	733,924
Less: Accumulated Depreciation	(1,073,344)
Total Capital Assets	1,071,456
Total Assets	1,199,139
LIABILITIES	
Current Liabilities	
Accounts Payable	27,013
Accrued Salaries and Benefits	3,106
Accrued Interest	1,229
Current Portion of Long-Term Debt	3,692
Total Current Liabilities	35,040
Noncurrent Liabilities	
Customer Deposits	29,274
Compensated Absences	5,222
Long-Term Debt	226,984
Total Noncurrent Liabilities	261,480
Total Liabilities	296,520
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	840,780
Unrestricted	61,839
Total Net Assets	\$ 902,619

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, 2009

	<u>Utility Fund</u>
Operating Revenues	
Sales & Service	\$ 408,728
Total Operating Revenues	<u>408,728</u>
Operating Expenses	
Salaries & Benefits	134,408
Operating Expense	269,964
Depreciation	<u>42,692</u>
Total Operating Expenses	<u>447,064</u>
Operating Income (Loss)	<u>(38,336)</u>
Nonoperating Revenue (Expenses)	
Environmental Gross Receipts Tax	8,004
Interest Income	871
Interest Expense	<u>(11,286)</u>
Total Nonoperating Revenue (Expenses)	<u>(2,411)</u>
Change in Net Assets	(40,747)
Total Net Assets - Beginning	<u>943,366</u>
Total Net Assets - Ending	<u>\$ 902,619</u>

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

STATE OF NEW MEXICO
TOWN OF HAGERMAN
PROPRIETARY FUND
Combined Statement of Cash Flows
For the Year Ended June 30, 2009

	<u>Utility Fund</u>
Cash Flows from Operating Activities	
Cash Received From Customers	\$ 431,109
Cash Paid to Suppliers and Employees	384,496
Net Cash Provided by Operating Activities	<u>46,613</u>
Cash Flows from Capital & Related Financing Activities	
Environmental Gross Receipts Tax	8,004
Interest Income	871
Interest paid on Capital Debt	(11,286)
Principal paid on Capital Debt	<u>(3,602)</u>
Net Cash Provided by Capital & Related Financing Activities	<u>(6,013)</u>
Net Increase (Decrease) in Cash	40,600
Cash, Beginning of the Year	<u>49,452</u>
Cash, End of the Year	<u>\$ 90,052</u>
Reconciliation of Cash	
Cash and Cash Equivalents	\$ 60,778
Restricted Cash	<u>29,274</u>
	<u>\$ 90,052</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (38,336)
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	(28)
(Increase) Decrease in Accounts Receivable	22,381
Increase (Decrease) in Accounts Payable	17,065
Increase (Decrease) in Accrued Salaries & Benefits	836
Increase (Decrease) in Accrued Interest	(21)
Increase (Decrease) in Meter Deposits	1,465
Increase (Decrease) in Compensated Absences	559
Net Cash Provided by Operating Activities	<u>\$ 46,613</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 accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the 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 of GASB Statement No. 21 and No. 34 and Statement No. 38, Certain Financial Note Disclosures. These two statements clarify, modify, establish and rescind certain disclosure requirements under GASB No. 34. Both statements are being implemented in conjunction with GASB Statement No. 34. These statements do not 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 Council-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 general administrative services.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component 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 separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The Town has no component units, defined by GASB Statement No. 14 as other legally separate organizations 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 fiscal and 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 finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and 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 type follows 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 changes in net assets) report information on all of the activities of the Town. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset 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 goods, services, or privileges provided by a given program 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular program such as the fire protection and emergency medical services operating grants and the and 3) capital grants such as the highway coop grant restricted to meeting capital requirements of a particular program. Taxes and other items not properly included amount program revenues are reported instead as general revenues.

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund in a separate column on 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 financed. 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 all 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. Financing is primarily from an annual state fire allotment. The fund was created by the authority of state grant provisions. (NMSA 59A-53-1).

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the Town. Expenditures are restricted to Capital Improvements.

Proprietary Funds - Proprietary Fund Financial Statements include a Statement of Net Assets, a 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 included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents 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 on 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 are those 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 specific revenue 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 revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting 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 resource measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. 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 current period. The Town considers property taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as 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 tax revenue (such as gross receipts tax) are recognized when the underlying transaction takes place, and grants are recognized when all of the eligibility requirements have been met.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Gross Receipts Taxes collected and held by the state at year end 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 the 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 Local Government Division of the State Department of Finance and Administration.

3. The Town treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Trustees and the State Department of Finance and Administration.

4. Formal budgetary integration is employed as a management control device during the year for all funds.

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 and short-term 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, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency 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 school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet 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 instrumentalities and 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 purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being 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 amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills 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, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Restricted Assets

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

Capital Assets

Capital assets, which includes property, plant, equipment (including software), and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The construction 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 demands. 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	7
Machinery and Equipment	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 cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities 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 any 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 unused vacation time up to but can not exceed 240 hours per calendar year and is payable upon resignation or 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, any unused time can not be carried over on their next anniversary. All vacation pay leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts are reported in the governmental funds only if they have matured as a result of an employees resignation, termination or retirements.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which 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 - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results 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 to accrual (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 the budget 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. Following is a schedule calculating the requirement and disclosing the pledged securities.

Hagerman National	Account	Balance	Reconciled	Type
<u>Name of Account</u>	<u>Number</u>	<u>Per Bank</u>	<u>Balance</u>	
		06/30/09		
Operating Account	3102181	\$ 746,888	\$ 700,882	Checking
Certificate of Deposit	61607	65,945	65,945	Saving
TOTAL Deposited		<u>812,833</u>	<u>\$ 766,827</u>	
Less: FDIC Coverage		<u>812,833</u>		
Uninsured Amount		0		
50% collateral requirement		0		
Pledged securities		<u>0</u>		
Over (Under) requirement		<u>\$ 0</u>		
Wells Fargo	Account	Balance	Reconciled	Type
<u>Name of Account</u>	<u>Number</u>	<u>Per Bank</u>	<u>Balance</u>	
		06/30/09		
Operating Account	120-5324513	\$ 62,950	\$ 62,950	Checking
TOTAL Deposited		62,950		
Less: FDIC Coverage		<u>62,950</u>		
Uninsured Amount		0		
50% collateral requirement		0		
Pledged securities		<u>0</u>		
Over (Under) requirement		<u>\$ 0</u>		

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2009

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

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 875,783
Collateralized:	
Collateral held by the pledging bank in Town's name	0
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 875,783</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2009 none of the Town's bank balance of \$591,830 was exposed to custodial credit risk.

NOTE D: CAPITAL ASSETS

Capital Assets Balances and Activity for the Year Ended June 30, 2009, is as follows:

	<u>Balance 6/30/08</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/09</u>
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 138,730	\$ 0	\$ 0	\$ 138,730
Construction on Progress	568,687	873,667	0	1,442,354
Total Capital Assets not being Depreciated	<u>707,417</u>	<u>873,667</u>	<u>0</u>	<u>1,581,084</u>
Capital Assets, being Depreciated				
Infrastructure	209,112	0	0	209,112
Buildings & Improvements	2,099,251	0	0	2,099,251
Equipment & Vehicles	1,404,180	56,229	0	1,460,409
Total Capital Assets, being Depreciated	<u>3,712,543</u>	<u>56,229</u>	<u>0</u>	<u>3,768,772</u>
Total Capital Assets	<u>4,419,960</u>	<u>929,896</u>	<u>0</u>	<u>5,349,856</u>
Less Accumulated Depreciation				
Infrastructure	0	0	0	0
Buildings & Improvements	0	0	0	0
Equipment & Vehicles	0	0	0	0
Total Accumulated Depreciation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital Assets, net	<u>\$ 4,419,960</u>	<u>\$ 929,896</u>	<u>\$ 0</u>	<u>\$ 5,349,856</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, 2009

	Balance 6/30/08	Increases	Decreases	Balance 6/30/09
Business-Type Activities				
Capital Assets not being Depreciated				
Land	\$ 9,890	\$ 0	\$ 0	\$ 9,890
Water Rights	145,000	0	0	145,000
Total Capital Assets not being Depreciated	<u>154,890</u>	<u>0</u>	<u>0</u>	<u>154,890</u>
Capital Assets, being Depreciated				
Buildings & Improvements	103,053	0	0	103,053
Equipment & Vehicles	950,228	0	0	950,228
Water System	202,705	0	0	202,705
Sewer System	733,924	0	0	733,924
Total Capital Assets	<u>\$ 2,144,800</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,144,800</u>
Less Accumulated Depreciation				
Buildings & Improvements	\$ 89,646	2,061	\$ 0	\$ 91,707
Machinery & Equipment	782,535	31,199	0	813,734
Water System	80,812	3,818	0	84,630
Sewer System	77,660	5,614	0	83,274
Total Accumulated Depreciation	<u>1,030,653</u>	<u>42,692</u>	<u>0</u>	<u>1,073,345</u>
Capital Assets, net	<u>\$ 1,114,147</u>	<u>\$ (42,692)</u>	<u>\$ 0</u>	<u>\$ 1,071,455</u>

NOTE E: LONG TERM DEBT

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

	Governmental Activity	Business-Type Activity
\$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.	7,939	0
\$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 General Fund.	262,080	0
\$99,500 March 7, 2009 loan held by New Mexico Finance Authority with annual payment of \$8,042 with interest at 6% through May 1, 2028. The debt is paid for out of the General Fund.	96,782	0
\$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	107,875
\$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	122,800
	<u>366,801</u>	<u>230,675</u>

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

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2009

Governmental Activities:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Capital Leases:					
NMFA	\$ 15,858	0	7,919	7,939	\$ 7,939
NMFA Fire Truck	287,481	0	25,401	262,080	34,343
NMFA Industrial	0	99,500	2,718	96,782	3,154
Compensated Absences	10,095	3,320	1,660	11,755	0
Liabilities	<u>\$ 313,434</u>	<u>102,820</u>	<u>37,698</u>	<u>378,556</u>	<u>\$ 45,436</u>

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

Business-Type Activities:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
RUS 1997	\$ 109,679	0	1,802	107,877	\$ 1,892
RUS 1999	124,600	0	1,800	122,800	1,800
Compensated Liabilities	4,663	3,383	2,824	5,222	0
	<u>\$ 238,942</u>	<u>3,383</u>	<u>6,426</u>	<u>235,899</u>	<u>\$ 3,692</u>

Governmental Activities:

The annual requirements to amortize the NMFA Ambulance loan outstanding as of June 30, 2009, including interest payments are as follows:

	Principal	Interest	Total
2010	\$ 7,939	\$ 0	\$ 7,939
	<u>\$ 7,939</u>	<u>\$ 0</u>	<u>\$ 7,939</u>

The annual requirements to amortize the NMFA Fire loan outstanding as of June 30, 2009, including interest payments are as follows:

	Principal	Interest	Total
2010	\$ 34,343	\$ 7,657	\$ 42,000
2011	35,305	6,695	42,000
2012	36,305	5,698	42,003
2013	37,347	4,658	42,005
2014	38,437	3,572	42,009
2015-2016	80,343	3,682	84,025
	<u>\$ 262,080</u>	<u>\$ 31,962</u>	<u>\$ 294,042</u>

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2009

The annual requirements to amortize the NMFA Industrial loan outstanding as of June 30, 2009, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 3,154	\$ 4,893	\$ 8,047
2011	3,293	4,762	8,055
2012	3,440	4,624	8,064
2013	3,301	4,472	7,773
2014	3,777	4,306	8,083
2015-2019	22,275	18,595	40,870
2020-2024	28,521	12,371	40,892
2025-2028	29,021	3,988	33,009
	<u>\$ 96,782</u>	<u>\$ 58,011</u>	<u>\$ 154,793</u>

Business-Type Activities:

The annual requirements to amortize the 1997 Rural Utility Service loan outstanding as of June 30, 2009, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,892	\$ 5,217	\$ 7,109
2011	1,986	5,123	7,109
2012	2,086	5,024	7,110
2013	2,189	4,920	7,109
2014	2,299	4,811	7,110
2015-2019	13,331	22,214	35,545
2020-2024	17,002	18,544	35,546
2025-2029	21,684	13,862	35,546
2030-2034	27,657	7,890	35,547
2035-2037	17,751	1,215	18,966
	<u>\$ 107,877</u>	<u>\$ 88,820</u>	<u>\$ 196,697</u>

The annual requirements to amortize the 1999 Rural Utility Service loan outstanding as of June 30, 2009, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,800	\$ 5,900	\$ 7,700
2011	2,000	5,800	7,800
2012	2,000	5,700	7,700
2013	2,200	5,600	7,800
2014	2,200	5,500	7,700
2015-2019	13,000	25,800	38,800
2020-2024	16,300	22,400	38,700
2025-2029	20,800	18,000	38,800
2030-2034	25,900	12,800	38,700
2035-2039	36,600	6,000	42,600
	<u>\$ 122,800</u>	<u>\$ 113,500</u>	<u>\$ 236,300</u>

NOTE F: PROPERTY TAXES

The County collects the Town's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 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 accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues for the budget presentation.

NOTE G: RECEIVABLES

Receivables as of June 30, 2009, were as follows:

	General	Non Major	Utilities
Taxes	\$ 24,265	\$ 1,244	\$ 509
Accounts	0	0	37,122
	<u>\$ 24,265</u>	<u>\$ 1,244</u>	<u>\$ 37,631</u>

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

NOTE H: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of June 30, 2009, the Town had the following interfund balances:

Loan from		Loan to	
General	\$ 4,772	EMS	\$ 4,772
	<u>\$ 4,772</u>		<u>\$ 4,772</u>

The General Fund loaned EMS \$4,772 to cover excess expenditures. The loan was repaid in July when EMS received their state grant.

NOTE I: DEFINED BENEFIT PENSION PLAN

Plan Description. Substantially all of the Town's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 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 their gross salary. Law enforcement and fire plan members are required to contribute 7% of their salary, respectively. The Town is required to contribute 10% for law enforcement 7% for all other plan members. The contribution requirements of plan members and the Town are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The employees contribute 1.75% of their gross salary with the Town contributing 5.25% of the employees portion as well as all of the Town's portion. The Town contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were approximately \$37,132, \$30,370, and \$26,588 respectively, which equal the amount of the required 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 post employment employee benefits.

NOTE K: RISK MANAGEMENT

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

All participating municipalities pay the same cost per employee each year, as determined by New Mexico Self Insurance Fund. The municipalities retain no risk of having to pay extra for an employee's claim. Therefore, the Town's health insurance settlements did not exceed the insurance coverage in any of the previous years. Also, there were no significant reductions in the employee health insurance coverage provided by the New 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 \$(4,935).

NOTE M: RELATED PARTY

The Town purchased supplies and services from Waide Irrigation for \$27. Town Mayor Cliff Waide 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 Section 12-6-7, 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 subject to be audited by the appropriate grantor government. If expenditures are disallowed due to noncompliance with the grant program regulations, the Town may be required to reimburse the grantor government. The expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Town.

NOTE P: CONSTRUCTION COMMITMENTS

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

**SUPPLEMENTAL INFORMATION RELATED TO
MAJOR FUNDS**

STATE OF NEW MEXICO
TOWN OF HAGERMAN
 CAPITAL PROJECTS FUND
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grants	\$ 1,785,475	\$ 1,785,475	\$ 433,416	\$ (1,352,059)
State & Local Grants	700,000	700,000	350,594	(349,406)
Loan Proceeds	99,500	99,500	99,500	0
Total Revenues	<u>2,584,975</u>	<u>2,584,975</u>	<u>883,510</u>	<u>(1,701,465)</u>
Expenditures				
Capital Outlay	<u>1,884,975</u>	<u>1,884,975</u>	<u>873,667</u>	<u>1,011,308</u>
Total Expenditures	<u>1,884,975</u>	<u>1,884,975</u>	<u>873,667</u>	<u>1,011,308</u>
Excess (Deficiency) of Revenues Over Expenditures	700,000	700,000	9,843	(690,157)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ 9,843</u>	<u>\$ (690,157)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 9,843</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 9,843</u>	

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

**SUPPLEMENTAL INFORMATION RELATED TO
NON MAJOR FUNDS**

NONMAJOR SPECIAL REVENUE FUNDS

Law Enforcement Protection Fund

To account for funds received from the State of New Mexico for law enforcement purposes. The fund was 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 primarily from an annual EMS allotment. The fund was created by the authority of state grant provisions. (NMSA 59A-53-1)

Correction Fund

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

Street Fund

To account for the distributions of tax revenues distributed to the Town for use in financing improvement projects. The fund was created by the authority of state grant provisions. (3-34-3, NMSA 1978).

Recreation Fund

To account for the operation and maintenance of the Town's youth recreation program. Financing is provided by the state shared cigarette tax. The fund was created by the authority of state statute. (NMSA 7-12-15)

STATE OF NEW MEXICO
TOWN OF HAGERMAN
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2009

	Law Enforcement Protection Fund	Emergency Medical Services Fund	Corrections Fund
ASSETS			
Cash and Cash Equivalents	\$ 4,748	\$ 0	\$ 6,963
Receivables			
Taxes	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 4,748</u>	<u>\$ 0</u>	<u>\$ 6,963</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Interfund Balance	\$ 0	\$ 4,772	\$ 0
Accounts Payable	<u>2,319</u>	<u>163</u>	<u>0</u>
Total Liabilities	<u>2,319</u>	<u>4,935</u>	<u>0</u>
Fund Balance			
Reserved Reported In:			
Special Revenue	<u>2,429</u>	<u>(4,935)</u>	<u>6,963</u>
Total Fund Balance	<u>2,429</u>	<u>(4,935)</u>	<u>6,963</u>
Total Liabilities and Fund Balance	<u>\$ 4,748</u>	<u>\$ 0</u>	<u>\$ 6,963</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, 2009

	<u>Streets Fund</u>	<u>Recreation Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 33,614	\$ 3,971	\$ 49,296
Receivables			
Taxes	<u>1,210</u>	<u>34</u>	<u>1,244</u>
Total Assets	<u>\$ 34,824</u>	<u>\$ 4,005</u>	<u>\$ 50,540</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Interfund Balance	\$ 0	\$ 0	\$ 4,772
Accounts Payable	<u>1,046</u>	<u>0</u>	<u>3,528</u>
Total Liabilities	<u>1,046</u>	<u>0</u>	<u>8,300</u>
Fund Balance			
Reserved Reported In:			
Special Revenue	<u>33,778</u>	<u>4,005</u>	<u>42,240</u>
Total Fund Balance	<u>33,778</u>	<u>4,005</u>	<u>42,240</u>
Total Liabilities and Fund Balance	<u>\$ 34,824</u>	<u>\$ 4,005</u>	<u>\$ 50,540</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, 2009

	Law Enforcement Protection Fund	Emergency Medical Services Fund	Corrections Fund
Revenues			
Taxes			
Gasoline Taxes	\$ 0	\$ 0	\$ 0
Cigarette Taxes	0	0	0
Fees	0	0	2,010
State & Local Grants	21,800	9,922	0
Total Revenues	<u>21,800</u>	<u>9,922</u>	<u>2,010</u>
Expenditures			
Current			
Public Safety	22,010	14,857	538
Public Works	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>22,010</u>	<u>14,857</u>	<u>538</u>
Excess (Deficiency) of Revenues Over Expenditures	(210)	(4,935)	1,472
Fund Balances at Beginning of Year	<u>2,639</u>	<u>0</u>	<u>5,491</u>
Fund Balance End of Year	<u>\$ 2,429</u>	<u>\$ (4,935)</u>	<u>\$ 6,963</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, 2009

	<u>Streets Fund</u>	<u>Recreation Fund</u>	<u>Total</u>
Revenues			
Taxes			
Gasoline Taxes	\$ 14,287	\$ 0	\$ 14,287
Cigarette Taxes	0	983	983
Fees	0	0	2,010
State & Local Grants	0	0	31,722
Total Revenues	<u>14,287</u>	<u>983</u>	<u>49,002</u>
Expenditures			
Current			
Public Safety	0	0	37,405
Public Works	1,047	0	1,047
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>1,047</u>	<u>0</u>	<u>38,452</u>
Excess (Deficiency) of Revenues Over Expenditures	13,240	983	10,550
Fund Balances at Beginning of Year	<u>20,538</u>	<u>3,022</u>	<u>31,690</u>
Fund Balance End of Year	<u>\$ 33,778</u>	<u>\$ 4,005</u>	<u>\$ 42,240</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, 2009

	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	<u>27,427</u>	<u>27,427</u>	<u>22,679</u>	<u>4,748</u>
Total Public Safety	<u>27,427</u>	<u>27,427</u>	<u>22,679</u>	<u>4,748</u>
Total Expenditures	<u>27,427</u>	<u>27,427</u>	<u>22,679</u>	<u>4,748</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,627)	(5,627)	(879)	4,748
Cash Balance Beginning of Year	<u>5,627</u>	<u>5,627</u>	<u>5,627</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,748</u>	<u>\$ 4,748</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (879)	
Net Change in Accounts Payables			<u>669</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (210)</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 10,586	\$ 10,586	\$ 9,922	\$ (664)
Total Revenues	<u>10,586</u>	<u>10,586</u>	<u>9,922</u>	<u>(664)</u>
Expenditures				
Public Safety				
Operating Expenses	10,586	10,586	14,694	(4,108)
Total Public Safety	<u>10,586</u>	<u>10,586</u>	<u>14,694</u>	<u>(4,108)</u>
Total Expenditures	<u>10,586</u>	<u>10,586</u>	<u>14,694</u>	<u>(4,108)</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(4,772)	(4,772)
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>\$ (4,772)</u>	<u>\$ (4,772)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (4,772)	
Net Change in Accounts Payables			<u>(163)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (4,935)</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Fees	\$ 3,370	\$ 3,370	\$ 2,010	\$ (1,360)
Total Revenues	<u>3,370</u>	<u>3,370</u>	<u>2,010</u>	<u>(1,360)</u>
Expenditures				
Public Safety				
Local Fees	8,861	8,861	538	8,323
Total Public Safety	<u>8,861</u>	<u>8,861</u>	<u>538</u>	<u>8,323</u>
Total Expenditures	<u>8,861</u>	<u>8,861</u>	<u>538</u>	<u>8,323</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,491)	(5,491)	1,472	6,963
Cash Balance Beginning of Year	<u>5,491</u>	<u>5,491</u>	<u>5,491</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,963</u>	<u>\$ 6,963</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 1,472	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,472</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Gasoline Taxes	\$ 12,500	\$ 12,500	\$ 14,114	\$ 1,614
State Grants	0	0	0	0
Total Revenues	<u>12,500</u>	<u>12,500</u>	<u>14,114</u>	<u>1,614</u>
Expenditures				
Public Works				
Capital Outlay	19,472	19,472	0	19,472
Total Public Works	<u>19,472</u>	<u>19,472</u>	<u>0</u>	<u>19,472</u>
Total Expenditures	<u>19,472</u>	<u>19,472</u>	<u>0</u>	<u>19,472</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,972)	(6,972)	14,114	21,086
Cash Balance Beginning of Year	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 12,528</u>	<u>\$ 12,528</u>	<u>\$ 33,614</u>	<u>\$ 21,086</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 14,114	
Net Change in Taxes Receivables			172	
Net Change in Accounts Payables			<u>(1,046)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 13,240</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Cigarette Taxes	\$ 400	\$ 400	\$ 1,014	\$ 614
Total Revenues	<u>400</u>	<u>400</u>	<u>1,014</u>	<u>614</u>
Expenditures				
Culture & Recreation				
Operating Expense	<u>3,355</u>	<u>3,355</u>	<u>0</u>	<u>3,355</u>
Total Culture & Recreation	<u>3,355</u>	<u>3,355</u>	<u>0</u>	<u>3,355</u>
Total Expenditures	<u>3,355</u>	<u>3,355</u>	<u>0</u>	<u>3,355</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,955)	(2,955)	1,014	3,969
Cash Balance Beginning of Year	<u>2,957</u>	<u>2,957</u>	<u>2,957</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 3,971</u>	<u>\$ 3,969</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 1,014	
Net Change in Taxes Receivables			<u>(31)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 983</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Sales & Service	\$ 419,000	\$ 419,000	\$ 431,109	\$ 12,109
Environmental Gross Receipt Tax	6,000	6,000	7,977	1,977
Miscellaneous	0	0	871	871
Total Revenues	<u>425,000</u>	<u>425,000</u>	<u>439,957</u>	<u>14,957</u>
Expenditures				
Personnel Services	140,628	140,628	133,013	7,615
Operating Expenses	276,256	276,256	252,900	23,356
Debt Service				
Interest	11,307	11,307	11,307	0
Principal	3,602	3,602	3,602	0
Total Expenditures	<u>431,793</u>	<u>431,793</u>	<u>400,822</u>	<u>30,971</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,793)	(6,793)	39,135	45,928
Cash Balance Beginning of Year	<u>21,643</u>	<u>21,643</u>	<u>21,643</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 14,850</u>	<u>\$ 14,850</u>	<u>\$ 60,778</u>	<u>\$ 45,928</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 39,135	
Depreciation			(42,692)	
Principal Paid			3,602	
Net Changes in Taxes Receivable			28	
Net Changes in Accounts Receivable			(22,381)	
Net Changes in Accounts Payable			(17,065)	
Net Changes in Accrued Salaries & Benefits			(836)	
Net Changes in Accrued Interest			21	
Net Changes in Compensated Absences			(559)	
Change in Net Assets			<u>\$ (40,747)</u>	

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

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, 2009, 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, 2009 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 2009-1.

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
2004-7 Utility Billings Understated and Meter Deposits Misstated	Repeated
2004-9 Payroll	Repeated
2007-1 Expenditure Documentation	Repeated

Current Year Audit Findings

2003-1 Late Audit Report

Condition

The June 30, 2009 audit report was submitted to the Office of the New Mexico State Auditor after the December 1, 2009 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, 2009 audit is 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. 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

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 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**

During our test work on receivables the correct balances of delinquent accounts was indeterminable. Therefore the allowances for doubtful accounts could not properly be estimated. Also, there was no complete list of utility meter deposits available.

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 materiality 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.

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.

2009-1 Expenditures Over Budget**Condition**

The Town incurred expenditures in excess of the approved budget in the following fund. See Note L on page 33.

Criteria

Section 6-6-6, NMSA 1978, requires the Village to keep expenditures within budgeted amounts.

Effect

State statute may have been violated subjecting those responsible to the penalty provisions of the statute.

Cause

Purchases were approved in excess of available budget or budget adjustments were not approved to cover the expenditures approved.

Recommendation

The Town should consider preparing and reviewing budget to actual reports on a monthly basis.

Response

The Town will review the budget in a timely manner for budget adjustments.

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.