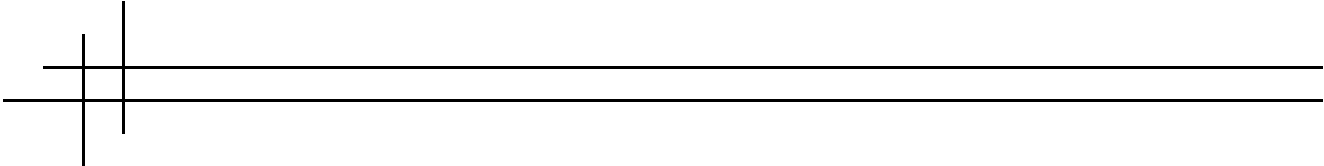




STATE OF NEW MEXICO
TOWN OF HAGERMAN

ANNUAL FINANCIAL REPORT
June 30, 2010

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



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STATE OF NEW MEXICO
TOWN OF HAGERMAN
Official Roster
June 30, 2010

TOWN COUNCIL

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

ADMINISTRATIVE OFFICIALS

Sarah Juarez	Clerk/Treasurer
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De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

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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, 2010, 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 major capital project fund and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Town's management.

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.

In our opinion, except for the capital assets described above, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project fund and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 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 *Government 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.

De'Ann Willoughby CPA PC

November 23, 2010

FINANCIAL SECTION

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Government-Wide Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 964,653	\$ 10,768	\$ 975,421
Receivables			
Taxes	25,426	544	25,970
Accounts	0	43,405	43,405
Restricted Cash	0	31,605	31,605
Total Current Assets	<u>990,079</u>	<u>86,322</u>	<u>1,076,401</u>
Capital Assets			
Land	138,730	154,890	293,620
Construction in Progress	1,953,405	0	1,953,405
Infrastructure	339,530	0	339,530
Building & Improvements	2,099,251	103,053	2,202,304
Equipment & Vehicles	1,509,878	950,228	2,460,106
Water System	0	733,925	733,925
Sewer System	0	202,705	202,705
Less: Accumulated Depreciation	0	(1,116,036)	(1,116,036)
Total Capital Assets	<u>6,040,794</u>	<u>1,028,765</u>	<u>7,069,559</u>
Total Assets	<u>7,030,873</u>	<u>1,115,087</u>	<u>8,145,960</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	13,944	8,525	22,469
Accrued Salaries and Benefits	6,843	2,881	9,724
Accrued Interest	1,910	1,209	3,119
Compensated Absences	8,750	7,956	16,706
Current Portion of Long-Term Debt	55,333	3,986	59,319
Total Current Liabilities	<u>86,780</u>	<u>24,557</u>	<u>111,337</u>
Noncurrent Liabilities			
Customer Deposits	0	31,605	31,605
Notes and Loans Payable	316,234	222,998	539,232
Total Noncurrent Liabilities	<u>316,234</u>	<u>254,603</u>	<u>570,837</u>
Total Liabilities	<u>403,014</u>	<u>279,160</u>	<u>682,174</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,669,227	801,781	6,471,008
Unrestricted	958,632	34,146	992,778
Total Net Assets	<u>\$ 6,627,859</u>	<u>\$ 835,927</u>	<u>\$ 7,463,786</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, 2010

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	\$ 149,007	\$ 55,034	\$ 147,906	\$ 0	\$ 53,933	\$ 0	\$ 53,933
Public Safety	495,294	15,118	191,154	0	(289,022)	0	(289,022)
Public Works	11,110	0	0	725,817	714,707	0	714,707
Culture & Recreation	38,307	0	4,760	0	(33,547)	0	(33,547)
Interest on Long-Term Obligations	12,628	0	0	0	(12,628)	0	(12,628)
Total Governmental Activities	706,346	70,152	343,820	725,817	433,443	0	433,443
Business-type Activities							
Utility	477,795	403,547	0	0	0	(74,248)	(74,248)
Total Business-type Activities	477,795	403,547	0	0	0	(74,248)	(74,248)
Total Primary Government	\$ 1,184,141	\$ 473,699	\$ 343,820	\$ 725,817	433,443	(74,248)	359,195
General Revenues							
Gross Receipts Taxes					328,194	0	328,194
Gasoline Taxes					15,330	0	15,330
Property Taxes					9,321	0	9,321
Franchise Taxes					14,048	0	14,048
Other Taxes					4,325	7,556	11,881
Interest Income					2,114	0	2,114
Miscellaneous					5,485	0	5,485
Total General Revenues					378,817	7,556	386,373
Change in Net Assets					812,260	(66,692)	745,568
Net Assets - beginning					5,715,274	902,619	6,617,893
Restatement					102,644	0	102,644
Restated Beginning Net Assets					5,817,918	902,619	6,720,537
Net Assets - ending					\$ 6,630,178	\$ 835,927	\$ 7,466,105

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, 2010

	General Fund	Special Revenue	
		Fire Fund	EMS Fund
ASSETS			
Cash and Cash Equivalents	\$ 588,833	\$ 225,154	\$ 0
Receivables			
Taxes	23,825	0	0
Interfund Balance	11,819	0	0
Total Assets	<u>\$ 624,477</u>	<u>\$ 225,154</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Interfund Balance	\$ 0	\$ 0	\$ 11,819
Accounts Payable	6,819	4,806	0
Accrued Salaries and Benefits	6,843	0	0
Total Liabilities	<u>13,662</u>	<u>4,806</u>	<u>11,819</u>
Fund Balances			
Reserved Reported In			
Capital Projects	0	0	0
Special Revenue Fund	0	220,348	(11,819)
Unreserved Reported In			
General Fund	<u>610,815</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>610,815</u>	<u>220,348</u>	<u>(11,819)</u>
Total Liabilities and Fund Balances	<u>\$ 624,477</u>	<u>\$ 225,154</u>	<u>\$ 0</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, 2010

	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 114,891	\$ 35,775	\$ 964,653
Receivables			
Taxes	0	1,601	25,426
Interfund Balance	0	0	11,819
Total Assets	<u>\$ 114,891</u>	<u>\$ 37,376</u>	<u>\$ 1,001,898</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Interfund Balance	\$ 0	\$ 0	\$ 11,819
Accounts Payable	0	2,319	13,944
Accrued Salaries and Benefits	0	0	6,843
Total Liabilities	<u>0</u>	<u>2,319</u>	<u>32,606</u>
Fund Balances			
Reserved Reported In			
Capital Projects	114,891	0	114,891
Special Revenue Fund	0	35,057	243,586
Unreserved Reported In			
General Fund	0	0	610,815
Total Fund Balances	<u>114,891</u>	<u>35,057</u>	<u>969,292</u>
Total Liabilities and Fund Balances	<u>\$ 114,891</u>	<u>\$ 37,376</u>	<u>\$ 1,001,898</u>

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

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2010

Total Fund Balance - Governmental Funds \$ 969,292

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

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	\$ 6,040,794	
Accumulated depreciation is	<u>0</u>	6,040,794

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	(371,567)	
Accrued Interest	(1,910)	
Compensated Absences	<u>(8,750)</u>	<u>(382,227)</u>

Total net assets - governmental activities \$ 6,627,859

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, 2010

	General Fund	Special Revenue	
		Fire Fund	EMS Fund
Revenues			
Taxes			
Gross Receipt Taxes	\$ 328,194	\$ 0	\$ 0
Gasoline Taxes	0	0	0
Property Taxes	9,321	0	0
Franchise Taxes	14,048	0	0
Other Taxes	3,217	0	0
Charges for Services	55,034	0	0
License, Fees and Fines	10,892	0	0
Federal Grants	0	0	0
State & Local Grants	176,924	154,902	7,694
Interest Income	2,103	0	0
Miscellaneous	5,107	378	0
Total Revenues	<u>604,840</u>	<u>155,280</u>	<u>7,694</u>
Expenditures			
Current			
General	152,951	0	0
Public Safety	398,455	60,719	14,578
Public Works	11,110	0	0
Culture & Recreation	38,307	0	0
Capital Outlay	0	5,797	0
Debt Service			
Principal	11,093	34,343	0
Interest	5,155	7,655	0
Total Expenditures	<u>617,071</u>	<u>108,514</u>	<u>14,578</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(12,231)</u>	<u>46,766</u>	<u>(6,884)</u>
Other Financing Sources (Uses)			
Loan Proceeds	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>(12,231)</u>	<u>46,766</u>	<u>(6,884)</u>
Fund Balances at Beginning of Year	520,793	173,190	(4,935)
Restatement	102,253	392	0
Restated Beginning Fund Balance	<u>623,046</u>	<u>173,582</u>	<u>(4,935)</u>
Fund Balance End of Year	<u>\$ 610,815</u>	<u>\$ 220,348</u>	<u>\$ (11,819)</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, 2010

	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes			
Gross Receipt Taxes	\$ 0	\$ 0	\$ 328,194
Gasoline Taxes	0	15,330	15,330
Property Taxes	0	0	9,321
Franchise Taxes	0	0	14,048
Other Taxes	0	1,108	4,325
Charges for Services	0	0	55,034
License, Fees and Fines	0	4,226	15,118
Federal Grants	81,547	0	81,547
State & Local Grants	626,770	21,800	988,090
Interest Income	0	12	2,115
Miscellaneous	0	0	5,485
Total Revenues	<u>708,317</u>	<u>42,476</u>	<u>1,518,607</u>
Expenditures			
Current			
General	0	0	152,951
Public Safety	0	22,922	496,674
Public Works	0	0	11,110
Culture & Recreation	0	0	38,307
Capital Outlay	603,269	81,874	690,940
Debt Service			
Principal	0	0	45,436
Interest	0	0	12,810
Total Expenditures	<u>603,269</u>	<u>104,796</u>	<u>1,448,228</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>105,048</u>	<u>(62,320)</u>	<u>70,379</u>
Other Financing Sources (Uses)			
Loan Proceeds	0	50,202	50,202
Total Other Financing Sources (Uses)	<u>0</u>	<u>50,202</u>	<u>50,202</u>
Net Change in Fund Balance	<u>105,048</u>	<u>(12,118)</u>	<u>120,581</u>
Fund Balances at Beginning of Year	9,843	47,175	746,066
Restatement	0	0	102,645
Restated Beginning Fund Balance	<u>9,843</u>	<u>47,175</u>	<u>848,711</u>
Fund Balance End of Year	<u>\$ 114,891</u>	<u>\$ 35,057</u>	<u>\$ 969,292</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, 2010

Net Change in Fund Balance \$ 120,581

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.

Depreciation expense	\$ 0	
Capital Outlays	<u>690,940</u>	690,940

The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net assets. (50,202)

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 45,436

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

Accrued Interest, June 30, 2009	2,092	
Accrued Interest, June 30, 2010	<u>(1,910)</u>	182

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.

Compensated Absences, June 30, 2009	11,755	
Compensated Absences, June 30, 2010	<u>(8,750)</u>	<u>3,005</u>

Changes in Net Assets of Governmental Activities \$ 809,942

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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Taxes				
Property Taxes	\$ 7,129	\$ 7,129	\$ 9,107	\$ 1,978
Franchise Taxes	18,000	18,000	16,281	(1,719)
Gross Receipts	126,000	126,000	168,689	42,689
Cigarette Taxes	22,000	22,000	2,124	(19,876)
Motor Vehicle	1,350	1,350	1,030	(320)
State Shared Gross Receipt	118,000	118,000	157,990	39,990
Charges for Services	7,500	7,500	55,034	47,534
License, Fees and Fines	8,830	8,830	10,892	2,062
Small Cities Assistance	129,277	129,277	147,906	18,629
State & Local Grants	12,858	12,858	11,517	(1,341)
Interest Income	1,500	1,500	2,103	603
Miscellaneous	18,300	18,300	22,608	4,308
Total Revenues	<u>470,744</u>	<u>470,744</u>	<u>605,281</u>	<u>134,537</u>
Expenditures				
Executive Department				
Personnel Services	1,586	1,586	3,613	(2,027)
Operating Expense	18,635	18,635	9,675	8,960
Total Executive Department	<u>20,221</u>	<u>20,221</u>	<u>13,288</u>	<u>6,933</u>
Financial				
Personnel Services	56,949	56,949	54,511	2,438
Operating Expenses	110,562	110,562	64,062	46,500
Total Financial	<u>167,511</u>	<u>167,511</u>	<u>118,573</u>	<u>48,938</u>
Judicial				
Personnel Services	14,363	14,363	17,477	(3,114)
Operating Expenses	14,600	14,600	4,118	10,482
Total Judicial	<u>28,963</u>	<u>28,963</u>	<u>21,595</u>	<u>7,368</u>
Election				
Operating Expenses	0	0	1,218	(1,218)
Total Election	<u>0</u>	<u>0</u>	<u>1,218</u>	<u>(1,218)</u>
Public Safety				
Personnel Services	188,163	188,163	258,142	(69,979)
Operating Expenses	54,071	54,071	89,628	(35,557)
Total Public Safety	<u>242,234</u>	<u>242,234</u>	<u>347,770</u>	<u>(105,536)</u>
Streets				
Operating Expenses	15,000	15,000	6,963	8,037
Total Streets	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 6,963</u>	<u>\$ 8,037</u>

STATE OF NEW MEXICO
TOWN OF HAGERMAN
GENERAL FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Industrial Park				
Debt Service				
Principal	\$ 0	\$ 0	\$ 3,154	\$ (3,154)
Interest	0	0	5,135	(5,135)
Total Industrial Park	<u>0</u>	<u>0</u>	<u>8,289</u>	<u>(8,289)</u>
Ambulance				
Personnel Services	0	0	32,745	(32,745)
Operating Expenses	37,480	37,480	15,246	22,234
Debt Service				
Principal	0	0	7,939	(7,939)
Interest	0	0	20	(20)
Total Ambulance	<u>37,480</u>	<u>37,480</u>	<u>55,950</u>	<u>(18,470)</u>
CDBG				
Operating Expenses	1,500	1,500	3,150	(1,650)
Total CDBG	<u>1,500</u>	<u>1,500</u>	<u>3,150</u>	<u>(1,650)</u>
Parks & Recreation				
Personnel Services	2,700	2,700	626	2,074
Operating Expenses	47,600	47,600	38,860	8,740
Total Parks & Recreation	<u>50,300</u>	<u>50,300</u>	<u>39,486</u>	<u>10,814</u>
Museum				
Operating Expenses	1,500	1,500	453	1,047
Total Museum	<u>1,500</u>	<u>1,500</u>	<u>453</u>	<u>1,047</u>
Total Expenditures	<u>564,709</u>	<u>564,709</u>	<u>616,735</u>	<u>(52,026)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(93,965)</u>	<u>(93,965)</u>	<u>(11,454)</u>	<u>82,511</u>
Cash Balance Beginning of Year	509,853	509,853	509,853	0
Restatement	0	0	102,253	102,367
Restated Beginning Cash Balance	<u>509,853</u>	<u>509,853</u>	<u>612,106</u>	<u>102,367</u>
Cash Balance End of Year	<u>\$ 415,888</u>	<u>\$ 415,888</u>	<u>\$ 600,652</u>	<u>\$ 82,511</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ (11,454)	
Net Change in Taxes Receivables			(440)	
Net Change in Accounts Payables			1,678	
Net Change in Accrued Salaries & Benefits			(2,015)	
Net Change in Fund Balance			<u>\$ (12,231)</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 127,890	\$ 127,890	\$ 154,902	\$ 27,012
Miscellaneous	0	0	378	378
Total Revenues	<u>127,890</u>	<u>127,890</u>	<u>155,280</u>	<u>27,390</u>
Expenditures				
Public Safety				
Operating Expense	87,346	87,346	58,227	29,119
Capital Purchases	218,308	218,308	5,798	212,510
Debt Service				
Principal	0	0	34,343	(34,343)
Interest	0	0	7,654	(7,654)
Total Public Safety	<u>305,654</u>	<u>305,654</u>	<u>106,022</u>	<u>199,632</u>
Total Expenditures	<u>305,654</u>	<u>305,654</u>	<u>106,022</u>	<u>199,632</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(177,764)</u>	<u>(177,764)</u>	<u>49,258</u>	<u>227,022</u>
Cash Balance Beginning of Year	175,504	175,504	175,504	0
Restatement	0	0	392	392
Restated Beginning Cash Balance	<u>175,504</u>	<u>175,504</u>	<u>175,896</u>	<u>392</u>
Cash Balance End of Year	<u>\$ (2,260)</u>	<u>\$ (2,260)</u>	<u>\$ 225,154</u>	<u>\$ 227,414</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ 49,258	
Net Change in Accounts Payables			(2,492)	
Net Change in Fund Balance			<u>\$ 46,766</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 10,586	\$ 10,586	\$ 7,694	\$ (2,892)
Total Revenues	<u>10,586</u>	<u>10,586</u>	<u>7,694</u>	<u>(2,892)</u>
Expenditures				
Public Safety				
Operating Expenses	10,586	10,586	14,741	(4,155)
Total Public Safety	<u>10,586</u>	<u>10,586</u>	<u>14,741</u>	<u>(4,155)</u>
Total Expenditures	<u>10,586</u>	<u>10,586</u>	<u>14,741</u>	<u>(4,155)</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(7,047)	(7,047)
Cash Balance Beginning of Year	<u>(4,772)</u>	<u>(4,772)</u>	<u>(4,772)</u>	<u>0</u>
Cash Balance End of Year	<u><u>\$ (4,772)</u></u>	<u><u>\$ (4,772)</u></u>	<u><u>\$ (11,819)</u></u>	<u><u>\$ (7,047)</u></u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (7,047)	
Net Change in Accounts Payables			163	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u><u>\$ (6,884)</u></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, 2010

ASSETS	<u>Utility Fund</u>
Current Assets	
Cash and Cash Equivalents	\$ 10,768
Receivables	
Taxes	544
Accounts	43,405
Total Current Assets	<u>54,717</u>
Restricted Assets	
Restricted Cash	31,605
Total Restricted Assets	<u>31,605</u>
Capital Assets	
Land & Water Rights	154,890
Buildings & Improvements	103,053
Equipment & Vehicles	950,228
Water System	733,925
Sewer System	202,705
Less: Accumulated Depreciation	<u>(1,116,036)</u>
Total Capital Assets	<u>1,028,765</u>
Total Assets	<u>1,115,087</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	8,525
Accrued Salaries and Benefits	2,881
Accrued Interest	1,209
Compensated Absences	7,956
Current Portion of Long-Term Debt	3,986
Total Current Liabilities	<u>24,557</u>
Noncurrent Liabilities	
Customer Deposits	31,605
Long-Term Debt	222,998
Total Noncurrent Liabilities	<u>254,603</u>
Total Liabilities	<u>279,160</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	801,781
Unrestricted	34,146
Total Net Assets	<u>\$ 835,927</u>

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

STATE OF NEW MEXICO
TOWN OF HAGERMAN
PROPRIETARY FUND
Statement of Revenue, Expenses and Changes in Net Assets
For the Year Ended June 30, 2010

	<u>Utility Fund</u>
Operating Revenues	
Sales & Service	\$ 403,547
Total Operating Revenues	<u>403,547</u>
Operating Expenses	
Salaries & Benefits	155,453
Operating Expense	268,621
Depreciation	<u>42,692</u>
Total Operating Expenses	<u>466,766</u>
Operating Income (Loss)	<u>(63,219)</u>
Nonoperating Revenue (Expenses)	
Environmental Gross Receipts Tax	7,556
Interest Expense	<u>(11,029)</u>
Total Nonoperating Revenue (Expenses)	<u>(3,473)</u>
Change in Net Assets	(66,692)
Total Net Assets - Beginning	<u>902,619</u>
Total Net Assets - Ending	<u>\$ 835,927</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, 2010

	<u>Utility Fund</u>
Cash Flows from Operating Activities	
Cash Received From Customers	\$ 399,595
Cash Paid to Suppliers and Employees	440,109
Net Cash Provided by Operating Activities	<u>(40,514)</u>
Cash Flows from Capital & Related Financing Activities	
Environmental Gross Receipts Tax	7,556
Interest paid on Capital Debt	(11,029)
Principal paid on Capital Debt	(3,692)
Net Cash Provided by Capital & Related Financing Activities	<u>(7,165)</u>
Net Increase (Decrease) in Cash	(47,679)
Cash, Beginning of the Year	<u>90,052</u>
Cash, End of the Year	<u>\$ 42,373</u>
Reconciliation of Cash	
Cash and Cash Equivalents	\$ 10,768
Restricted Cash	31,605
	<u>\$ 42,373</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (63,219)
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	(35)
(Increase) Decrease in Accounts Receivable	(6,282)
Increase (Decrease) in Accounts Payable	(18,488)
Increase (Decrease) in Accrued Salaries & Benefits	(225)
Increase (Decrease) in Accrued Interest	(21)
Increase (Decrease) in Compensated Absences	2,733
Increase (Decrease) in Meter Deposits	2,331
Net Cash Provided by Operating Activities	<u>\$ (40,514)</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).

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)

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 Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

NOTE C: DEPOSITS 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	Per Bank	Reconciled	Type
<u>Name of Account</u>	<u>Number</u>	<u>06/30/10</u>	<u>06/30/10</u>	<u>Balance</u>	
Operating Account	3102181	\$ 764,702	\$ 741,639		Checking
Certificate of Deposit	63067	100,000	100,000		Saving
TOTAL Deposited		<u>864,702</u>	<u>\$ 841,639</u>		
Less: FDIC Coverage		<u>864,702</u>			
Uninsured Amount		0			
50% collateral requirement		0			
Pledged securities		0			
Over (Under) requirement		<u>\$ 0</u>			

Wells Fargo	Account	Balance	Per Bank	Reconciled	Type
<u>Name of Account</u>	<u>Number</u>	<u>06/30/10</u>	<u>06/30/10</u>	<u>Balance</u>	
Operating Account	120-5324513	\$ 62,967	\$ 62,967		Checking
TOTAL Deposited		<u>62,967</u>			
Less: FDIC Coverage		<u>62,967</u>			
Uninsured Amount		0			
50% collateral requirement		0			
Pledged securities		0			
Over (Under) requirement		<u>\$ 0</u>			

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

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2010

Bank of Albuquerque

JF PP-2025	\$ 100,510
CM PP-2340	2
JF PP-1740	479
ZD PP-2136	<u>1,429</u>
TOTAL Deposited	102,420
Less: FDIC Coverage	<u>102,420</u>
Uninsured Amount	0
50% collateral requirement	0
Pledged securities	<u>0</u>
Over (Under) requirement	<u><u>\$ 0</u></u>

The funds held at the Bank of Albuquerque are on behalf of the NMFA. The funds are held in reserve for debt service or have not been spent by the Town by June 30, 2010. The funds earn a small amount of

Custodial Credit Risk-Deposits

Depository Account	Bank Balance
Insured	\$ 927,669
Collateralized	
Collateral held by the pledging bank in Town's name	0
Uninsured and uncollateralized	0
Total Deposits	<u><u>\$ 927,669</u></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, 2010 none of the Town's bank balance of \$927,669 was exposed to custodial credit risk.

NOTE D: CAPITAL ASSETS

Capital Assets Balances and Activity for the Year Ended June 30, 2010, is as follows:

	Balance 6/30/09	Increases	Decreases	Balance 6/30/10
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 138,730	\$ 0	\$ 0	\$ 138,730
Construction in Progress	1,442,354	511,051	0	1,953,405
Total Capital Assets not being Depreciated	<u>1,581,084</u>	<u>511,051</u>	<u>0</u>	<u>2,092,135</u>
Capital Assets, being Depreciated				
Infrastructure	209,112	130,418	0	339,530
Buildings & Improvements	2,099,251	0	0	2,099,251
Equipment & Vehicles	1,460,409	49,469	0	1,509,878
Total Capital Assets, being Depreciated	<u>3,768,772</u>	<u>179,887</u>	<u>0</u>	<u>3,948,659</u>
Total Capital Assets	<u>5,349,856</u>	<u>690,938</u>	<u>0</u>	<u>6,040,794</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><u>\$ 5,349,856</u></u>	<u><u>\$ 690,938</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 6,040,794</u></u>

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2010

Depreciation expense was not allocated to governmental activities.

	\$ <u>0</u>			
	Balance 6/30/09	Increases	Decreases	Balance 6/30/10
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	\$ 91,707	2,061	\$ 0	\$ 93,768
Machinery & Equipment	813,734	31,199	0	844,933
Water System	84,630	3,818	0	88,448
Sewer System	83,273	5,614	0	88,887
Total Accumulated Depreciation	<u>1,073,344</u>	<u>42,692</u>	<u>0</u>	<u>1,116,036</u>
Capital Assets, net	<u>\$ 1,071,456</u>	<u>\$ (42,692)</u>	<u>\$ 0</u>	<u>\$ 1,028,764</u>

NOTE E: LONG TERM DEBT

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

	Governmental Activity	Business-Type Activity
\$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.	\$ 227,737	\$ 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.	93,628	0
\$50,202 September 18, 2009 loan held by New Mexico Finance Authority with annual payments of \$16,735 at 0% through May 1, 2013 for the purchase of two police cars. The debt is paid from the Law Enforcement Fund.	50,202	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	105,983
\$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	121,000
	<u>\$ 371,567</u>	<u>\$ 226,983</u>

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2010

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

Governmental Activities:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Capital Leases:					
NMFA	\$ 7,939	0	7,939	0	\$ 0
NMFA Fire Truck	262,080	0	34,343	227,737	35,305
NMFA Industrial	96,782	0	3,154	93,628	3,293
NMFA Cars	0	50,202	0	50,202	16,735
Compensated Absences	11,755	5,443	8,448	8,750	0
Liabilities	<u>\$ 378,556</u>	<u>55,645</u>	<u>53,884</u>	<u>380,317</u>	<u>\$ 55,333</u>

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

Business-Type Activities:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
RUS 1997	\$ 107,877	0	1,892	105,985	\$ 1,986
RUS 1999	122,800	0	1,800	121,000	2,000
Compensated Liabilities	5,222	4,893	2,159	7,956	7,956
Liabilities	<u>\$ 235,899</u>	<u>4,893</u>	<u>5,851</u>	<u>234,941</u>	<u>\$ 11,942</u>

Governmental Activities:

The annual requirements to amortize the loans outstanding as of June 30, 2010, including interest payments are as follows:

	Principal	Interest	Total
2011	\$ 55,333	\$ 11,457	\$ 66,790
2012	56,480	10,322	66,802
2013	57,383	9,130	66,513
2014	42,214	7,877	50,091
2015	43,540	6,563	50,103
2016-2021	64,195	18,747	82,942
2022-2026	30,080	10,887	40,967
2027-2028	22,345	2,439	24,784
	<u>\$ 371,570</u>	<u>\$ 77,422</u>	<u>\$ 448,992</u>

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2010

Business-Type Activities:

The annual requirements to amortize the loans outstanding as of June 30, 2010, including interest payments are as follows:

	Principal	Interest	Total
2011	\$ 3,986	\$ 10,923	\$ 14,909
2012	4,086	10,724	14,810
2013	4,389	10,520	14,909
2014	4,499	10,311	14,810
2015	4,813	10,096	14,909
2016-2020	27,495	46,750	74,245
2021-2025	35,050	39,296	74,346
2026-2030	44,466	29,780	74,246
2031-2035	56,235	18,111	74,346
2036-2039	41,964	4,691	46,655
	<u>\$ 226,983</u>	<u>\$ 191,202</u>	<u>\$ 418,185</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, 2010, were as follows:

	General	Non Major	Utilities
Taxes	\$ 23,825	\$ 1,601	\$ 544
Accounts	0	0	43,405
	<u>\$ 23,825</u>	<u>\$ 1,601</u>	<u>\$ 43,949</u>

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

NOTE H: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of June 30, 2010, the Town had the following interfund balances:

Loan from		Loan to	
General	\$ 11,819	EMS	\$ 11,819
	<u>\$ 11,819</u>		<u>\$ 11,819</u>

The General Fund loaned EMS \$11,819 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 Village'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 are required to contribute 7% of the gross salary. The Village is required to contribute 7% for all employee's with the exception of police officers which require the Village to contribute 10% of the gross covered salary. The contribution requirements of plan members and the Village are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Village's contributions to PERA for the fiscal years ending June 30, 2010, 2009 and 2008 were \$44,035 \$37,132, and \$30,370 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

NOTE L: DEFICIT FUND BALANCE

The following funds had a deficit fund balance at the end of the fiscal year, Emergency Medical Services \$(11,819).

NOTE M. BUDGET

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

The following funds maintained a deficit fund balance as of June 30, 2010.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2010

Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2010:

<u>Major Funds</u>	<u>Amount</u>
GENERAL FUND	(52,026)
EMERGENCY MEDICAL SERVICES FUND	(4,155)
<u>Non-Major Funds</u>	
LAW ENFORCEMENT PROTECTION FUND	(43,799)
STREETS	(13,978)
UTILITY	(23,001)

NOTE N: RELATED PARTY

The Town purchased supplies and services from Waide Irrigation from time to time. Town Mayor Cliff Waide is the owner of Waide Irrigation.

NOTE O: 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 P: 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 Q: CONSTRUCTION COMMITMENTS

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

NOTE R: RESTATEMENTS

Fund Balance and Net Assets were restated by \$102,644 to add the cash held by NMFA for debt retirement. The General Fund was increased by \$102,253. This is cash loaned to the Town but not used to date for the construction of the Industrial Park. The Fire Fund was increased by \$392.

**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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grants	\$ 799,900	\$ 799,900	\$ 81,547	\$ (718,353)
State & Local Grants	1,984,875	1,984,875	626,770	(1,358,105)
Total Revenues	<u>2,784,775</u>	<u>2,784,775</u>	<u>708,317</u>	<u>(2,076,458)</u>
Expenditures				
Capital Outlay	2,339,898	2,339,898	603,269	1,736,629
Total Expenditures	<u>2,339,898</u>	<u>2,339,898</u>	<u>603,269</u>	<u>1,736,629</u>
Excess (Deficiency) of Revenues Over Expenditures	444,877	444,877	105,048	(339,829)
Cash Balance Beginning of Year	<u>9,843</u>	<u>9,843</u>	<u>9,843</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 454,720</u>	<u>\$ 454,720</u>	<u>\$ 114,891</u>	<u>\$ (339,829)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>105,048</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>105,048</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)

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, 2010

	Law Enforcement Protection Fund	Corrections Fund	Streets Fund
ASSETS			
Cash and Cash Equivalents	\$ 5,536	\$ 10,023	\$ 15,179
Receivables			
Taxes	<u>0</u>	<u>0</u>	<u>1,525</u>
Total Assets	<u>\$ 5,536</u>	<u>\$ 10,023</u>	<u>\$ 16,704</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Interfund Balance	\$ 0	\$ 0	\$ 0
Accounts Payable	<u>2,319</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>2,319</u>	<u>0</u>	<u>0</u>
Fund Balance			
Reserved Reported In			
Special Revenue	<u>3,217</u>	<u>10,023</u>	<u>16,704</u>
Total Fund Balance	<u>3,217</u>	<u>10,023</u>	<u>16,704</u>
Total Liabilities and Fund Balance	<u>\$ 5,536</u>	<u>\$ 10,023</u>	<u>\$ 16,704</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, 2010

	Recreation Fund	Total
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 5,037	\$ 35,775
Receivables		
Taxes	76	1,601
Total Assets	<u>\$ 5,113</u>	<u>\$ 37,376</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Interfund Balance	\$ 0	\$ 0
Accounts Payable	<u>0</u>	<u>2,319</u>
Total Liabilities	<u>0</u>	<u>2,319</u>
Fund Balance		
Reserved Reported In		
Special Revenue	<u>5,113</u>	<u>35,057</u>
Total Fund Balance	<u>5,113</u>	<u>35,057</u>
 Total Liabilities and Fund Balance	 <u>\$ 5,113</u>	 <u>\$ 37,376</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, 2010

	Law Enforcement Protection Fund	Corrections Fund	Streets Fund
Revenues			
Taxes			
Gasoline Taxes	\$ 0	\$ 0	\$ 15,330
Cigarette Taxes	0	0	0
License, Fees and Fines	0	4,226	0
State & Local Grants	21,800	0	0
Interest Income	12	0	0
Total Revenues	<u>21,812</u>	<u>4,226</u>	<u>15,330</u>
Expenditures			
Current			
Public Safety	21,756	1,166	0
Public Works	0	0	0
Capital Outlay	49,470	0	32,404
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>71,226</u>	<u>1,166</u>	<u>32,404</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(49,414)</u>	<u>3,060</u>	<u>(17,074)</u>
Other Financing Sources (Uses)			
Loan Proceeds	<u>50,202</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>50,202</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	788	3,060	(17,074)
Fund Balances at Beginning of Year	<u>2,429</u>	<u>6,963</u>	<u>33,778</u>
Fund Balance End of Year	<u>\$ 3,217</u>	<u>\$ 10,023</u>	<u>\$ 16,704</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, 2010

	<u>Recreation Fund</u>	<u>Total</u>
Revenues		
Taxes		
Gasoline Taxes	\$ 0	\$ 15,330
Cigarette Taxes	1,108	1,108
License, Fees and Fines	0	4,226
State & Local Grants	0	21,800
Interest Income	0	12
Total Revenues	<u>1,108</u>	<u>42,476</u>
Expenditures		
Current		
Public Safety	0	22,922
Public Works	0	0
Capital Outlay	0	81,874
Debt Service		
Principal	0	0
Interest	0	0
Total Expenditures	<u>0</u>	<u>104,796</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,108</u>	<u>(62,320)</u>
Other Financing Sources (Uses)		
Loan Proceeds	0	50,202
Total Other Financing Sources (Uses)	<u>0</u>	<u>50,202</u>
Net Change in Fund Balance	1,108	(12,118)
Fund Balances at Beginning of Year	<u>4,005</u>	<u>47,175</u>
Fund Balance End of Year	<u>\$ 5,113</u>	<u>\$ 35,057</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 21,800	\$ 21,800	\$ 21,800	\$ 0
Miscellaneous	0	0	12	12
Total Revenues	<u>21,800</u>	<u>21,800</u>	<u>21,812</u>	<u>12</u>
Expenditures				
Public Safety				
Operating Expenses	27,427	27,427	21,757	5,670
Capital Outlay	0	0	49,469	(49,469)
Total Public Safety	<u>27,427</u>	<u>27,427</u>	<u>71,226</u>	<u>(43,799)</u>
Total Expenditures	<u>27,427</u>	<u>27,427</u>	<u>71,226</u>	<u>(43,799)</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,627)	(5,627)	(49,414)	(43,787)
Other Financing Sources (Uses)				
Loan Proceeds	0	0	50,202	50,202
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>50,202</u>	<u>50,202</u>
Net Change in Fund Balance	(5,627)	(5,627)	788	6,415
Cash Balance Beginning of Year	<u>4,748</u>	<u>4,748</u>	<u>4,748</u>	<u>0</u>
Cash Balance End of Year	<u>\$ (879)</u>	<u>\$ (879)</u>	<u>\$ 5,536</u>	<u>\$ 6,415</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 788	
Net Change in Accounts Payables			0	
Net Change in Fund Balance			<u>\$ 788</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Fees	\$ 3,370	\$ 3,370	\$ 4,226	\$ 856
Total Revenues	<u>3,370</u>	<u>3,370</u>	<u>4,226</u>	<u>856</u>
Expenditures				
Public Safety				
Local Fees	8,861	8,861	1,166	7,695
Total Public Safety	<u>8,861</u>	<u>8,861</u>	<u>1,166</u>	<u>7,695</u>
Total Expenditures	<u>8,861</u>	<u>8,861</u>	<u>1,166</u>	<u>7,695</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,491)	(5,491)	3,060	8,551
Cash Balance Beginning of Year	<u>6,963</u>	<u>6,963</u>	<u>6,963</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1,472</u>	<u>\$ 1,472</u>	<u>\$ 10,023</u>	<u>\$ 8,551</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 3,060	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 3,060</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Gasoline Taxes	\$ 12,500	\$ 12,500	\$ 15,015	\$ 2,515
State Grants	0	0	0	0
Total Revenues	<u>12,500</u>	<u>12,500</u>	<u>15,015</u>	<u>2,515</u>
Expenditures				
Public Works				
Capital Outlay	19,472	19,472	33,450	(13,978)
Total Public Works	<u>19,472</u>	<u>19,472</u>	<u>33,450</u>	<u>(13,978)</u>
Total Expenditures	<u>19,472</u>	<u>19,472</u>	<u>33,450</u>	<u>(13,978)</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,972)	(6,972)	(18,435)	(11,463)
Cash Balance Beginning of Year	<u>33,614</u>	<u>33,614</u>	<u>33,614</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 26,642</u>	<u>\$ 26,642</u>	<u>\$ 15,179</u>	<u>\$ (11,463)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (18,435)	
Net Change in Taxes Receivables			315	
Net Change in Accounts Payables			1,046	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (17,074)</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Cigarette Taxes	\$ 400	\$ 400	\$ 1,066	\$ 666
Total Revenues	<u>400</u>	<u>400</u>	<u>1,066</u>	<u>666</u>
Expenditures				
Culture & Recreation				
Operating Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Culture & Recreation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	400	400	1,066	666
Cash Balance Beginning of Year	<u>3,971</u>	<u>3,971</u>	<u>3,971</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 4,371</u>	<u>\$ 4,371</u>	<u>\$ 5,037</u>	<u>\$ 666</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 1,066	
Net Change in Taxes Receivables			<u>42</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,108</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Sales & Service	\$ 419,000	\$ 419,000	\$ 399,595	\$ (19,405)
Environmental Gross Receipt Tax	6,000	6,000	7,520	1,520
Total Revenues	425,000	425,000	407,115	(17,885)
Expenditures				
Personnel Services	140,628	140,628	160,901	(20,273)
Operating Expenses	291,165	291,165	279,151	12,014
Debt Service				
Interest	0	0	11,050	(11,050)
Principal	0	0	3,692	(3,692)
Total Expenditures	431,793	431,793	454,794	(23,001)
Excess (Deficiency) of Revenues Over Expenditures	(6,793)	(6,793)	(47,679)	(40,886)
Cash Balance Beginning of Year	90,052	90,052	90,052	0
Cash Balance End of Year	\$ 83,259	\$ 83,259	\$ 42,373	\$ (40,886)
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (47,679)	
Depreciation			(42,692)	
Principal Paid			3,692	
Net Changes in Taxes Receivable			35	
Net Changes in Accounts Receivable			6,282	
Net Changes in Accounts Payable			18,488	
Net Changes in Accrued Salaries & Benefits			225	
Net Changes in Accrued Interest			21	
Net Changes in Compensated Absences			(2,733)	
Net Changes in Meter Deposits			(2,331)	
Change in Net Assets			\$ (66,692)	

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

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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 have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds and the combining and individual funds and related budgetary comparison presented as supplemental information of the TOWN OF HAGERMAN (Town), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing 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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses listed as 2003-1, 2003-2, 2004-1, 2007-1, 2009-1, 2010-1 and 2010-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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 response and accordingly, we express no opinion on it.

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

November 23, 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	Resolved
2004-7 Utility Billings Understated and Meter Deposits Misstated	Repeated
2004-9 Payroll	Resolved
2007-1 Expenditure Documentation	Repeated & Modified
2009-1 Expenditures Over Budget	Repeated

Current Year Audit Findings

2003-1 Late Audit Report

Condition

The June 30, 2010 audit report was submitted to the Office of the New Mexico State Auditor after the December 1, 2010 deadline.

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 Auditor submitted the report before the due date of December 1st. A rejection fax was received after the December 1st deadline making the audit report late.

Recommendation

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

Response

We will ask the auditor to submit our audit earlier so required changes to not make our audit late.

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 Preparation of Financial Statements

Condition

The Town's employees or management do not have the qualifications and training to apply GAAP in recording their financial transaction and preparing their financial statements.

Criteria

According to the SAS 112: SAO Rule 2.2.2.8 J (4) if the auditor prepares the financial statements, it should be included as a finding.

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 Town's 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.

2007-1 Expenditure Documentation

Condition

We sampled 100% of the purchase made using a credit card. In all statements sampled we found purchases made without receipts or without detailed receipts and a lack of purchase orders or any evidence that prior approval was obtained before the purchase was made. The dollar amount for these purchases totaled \$1,379.15.

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 provide evidence that the purchase was proper, approved and classified correctly.

Cause

Employees are not following the procurement procedure and management is not requiring them to do so.

Recommendation

We recommend the council enforce policies and procedures in place to document expenditures and approval of the expenditures..

Response

This issue will be addressed immediately.

2009-1 Expenditures Over Budget

Condition

The Town incurred expenditures in excess of the approved budget in the following fund. See Note M on page 34.

Criteria

Section 6-6-6, NMSA 1978, requires the Town 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.

2010-1 Cash Appropriations in Excess of Available Cash Balances

Condition

The Town maintained a deficit budget in excess of available cash balance in the Fire Fund of \$(2,260), EMS \$(4,772) and LEPF \$(879).

Criteria

Section 2.2.210. (P) (1), NMAC, requires all funds be budgeted by the local governing body and submitted to the DFA for approval. Cash balances re-budgeted to make up the deficit budgeted revenues that do not cover the budgeted expenditures, cannot exceed the actual cash balance available at the end of the prior year.

Effect

The Town will be required to supplement budget deficits in these funds with cash reserves from other funds. This supplement may lead to financial difficulties and deplete the budget in other funds.

Cause

The Town lacks a proper procedure to ensure that sufficient beginning cash balances exist to absorb budget deficits later in the fiscal year.

Recommendation

The Town should review the budget for future years to insure that all funds have adequate budget authority for budgeted expenditures. Greater attention should be given to the budget monitoring process and the end of the year cash balance estimates.

Response

The Town has implemented a policy whereby they will review and compare the June 30th reconciled cash balances in each fund to ensure that budgeted cash balances are sufficient for the fund's purposes. If this review reveals a that there is not sufficient cash to balance the budget, budget amendments will be made.

2010-2 STALE DATE TRANSACTIONS

Condition

The Town maintained stale checks in several bank accounts. An audit of the Town's bank accounts revealed that the Town maintained four checks that were dated over one year old as of June 30, 2010. The checks totaled \$3,944.59.

Criteria

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

Effect

Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Cause

The Town did not implement an internal control policy to account for stale dated outstanding checks and did not void these checks on a timely basis.

Recommendation

We recommend that the Town implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated checks. If checks on the outstanding check listings are greater than one year old, we recommend these checks be voided and that the Town take appropriate steps to ensure that the funds are reported to the Unclaimed Property Division as may be necessary.

Response

We will void all checks one year or older. Outstanding checks will be reviewed and voided on a monthly basis.

Financial Statement Preparation

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

Exit Conference

An exit conference was held on November 23, 2010 in attendance was Jim Pilley-Mayor Pro-Tem, Jena Sterrett-Clerk Treasurer and De'Aun Willoughby, CPA.