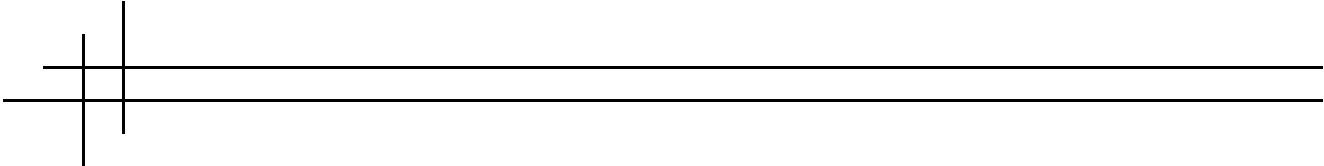




STATE OF NEW MEXICO  
**TOWN OF HAGERMAN**

**ANNUAL FINANCIAL REPORT**  
June 30, 2011

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



STATE OF NEW MEXICO  
TOWN OF HAGERMAN  
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For the Year Ended June 30, 2011

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STATE OF NEW MEXICO  
TOWN OF HAGERMAN  
Official Roster  
June 30, 2011

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**TOWN COUNCIL**

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

**ADMINISTRATIVE OFFICIALS**

Gina Sterrett	Clerk/Treasurer
---------------	-----------------

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

## 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 have audited 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 fund of the Town of Hagerman, (Town), as of and for the year ended June 30, 2011, 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 comparison for 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, 2011, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2011, and the respective changes in financial position, and cash flows where applicable, thereof and the respective budgetary comparison for the general fund and the major special revenue 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 Town as of June 30, 2011, and the respective changes in financial position thereof, and the respective budgetary comparisons of the nonmajor governmental 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 16, 2011, 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'Aun Willoughby CPA PC*

November 16, 2011

## **FINANCIAL SECTION**

STATE OF NEW MEXICO  
**TOWN OF HAGERMAN**  
 Government-Wide Statement of Net Assets  
 June 30, 2011

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 524,957	\$ 0	\$ 524,957
Receivables			
Taxes	34,092	698	34,790
Accounts	0	55,809	55,809
Due from Grantor	285,820	0	285,820
Restricted Cash	0	28,410	28,410
Total Current Assets	<u>844,869</u>	<u>84,917</u>	<u>929,786</u>
Capital Assets	7,820,274	2,144,801	9,965,075
Less: Accumulated Depreciation	<u>(2,202,863)</u>	<u>(1,170,800)</u>	<u>(3,373,663)</u>
Total Capital Assets	<u>5,617,411</u>	<u>974,001</u>	<u>6,591,412</u>
<b>Total Assets</b>	<u>6,462,280</u>	<u>1,058,918</u>	<u>7,521,198</u>
<b>LIABILITIES</b>			
Current Liabilities			
Cash Overdraft	0	3,679	3,679
Accounts Payable	12,048	18,335	30,383
Accrued Interest	1,720	1,188	2,908
Current Portion of Long-Term Debt	55,126	4,086	59,212
Total Current Liabilities	<u>68,894</u>	<u>27,288</u>	<u>96,182</u>
Noncurrent Liabilities			
Compensated Absences	15,882	3,225	19,107
Customer Deposits	0	28,410	28,410
Notes and Loans Payable	273,463	218,911	492,374
Total Noncurrent Liabilities	<u>289,345</u>	<u>250,546</u>	<u>539,891</u>
<b>Total Liabilities</b>	<u>358,239</u>	<u>277,834</u>	<u>636,073</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	5,288,822	751,004	6,039,826
Unrestricted	815,219	30,080	845,299
Total Net Assets	<u>\$ 6,104,041</u>	<u>\$ 781,084</u>	<u>\$ 6,885,125</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, 2011

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	
<b>Governmental Activities</b>							
General Government	\$ 128,430	\$ 16,605	\$ 215,710	\$ 0	\$ 103,885	\$ 0	\$ 103,885
Public Safety	534,159	7,777	189,261	0	(337,121)	0	(337,121)
Public Works	33,320	4,500	0	630,925	602,105	0	602,105
Health & Welfare	5,826	0	0	0	(5,826)	0	(5,826)
Culture & Recreation	58,587	3,645	963	0	(53,979)	0	(53,979)
Interest on Long-Term Obligations	9,003	0	0	0	(9,003)	0	(9,003)
<b>Total Governmental Activities</b>	<u>769,325</u>	<u>32,527</u>	<u>405,934</u>	<u>630,925</u>	<u>300,061</u>	<u>0</u>	<u>300,061</u>
<b>Business-type Activities</b>							
Water	296,906	205,509	0	0	0	(91,397)	(91,397)
Sewer	75,528	70,845	0	0	0	(4,683)	(4,683)
Solid Waste	129,156	163,071	0	0	0	33,915	33,915
<b>Total Business-type Activities</b>	<u>501,590</u>	<u>439,425</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(62,165)</u>	<u>(62,165)</u>
<b>Total Primary Government</b>	<u>\$ 1,270,915</u>	<u>\$ 471,952</u>	<u>\$ 405,934</u>	<u>\$ 630,925</u>	<u>300,061</u>	<u>(62,165)</u>	<u>237,896</u>
<b>General Revenues</b>							
Gross Receipts Taxes					313,801	0	313,801
Gasoline Taxes					14,342	0	14,342
Property Taxes					8,895	0	8,895
Franchise Taxes					18,975	0	18,975
Other Taxes					1,300	7,322	8,622
Miscellaneous					10,971	0	10,971
<b>Total General Revenues</b>					<u>368,284</u>	<u>7,322</u>	<u>375,606</u>
<b>Change in Net Assets</b>					<u>668,345</u>	<u>(54,843)</u>	<u>613,502</u>
Net Assets - beginning					6,627,859	835,927	7,463,786
Restatement					(1,192,163)	0	(1,192,163)
Restated Beginning Net Assets					<u>5,435,696</u>	<u>835,927</u>	<u>6,271,623</u>
Net Assets - ending					<u>\$ 6,104,041</u>	<u>\$ 781,084</u>	<u>\$ 6,885,125</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, 2011

	Special Revenue		
	General	Fire	Capital Projects
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 343,537	\$ 130,815	\$ 0
Receivables			
Taxes	32,974	0	0
Due from Grantor	0	0	285,820
Interfund Balance	201,301	0	0
<b>Total Assets</b>	<b>\$ 577,812</b>	<b>\$ 130,815</b>	<b>\$ 285,820</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 9,507	\$ 2,428	\$ 0
Interfund Balance	0	0	199,422
<b>Total Liabilities</b>	<b>9,507</b>	<b>2,428</b>	<b>199,422</b>
<b>Fund Balances</b>			
Restricted, reported in			
Special Revenue Fund	0	128,387	86,398
Capital Projects	0	0	0
Unassigned, reported in:			
General Fund	568,305	0	0
<b>Total Fund Balances</b>	<b>568,305</b>	<b>128,387</b>	<b>86,398</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 577,812</b>	<b>\$ 130,815</b>	<b>\$ 285,820</b>

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, 2011

	<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 50,605	\$ 524,957
Receivables		
Taxes	1,118	34,092
Due from Grantor		285,820
Interfund Balance	0	201,301
Total Assets	<u>\$ 51,723</u>	<u>\$ 1,046,170</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 113	\$ 12,048
Interfund Balance	1,879	201,301
Total Liabilities	<u>1,992</u>	<u>213,349</u>
Fund Balances		
Restricted, reported in		
Special Revenue Fund	0	214,785
Capital Projects	49,731	49,731
Unassigned, reported in:		
General Fund	0	568,305
Total Fund Balances	<u>49,731</u>	<u>832,821</u>
Total Liabilities and Fund Balances	<u>\$ 51,723</u>	<u>\$ 1,046,170</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, 2011

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Total Fund Balance - Governmental Funds \$ 832,821

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	\$ 7,820,274	
Accumulated depreciation	<u>(2,202,863)</u>	5,617,411

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	(328,589)	
Accrued Interest	(1,720)	
Compensated Absences	<u>(15,882)</u>	<u>(346,191)</u>

Total net assets - governmental activities \$ 6,104,041

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, 2011

	General	Special Revenue	
		Fire	Capital Projects
<b>Revenues</b>			
Taxes			
Gross Receipt Taxes	\$ 313,801	\$ 0	\$ 0
Gasoline Taxes	0		
Property Taxes	8,895	0	0
Franchise Taxes	18,975	0	0
Other Taxes	1,296	0	0
Charges for Services	24,750	0	0
License, Fees and Fines	4,907	0	0
Federal Grants	0	0	149,359
State Grants	178,290	152,196	481,566
County Subsidy	40,000	0	0
Miscellaneous	10,796	147	0
Total Revenues	<u>601,710</u>	<u>152,343</u>	<u>630,925</u>
<b>Expenditures</b>			
Current			
General	114,996	0	0
Public Safety	384,689	71,144	0
Public Works	18,131	0	0
Health & Welfare	2,946		
Culture & Recreation	25,727	0	0
Capital Outlay	91,940	131,160	659,418
Debt Service			
Principal	3,293	35,305	0
Interest	2,498	6,695	0
Total Expenditures	<u>644,220</u>	<u>244,304</u>	<u>659,418</u>
Excess (Deficiency) of Revenues Over Expenditures	(42,510)	(91,961)	(28,493)
Fund Balances at Beginning of Year	<u>610,815</u>	<u>220,348</u>	<u>114,891</u>
Fund Balance End of Year	<u>\$ 568,305</u>	<u>\$ 128,387</u>	<u>\$ 86,398</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, 2011

	<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
Revenues		
Taxes		
Gross Receipt Taxes	\$ 0	\$ 313,801
Gasoline Taxes	14,342	14,342
Property Taxes	0	8,895
Franchise Taxes	0	18,975
Other Taxes	4	1,300
Charges for Services	0	24,750
License, Fees and Fines	2,870	7,777
Federal Grants	0	149,359
State Grants	35,448	847,500
County Subsidy	0	40,000
Miscellaneous	28	10,971
Total Revenues	<u>52,692</u>	<u>1,437,670</u>
Expenditures		
Current		
General	0	114,996
Public Safety	7,856	463,689
Public Works	1,608	19,739
Health & Welfare	0	2,946
Culture & Recreation	0	25,727
Capital Outlay	0	882,518
Debt Service		
Principal	16,735	55,333
Interest	0	9,193
Total Expenditures	<u>26,199</u>	<u>1,574,141</u>
Excess (Deficiency) of Revenues Over Expenditures	26,493	(136,471)
Fund Balances at Beginning of Year	<u>23,238</u>	<u>969,292</u>
Fund Balance End of Year	<u>\$ 49,731</u>	<u>\$ 832,821</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, 2011

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Net Change in Fund Balance \$ (136,471)

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	\$ (126,093)	
Capital Outlays	<u>882,518</u>	756,425

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 55,333

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, 2010	1,910	
Accrued Interest, June 30, 2011	<u>(1,720)</u>	190

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, 2010	8,750	
Compensated Absences, June 30, 2011	<u>(15,882)</u>	<u>(7,132)</u>

Changes in Net Assets of Governmental Activities \$ 668,345

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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Taxes				
Property Taxes	\$ 8,541	\$ 8,541	\$ 8,989	\$ 448
Franchise Taxes	16,000	16,000	16,194	194
Gross Receipts	246,500	246,500	307,206	60,706
Miscellaneous Taxes	800	800	1,429	629
Charges for Services	15,000	15,000	24,750	9,750
License, Fees and Fines	10,305	10,305	4,907	(5,398)
County Subsidy-PS	40,000	40,000	40,000	0
Small Cities Assistance	130,000	130,000	175,710	45,710
State & Local Grants	0	0	2,580	2,580
Interest Income	1,500	1,500	1,475	(25)
Miscellaneous	34,000	34,000	9,321	(24,679)
Total Revenues	<u>502,646</u>	<u>502,646</u>	<u>592,561</u>	<u>89,915</u>
<b>Expenditures</b>				
Executive Department				
Personnel Services	2,500	2,500	7,218	(4,718)
Operating Expense	19,745	19,745	5,322	14,423
Total Executive Department	<u>22,245</u>	<u>22,245</u>	<u>12,540</u>	<u>9,705</u>
Judicial				
Personnel Services	20,539	20,539	13,795	6,744
Operating Expenses	17,629	17,629	7,257	10,372
Total Judicial	<u>38,168</u>	<u>38,168</u>	<u>21,052</u>	<u>17,116</u>
Financial				
Personnel Services	46,000	46,000	36,771	9,229
Operating Expenses	79,680	79,680	45,645	34,035
Total Financial	<u>125,680</u>	<u>125,680</u>	<u>82,416</u>	<u>43,264</u>
Public Safety				
Personnel Services	220,000	220,000	206,839	13,161
Operating Expenses	133,000	133,000	120,412	12,588
Total Public Safety	<u>353,000</u>	<u>353,000</u>	<u>327,251</u>	<u>25,749</u>
Ambulance				
Personnel Services	45,900	45,900	34,503	11,397
Operating Expenses	35,743	35,743	28,767	6,976
Debt Service				
Principal	6,640	6,640	0	6,640
Interest	0	0	0	0
Total Ambulance	<u>88,283</u>	<u>88,283</u>	<u>63,270</u>	<u>25,013</u>
Streets				
Operating Expenses	25,000	25,000	14,708	10,292
Total Streets	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 14,708</u>	<u>\$ 10,292</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Industrial Park				
Capital Outlay	\$ 0	\$ 0	\$ 91,940	\$ (91,940)
Debt Service				
Principal	8,762	8,762	3,293	5,469
Interest	0	0	2,498	(2,498)
Total Industrial Park	<u>8,762</u>	<u>8,762</u>	<u>97,731</u>	<u>(88,969)</u>
Clinic				
Operating Expenses	0	0	2,946	(2,946)
Total Clinic	<u>0</u>	<u>0</u>	<u>2,946</u>	<u>(2,946)</u>
Parks & Recreation				
Personnel Services	0	0	0	0
Operating Expenses	40,000	40,000	25,654	14,346
Total Parks & Recreation	<u>40,000</u>	<u>40,000</u>	<u>25,654</u>	<u>14,346</u>
Museum				
Operating Expenses	1,500	1,500	807	693
Total Museum	<u>1,500</u>	<u>1,500</u>	<u>807</u>	<u>693</u>
Total Expenditures	<u>702,638</u>	<u>702,638</u>	<u>648,375</u>	<u>54,263</u>
Excess (Deficiency) of Revenues Over Expenditures	(199,992)	(199,992)	(55,814)	144,178
Cash Balance Beginning of Year	<u>600,652</u>	<u>600,652</u>	<u>600,652</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 400,660</u>	<u>\$ 400,660</u>	<u>\$ 544,838</u>	<u>\$ 144,178</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ (55,814)	
Net Change in Taxes Receivables			9,149	
Net Change in Accounts Payables			(2,688)	
Net Change in Accrued Salaries & Benefits			6,843	
Net Change in Fund Balance			<u>\$ (42,510)</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State & Local Grants	\$ 109,000	\$ 109,000	\$ 180,537	\$ 71,537
Miscellaneous	0	0	147	147
Total Revenues	<u>109,000</u>	<u>109,000</u>	<u>180,684</u>	<u>71,684</u>
<b>Expenditures</b>				
<b>Public Safety</b>				
Operating Expense	154,902	154,902	73,521	81,381
Capital Purchases	0	0	131,160	(131,160)
Debt Service				
Principal	0	0	58,120	(58,120)
Interest	0	0	12,222	(12,222)
Total Public Safety	<u>154,902</u>	<u>154,902</u>	<u>275,023</u>	<u>(120,121)</u>
Total Expenditures	<u>154,902</u>	<u>154,902</u>	<u>275,023</u>	<u>(120,121)</u>
Excess (Deficiency) of Revenues Over Expenditures	(45,902)	(45,902)	(94,339)	(48,437)
Cash Balance Beginning of Year	<u>225,154</u>	<u>225,154</u>	<u>225,154</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 179,252</u>	<u>\$ 179,252</u>	<u>\$ 130,815</u>	<u>\$ (48,437)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (94,339)	
Net Change in Accounts Payables			2,378	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (91,961)</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, 2011

	Utility Fund
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 0
Receivables	
Taxes	698
Accounts	55,809
Total Current Assets	56,507
Restricted Assets	
Restricted Cash	28,410
Total Restricted Assets	28,410
Capital Assets	
Land & Water Rights	154,890
Water System	1,255,986
Sewer System	733,925
Less: Accumulated Depreciation	(1,170,800)
Total Capital Assets	974,001
Total Assets	1,058,918
<b>LIABILITIES</b>	
Current Liabilities	
Cash Overdraft	3,679
Accounts Payable	18,335
Accrued Interest	1,188
Current Portion of Long-Term Debt	4,086
Total Current Liabilities	27,288
Noncurrent Liabilities	
Compensated Absences	3,225
Customer Deposits	28,410
Long-Term Debt	218,911
Total Noncurrent Liabilities	250,546
Total Liabilities	277,834
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	751,004
Unrestricted	30,080
Total Net Assets	\$ 781,084

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, 2011

	<u>Utility Fund</u>
Operating Revenues	
Sales & Service	\$ 439,425
Total Operating Revenues	<u>439,425</u>
Operating Expenses	
Salaries & Benefits	125,303
Operating Expense	310,674
Depreciation	<u>54,764</u>
Total Operating Expenses	<u>490,741</u>
Operating Income (Loss)	<u>(51,316)</u>
Nonoperating Revenue (Expenses)	
Environmental Gross Receipts Tax	7,322
Interest Expense	<u>(10,849)</u>
Total Nonoperating Revenue (Expenses)	<u>(3,527)</u>
Change in Net Assets	(54,843)
Total Net Assets - Beginning	<u>835,927</u>
Total Net Assets - Ending	<u>\$ 781,084</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, 2011

	<u>Utility Fund</u>
Cash Flows from Operating Activities	
Cash Received From Customers	\$ 423,825
Cash Paid to Suppliers and Employees	433,954
Net Cash Provided by Operating Activities	<u>(10,129)</u>
Cash Flows from Capital & Related Financing Activities	
Environmental Gross Receipts Tax	7,322
Interest paid on Capital Debt	(10,849)
Principal paid on Capital Debt	<u>(3,986)</u>
Net Cash Provided by Capital & Related Financing Activities	<u>(7,513)</u>
Net Increase (Decrease) in Cash	(17,642)
Cash, Beginning of the Year	<u>42,373</u>
Cash, End of the Year	<u>\$ 24,731</u>
Reconciliation of Cash	
Cash and Cash Equivalents	\$ (3,679)
Restricted Cash	<u>28,410</u>
	<u>\$ 24,731</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (51,316)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	54,764
Change in Assets and Liabilities	
(Increase) Decrease in Taxes Receivable	(154)
(Increase) Decrease in Accounts Receivable	(12,404)
Increase (Decrease) in Accounts Payable	9,810
Increase (Decrease) in Accrued Salaries & Benefits	(2,881)
Increase (Decrease) in Accrued Interest	(22)
Increase (Decrease) in Compensated Absences	(4,731)
Increase (Decrease) in Meter Deposits	<u>(3,195)</u>
Net Cash Provided by Operating Activities	<u>\$ (10,129)</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 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.

<b>Hagerman National</b>	Account	Balance	Per Bank	Reconciled	Type
<u>Name of Account</u>	<u>Number</u>	<u>06/30/11</u>	<u>06/30/11</u>	<u>Balance</u>	
Operating Account	3102181	\$ 446,353	\$ 435,975		Checking
Town of Hagerman	310538-5	65	65		Checking
Certificate of Deposit	63067	100,499	100,499		Saving
TOTAL Deposited		<u>546,917</u>	<u>\$ 536,539</u>		
Less: FDIC Coverage		<u>250,000</u>			
Uninsured Amount		296,917			
50% collateral requirement		148,459			
Pledged securities		<u>350,315</u>			
Over (Under) requirement		<u>\$ 201,856</u>			

STATE OF NEW MEXICO  
TOWN OF HAGERMAN  
Notes to the Financial Statements  
June 30, 2011

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The following securities are pledged:

Description	CUSIP #	Market Value	Maturity Date	Location
FHLB	313370DL9	\$ 250,232	7/29/2013	TIB, Irving TX
FNMA	3136FMZ80	100,083	4/19/2013	TIB, Irving TX
		<u>\$ 350,315</u>		

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

**Bank of Albuquerque**

JF PP-2025	\$	65
CM PP-2340		31
JF PP-1740		43
ZD PP-2136		<u>13,010</u>
TOTAL Deposited		<u>13,149</u>
Less: FDIC Coverage		<u>13,149</u>
Uninsured Amount		<u>0</u>
50% collateral requirement		0
Pledged securities		0
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, 2011. The funds earn a small amount of interest.

**Custodial Credit Risk-Deposits**

Depository Account	Bank Balance
Insured	\$ 263,149
Collateralized	
Collateral held by the pledging bank in Town's name	296,917
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 560,066</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, 2011 none of the Town's bank balance of \$560,066 was exposed to custodial credit risk.

STATE OF NEW MEXICO  
TOWN OF HAGERMAN  
Notes to the Financial Statements  
June 30, 2011

**NOTE D: CAPITAL ASSETS**

Capital Assets Balances and Activity for the Year Ended June 30, 2011, is as follows:

	Balance 6/30/10	Restatement	Restated Beginning Balance	Increases
<b>Governmental Activities</b>				
Capital Assets, not being Depreciated				
Land	\$ 138,730	\$ 0	\$ 138,730	\$ 0
Construction in Progress	1,953,405	0	1,953,405	882,518
Total Capital Assets not being Depreciated	<u>2,092,135</u>	<u>0</u>	<u>2,092,135</u>	<u>882,518</u>
Capital Assets, being Depreciated				
Infrastructure	339,530	0	339,530	0
Buildings & Improvements	2,099,251	1,377,749	3,477,000	0
Equipment & Vehicles	1,509,878	(480,787)	1,029,091	0
Total Capital Assets, being Depreciated	<u>3,948,659</u>	<u>896,962</u>	<u>4,845,621</u>	<u>0</u>
Total Capital Assets	<u>6,040,794</u>	<u>896,962</u>	<u>6,937,756</u>	<u>882,518</u>
Less Accumulated Depreciation				
Infrastructure	0	135,812	135,812	13,581
Buildings & Improvements	0	1,353,275	1,353,275	56,020
Equipment & Vehicles	0	587,683	587,683	56,492
Total Accumulated Depreciation	<u>0</u>	<u>2,076,770</u>	<u>2,076,770</u>	<u>126,093</u>
Capital Assets, net	<u>\$ 6,040,794</u>	<u>\$ (1,179,808)</u>	<u>\$ 4,860,986</u>	<u>\$ 756,425</u>

	Decreases	Balance 6/30/11
<b>Governmental Activities</b>		
Capital Assets, not being Depreciated		
Land	\$ 0	\$ 138,730
Construction in Progress	0	2,835,923
Total Capital Assets not being Depreciated	<u>0</u>	<u>2,974,653</u>
Capital Assets, being Depreciated		
Infrastructure	0	339,530
Buildings & Improvements	0	3,477,000
Equipment & Vehicles	0	1,029,091
Total Capital Assets, being Depreciated	<u>0</u>	<u>4,845,621</u>
Total Capital Assets	<u>0</u>	<u>7,820,274</u>
Less Accumulated Depreciation		
Infrastructure	0	149,393
Buildings & Improvements	0	1,409,295
Equipment & Vehicles	0	644,175
Total Accumulated Depreciation	<u>0</u>	<u>2,202,863</u>
Capital Assets, net	<u>\$ 0</u>	<u>\$ 5,617,411</u>

STATE OF NEW MEXICO  
TOWN OF HAGERMAN  
Notes to the Financial Statements  
June 30, 2011

Depreciation expense was allocated as follows to governmental activities as follows:

General	\$ 22,989
Public Safety	63,814
Public Works	13,581
Health & Welfare	2,880
Culture & Recreation	32,860
Total depreciation expenses	<u>\$ 136,124</u>

	Balance 6/30/10	Increases	Decreases	Balance 6/30/11
<b>Business-Type Activities</b>				
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				
Water System	1,255,986	0	0	1,255,986
Sewer System	733,925	0	0	733,925
Total Capital Assets	<u>\$ 2,144,801</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,144,801</u>
Less Accumulated Depreciation				
Water System	\$ 766,280	\$ 30,300	\$ 0	\$ 796,580
Sewer System	349,756	24,464	0	374,220
Total Accumulated Depreciation	<u>1,116,036</u>	<u>54,764</u>	<u>0</u>	<u>1,170,800</u>
Capital Assets, net	<u>\$ 1,028,765</u>	<u>\$ (54,764)</u>	<u>\$ 0</u>	<u>\$ 974,001</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.	\$ 192,432	\$ 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.	102,690	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.	33,467	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	\$ 103,997

STATE OF NEW MEXICO  
TOWN OF HAGERMAN  
Notes to the Financial Statements  
June 30, 2011

\$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.

\$	<u>0</u>	\$	<u>119,000</u>
\$	<u>328,589</u>	\$	<u>222,997</u>

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

Governmental Activities:

	Balance 6/30/10	Restatement	Restated Beginning Balance	Increases	Decreases
Loans					
NMFA Fire #1	\$ 227,737	\$ 0	\$ 227,737	4	35,305
NMFA Industrial	93,628	12,355	105,983	0	3,293
NMFA Cars	50,202	0	0	50,202	16,735
Compensated Absences	8,750	0	8,750	9,646	2,514
Liabilities	\$ <u>380,317</u>	<u>12,355</u>	<u>342,470</u>	<u>59,848</u>	\$ <u>57,847</u>

	Balance 6/30/11	Due Within One Year
Loans		
NMFA	\$ 192,432	\$ 36,305
NMFA Industrial	102,690	2,086
NMFA Cars	33,467	16,735
Compensated Absences	15,882	0
Liabilities	\$ <u>344,471</u>	\$ <u>55,126</u>

Business-Type Activities:

	Balance 06/30/10	Additions	Reductions	Balance 06/30/11	Due Within One Year
RUS 1997	\$ 105,985	0	1,988	103,997	\$ 2,086
RUS 1999	121,000	0	2,000	119,000	2,000
Compensated Absences	7,956	6,303	11,034	3,225	0
Liabilities	\$ <u>234,941</u>	<u>6,303</u>	<u>15,022</u>	<u>226,222</u>	\$ <u>4,086</u>

STATE OF NEW MEXICO  
TOWN OF HAGERMAN  
Notes to the Financial Statements  
June 30, 2011

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Governmental Activities:

The annual requirements to amortize the loans outstanding as of June 30, 2011, including interest payments are as follows:

	Principal	Interest	Total
2012	\$ 55,126	\$ 10,722	\$ 65,848
2013	56,271	9,578	65,849
2014	40,736	8,382	49,118
2015	41,989	7,131	49,120
2016	43,301	5,822	49,123
2017-2021	14,693	20,853	35,546
2022-2026	18,740	16,806	35,546
2027-2031	23,900	11,645	35,545
2032-2036	30,482	5,063	35,545
2037	3,351	86	3,437
	<u>\$ 328,589</u>	<u>\$ 96,088</u>	<u>\$ 424,677</u>

Business-Type Activities:

The annual requirements to amortize the loans outstanding as of June 30, 2011, including interest payments are as follows:

	Principal	Interest	Total
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	4,934	9,876	14,810
2017-2021	28,993	45,353	74,346
2022-2026	36,640	37,606	74,246
2027-2031	46,700	27,645	74,345
2032-2036	58,882	15,363	74,245
2037-2040	29,061	2,786	31,847
	<u>\$ 222,997</u>	<u>\$ 180,280</u>	<u>\$ 403,277</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, 2011, were as follows:

	<u>General</u>	<u>Non Major</u>	<u>Utilities</u>
Taxes			
Gross Receipt Taxes	\$ 29,214	\$ 0	\$ 0
Gasoline Taxes	0	1,118	0
Property Taxes	187	0	0
Franchise Taxes	3,476	0	0
Other Taxes	97	0	698
Accounts	0	0	55,809
	<u>\$ 32,974</u>	<u>\$ 1,118</u>	<u>\$ 56,507</u>

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

**NOTE H: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

As of June 30, 2011, the Town had the following interfund balances:

<u>Loan from</u>		<u>Loan to</u>	
General	\$ 201,301	Capital Projects	\$ 199,422
General	1,879	EMS	1,879
	<u>\$ 203,180</u>		<u>\$ 201,301</u>

The loan to Capital Projects \$199,422 was to cover the Due from Grantor. The loan to EMS \$1,879 was to cover excess expenditures. The loans will be repaid in July.

**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](http://www.pera.state.nm.us).

**Funding Policy.** Plan members are required to contribute 7% of the gross salary. The Town is required to contribute 7% for all employee's with the exception of police officers which require the Town to contribute 10% of the gross covered salary. The contribution requirements of plan members and the Town are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Town has passed an resolution stating the employees will be responsible for 1.75% and the Town would pay the rest. The Town's contributions to PERA for the fiscal years ending June 30, 2011, 2010 and 2009 were \$49,910, \$44,035, and \$37,132 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 Town's 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 following funds had a deficit fund balance at the end of the fiscal year, Emergency Medical Services \$(1,879).

**NOTE M. BUDGET**

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

Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2011:

<b>Major Funds</b>	<u>Amount</u>
Fire Fund	\$ (120,121)
<b>Non-Major Funds</b>	
Law Enforcement Protection	(973)
Utility	(34,810)

**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. For the fiscal year ending June 30, 2011 one check in the amount of \$170.80 was for the purchase of supplies.

**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 ongoing construction projects at the Industrial Park.

**NOTE R: RESTATEMENTS**

Net Assets were restated by the following:

Capital Assets	\$	896,962
Accumulated Depreciation		(2,076,770)
See Note D for details		
Long-Term Debt		<u>(12,355)</u>
See Note E for details	\$	<u><u>(1,192,163)</u></u>

The Town Clerk created a depreciation schedule including accumulated depreciation. The adjustment to Net Assets was to include the information on the depreciation schedule in the accounting records.

Long-Term Debt was increased to agree the accounting records to NMFA summary of debt for the industrial park. Because there were grants and loans used to build the site it was difficult to determine where the funds were coming from. The Clerk researched records and agreed them to NMFA.

**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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grants	\$ 1,573,115	\$ 1,573,115	\$ 149,359	\$ (1,423,756)
State Grants	626,485	626,485	195,746	(430,739)
Total Revenues	<u>2,199,600</u>	<u>2,199,600</u>	<u>345,105</u>	<u>(1,854,495)</u>
<b>Expenditures</b>				
Capital Outlay	2,199,600	2,199,600	659,418	1,540,182
Total Expenditures	<u>2,199,600</u>	<u>2,199,600</u>	<u>659,418</u>	<u>1,540,182</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(314,313)	(314,313)
Cash Balance Beginning of Year	<u>114,891</u>	<u>114,891</u>	<u>114,891</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 114,891</u>	<u>\$ 114,891</u>	<u>\$ (199,422)</u>	<u>\$ (314,313)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (314,313)	
Net Change in Due from Grantor			<u>285,820</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (28,493)</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**

**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)

**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, 2011

	<u>Emergency Medical Services</u>	<u>Law Enforcement Protection</u>	<u>Corrections</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 0	\$ 4,741	\$ 12,427
Receivables			
Taxes	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 4,741</u>	<u>\$ 12,427</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	\$ 113	\$ 0	\$ 0
Interfund Balance	1,879	0	0
Total Liabilities	<u>1,992</u>	<u>0</u>	<u>0</u>
Fund Balance			
Restricted, reported in			
Special Revenue Fund	(1,992)	4,741	12,427
Total Fund Balance	<u>(1,992)</u>	<u>4,741</u>	<u>12,427</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 4,741</u>	<u>\$ 12,427</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, 2011

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	<u>Municipal Streets</u>	<u>Recreation</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 28,320	\$ 5,117	\$ 50,605
Receivables			
Taxes	1,118	0	1,118
Total Assets	<u>\$ 29,438</u>	<u>\$ 5,117</u>	<u>\$ 51,723</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 113
Interfund Balance	0	0	1,879
Total Liabilities	<u>0</u>	<u>0</u>	<u>1,992</u>
Fund Balance			
Restricted, reported in			
Special Revenue Fund	29,438	5,117	49,731
Total Fund Balance	<u>29,438</u>	<u>5,117</u>	<u>49,731</u>
Total Liabilities and Fund Balance	<u>\$ 29,438</u>	<u>\$ 5,117</u>	<u>\$ 51,723</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, 2011

	Emergency Medical Services	Law Enforcement Protection	Corrections
Revenues			
Taxes			
Gasoline Taxes	\$ 0	\$ 0	\$ 0
Other Taxes	0	0	0
License, Fees and Fines	0	0	2,870
State Grants	13,648	21,800	0
Miscellaneous	0	28	0
Total Revenues	<u>13,648</u>	<u>21,828</u>	<u>2,870</u>
Expenditures			
Current			
Public Safety	3,821	3,569	466
Public Works	0	0	0
Debt Service			
Principal	0	16,735	0
Total Expenditures	<u>3,821</u>	<u>20,304</u>	<u>466</u>
Excess (Deficiency) of Revenues Over Expenditures	9,827	1,524	2,404
Fund Balances at Beginning of Year	<u>(11,819)</u>	<u>3,217</u>	<u>10,023</u>
Fund Balance End of Year	<u>\$ (1,992)</u>	<u>\$ 4,741</u>	<u>\$ 12,427</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, 2011

	Municipal Streets	Recreation	Total
<b>Revenues</b>			
Taxes			
Gasoline Taxes	\$ 14,342	\$ 0	\$ 14,342
Other Taxes	0	4	4
License, Fees and Fines	0	0	2,870
State Grants	0	0	35,448
Miscellaneous	0	0	28
Total Revenues	<u>14,342</u>	<u>4</u>	<u>52,692</u>
<b>Expenditures</b>			
Current			
Public Safety	0	0	7,856
Public Works	1,608	0	1,608
Debt Service			
Principal	0	0	16,735
Total Expenditures	<u>1,608</u>	<u>0</u>	<u>26,199</u>
Excess (Deficiency) of Revenues Over Expenditures	12,734	4	26,493
Fund Balances at Beginning of Year	<u>16,704</u>	<u>5,113</u>	<u>23,238</u>
Fund Balance End of Year	<u>\$ 29,438</u>	<u>\$ 5,117</u>	<u>\$ 49,731</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 13,550	\$ 13,550	\$ 13,648	\$ 98
Total Revenues	<u>13,550</u>	<u>13,550</u>	<u>13,648</u>	<u>98</u>
Expenditures				
Public Safety				
Operating Expenses	13,550	13,550	3,708	9,842
Total Public Safety	<u>13,550</u>	<u>13,550</u>	<u>3,708</u>	<u>9,842</u>
Total Expenditures	<u>13,550</u>	<u>13,550</u>	<u>3,708</u>	<u>9,842</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	9,940	9,940
Cash Balance Beginning of Year	<u>(11,819)</u>	<u>(11,819)</u>	<u>(11,819)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ (11,819)</u>	<u>\$ (11,819)</u>	<u>\$ (1,879)</u>	<u>\$ 9,940</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 9,940	
Net Change in Accounts Payables			<u>(113)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 9,827</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grants	\$ 21,800	\$ 21,800	\$ 21,800	\$ 0
Miscellaneous	0	0	28	28
Total Revenues	<u>21,800</u>	<u>21,800</u>	<u>21,828</u>	<u>28</u>
<b>Expenditures</b>				
<b>Public Safety</b>				
Operating Expenses	21,650	21,650	5,888	15,762
Debt Service				
Principal	0	0	16,735	(16,735)
Total Public Safety	<u>21,650</u>	<u>21,650</u>	<u>22,623</u>	<u>(973)</u>
Total Expenditures	<u>21,650</u>	<u>21,650</u>	<u>22,623</u>	<u>(973)</u>
Excess (Deficiency) of Revenues Over Expenditures	150	150	(795)	(945)
Cash Balance Beginning of Year	<u>5,536</u>	<u>5,536</u>	<u>5,536</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 5,686</u>	<u>\$ 5,686</u>	<u>\$ 4,741</u>	<u>\$ (945)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (795)	
Net Change in Accounts Payables			<u>2,319</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,524</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Fees	\$ 5,055	\$ 5,055	\$ 2,870	\$ (2,185)
Total Revenues	<u>5,055</u>	<u>5,055</u>	<u>2,870</u>	<u>(2,185)</u>
Expenditures				
Public Safety				
Operating Expenses	5,055	5,055	466	4,589
Total Public Safety	<u>5,055</u>	<u>5,055</u>	<u>466</u>	<u>4,589</u>
Total Expenditures	<u>5,055</u>	<u>5,055</u>	<u>466</u>	<u>4,589</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	2,404	2,404
Cash Balance Beginning of Year	<u>10,023</u>	<u>10,023</u>	<u>10,023</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 10,023</u>	<u>\$ 10,023</u>	<u>\$ 12,427</u>	<u>\$ 2,404</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>2,404</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u><u>2,404</u></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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Gasoline Taxes	\$ 16,000	\$ 16,000	\$ 14,748	\$ (1,252)
State Grants	0	0	0	0
Total Revenues	<u>16,000</u>	<u>16,000</u>	<u>14,748</u>	<u>(1,252)</u>
<b>Expenditures</b>				
<b>Public Works</b>				
Capital Outlay	11,382	11,382	1,607	9,775
Total Public Works	<u>11,382</u>	<u>11,382</u>	<u>1,607</u>	<u>9,775</u>
Total Expenditures	<u>11,382</u>	<u>11,382</u>	<u>1,607</u>	<u>9,775</u>
Excess (Deficiency) of Revenues Over Expenditures	4,618	4,618	13,141	8,523
Cash Balance Beginning of Year	<u>15,179</u>	<u>15,179</u>	<u>15,179</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 19,797</u>	<u>\$ 19,797</u>	<u>\$ 28,320</u>	<u>\$ 8,523</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 13,141	
Net Change in Taxes Receivables			(407)	
Net Change in Accounts Payables			0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 12,734</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Cigarette Taxes	\$ 0	\$ 0	\$ 80	\$ 80
Total Revenues	<u>0</u>	<u>0</u>	<u>80</u>	<u>80</u>
<b>Expenditures</b>				
<b>Culture &amp; Recreation</b>				
Operating Expense	2,000	2,000	0	2,000
Total Culture & Recreation	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>2,000</u>
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>2,000</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,000)	(2,000)	80	2,080
Cash Balance Beginning of Year	<u>5,037</u>	<u>5,037</u>	<u>5,037</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 3,037</u>	<u>\$ 3,037</u>	<u>\$ 5,117</u>	<u>\$ 2,080</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 80	
Net Change in Taxes Receivables			<u>(76)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 4</u>	

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



**ENTERPRISE FUNDS**

**Utility**

To account for the provision of water, sewer and solid waste services 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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Sales & Service	\$ 419,000	\$ 419,000	\$ 423,825	\$ 4,825
Environmental Gross Receipt Tax	8,000	8,000	7,168	(832)
<b>Total Revenues</b>	<b>427,000</b>	<b>427,000</b>	<b>430,993</b>	<b>3,993</b>
<b>Expenditures</b>				
Personnel Services	153,971	153,971	132,554	21,417
Operating Expenses	245,026	245,026	301,225	(56,199)
Debt Service				
Principal	3,986	3,986	3,986	0
Interest	10,842	10,842	10,870	(28)
<b>Total Expenditures</b>	<b>413,825</b>	<b>413,825</b>	<b>448,635</b>	<b>(34,810)</b>
Excess (Deficiency) of Revenues Over Expenditures	13,175	13,175	(17,642)	(30,817)
Cash Balance Beginning of Year	42,373	42,373	42,373	0
Cash Balance End of Year	\$ 55,548	\$ 55,548	\$ 24,731	\$ (30,817)
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (17,642)	
Depreciation			(54,764)	
Principal Paid			3,986	
Net Changes in Taxes Receivable			154	
Net Changes in Accounts Receivable			12,404	
Net Changes in Accounts Payable			(9,810)	
Net Changes in Accrued Salaries & Benefits			2,881	
Net Changes in Accrued Interest			22	
Net Changes in Compensated Absences			4,731	
Net Changes in Meter Deposits			3,195	
Change in Net Assets			\$ (54,843)	

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
In Accordance with *Government Auditing Standards*

Mr. Hector Balderas  
State Auditor of the State of New Mexico  
Board Members of the Town of Hagerman

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue fund, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Town of Hagerman (Town), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 16, 2011. 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 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting; 2004-1, 2007-1, 2009-1, 2010-1 and 2011-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is describe in the accompanying schedule of findings and responses as item 2004-1, 2007-1, 2009-1, 2010-1 and 2011-1.

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 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 16, 2011

**Financial Statement**

**Prior Year Audit Findings**

	<u>Status</u>
2003-1 Late Audit Report	Resolved
2003-2 Capital Assets	Resolved
2004-1 Preparation of Financial Statements	Repeated
2004-2 Inadequate Internal Controls over Information Technology	Resolved
2004-3 Lack of Internal Controls	Resolved
2004-7 Utility Billings Understated and Meter Deposits Misstated	Resolved
2007-1 Expenditure Documentation	Repeated & Modified
2009-1 Expenditures Over Budget	Repeated
2010-1 Cash Appropriations in Excess of Available Cash Balances	Repeated
2010-2 Stale Dated Transactions	Resolved

**Current Year Audit Findings**

**2004-1 Preparation of Financial Statements-Compliance and Internal Control-Significant Deficiency 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**

Statement on Accounting Standards (SAS) 115, 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.

**Cause**

The Town's staff has not been trained on Governmental Accounting Standards and related procedures to prepare 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.

**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-Compliance and Internal Control-Significant Deficiency Condition**

**Condition**

We noted during or sampling of expenditures the Town advanced 100% of per diem prior to employee's business travel. We also noted that volunteers for Fire and EMS were being paid stipends without including in payroll or issuing W-2's.

**Criteria**

2.42.2.10.A NMAC states "Upon written request accompanied by travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer's or employee's request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals pursuant to 2.42.2.8 NMC and 2.42.2.9 NMAC and for other travel expenses that may be reimbursed under 2.42.2.12 NMAC." W-2's see IRS Publication 15-B.

**Cause**

The Town was not aware of these provisions.

**Effect**

The Town is not in compliance with State and Federal Laws.

**Recommendation**

We recommend an advancement of only 80% of per diem and issuing a W-2 for stipends paid to the volunteers.

**Response**

We will advance 80% of the per diem prior to travel and will issue W-2s to the volunteers who receive a stipend.

**2009-1 Expenditures Over Budget-Compliance and Internal Control-Significant Deficiency**

**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.

**Cause**

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

**Effect**

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

**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-Compliance and Internal Control-Significant Deficiency**

**Condition**

The Town maintained a deficit budget in excess of available cash balance in EMS \$(11,819).

**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.

**Cause**

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

**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.

## **2011-1 Payroll-Compliance and Internal Control-Significant Deficiency**

### **Condition**

(1) Pre-Tax Deductions-The Town had PERA setup as a deferred tax plan. This caused the Federal and State withholdings to be incorrect.

(2) 941-The Town did not file the 941 for the quarter ending 12/31/10 properly or timely causing the Town to pay interest and penalty. The amount still due was \$112.61, penalty of \$1.67 and interest of \$1.04 totaling \$115.32.

(3) 903-The 903 for the quarter ending 12/31/11 should have been amended to include the wages that was missed on the 941. Also the 903 is not being completed correctly. The excess wages are not correct.

### **Criteria**

(1) A cafeteria plan is a separate plan maintained by an employer for employees that meets specific requirements and regulations of section 125 of the IRS code.

(2) IRS Publication 15 Circular E sets forth the required due dates for making 941 payroll tax deposits.

(3) Quarterly report for State Unemployment (SUTA Form 903A) are not being amended as needed.

### **Cause**

The Clerk was not properly trained in the payroll function and was depending on the deputy clerk to calculate and prepare the payroll correctly.

### **Effect**

(1) Both the employee and employer (Town) underpaid FICA and Medicare taxes.

(2) The Internal Revenue Service penalized the District \$7,835.18 for failing to timely deposit the payroll taxes.

(3) Inaccurate reporting to state agencies could result in the Town may overpay taxes due.

### **Recommendation**

We recommend the Clerk receive training and a review process should be implemented to assure these errors do not occur again.

### **Response**

The Clerk will be trained and we will establish a review process.

## **Financial Statement Preparation**

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

## **Exit Conference**

An exit conference was held on November 16, 2011 in attendance was Cliff Waide-Mayor, Gena Sterrett-Clerk Treasurer and De'Aun Willoughby, CPA.