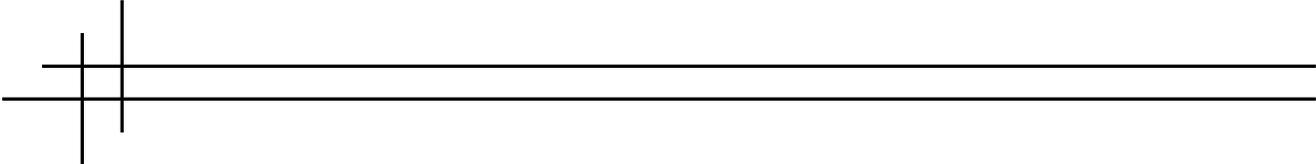


STATE OF NEW MEXICO
TOWN OF HAGERMAN

ANNUAL FINANCIAL REPORT
June 30, 2012

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



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TOWN OF HAGERMAN
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STATE OF NEW MEXICO
TOWN OF HAGERMAN
Official Roster
June 30, 2012

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
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De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace, Clovis, NM 88101

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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 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 the major special revenue funds of Town of Hagerman, (Town), as of and for the year ended June 30, 2012, 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, 2012, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and major special revenue funds 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, 2012, 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 for 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 20, 2012, 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's management has omitted the Management's Discussion and Analysis that the Governmental Accounting Standards Board require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying budget comparison is not a required part of the financial statements. The additional schedule listed as "other supplemental information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

De'Aun Willoughby CPA PC

November 20, 2012

FINANCIAL SECTION

STATE OF NEW MEXICO
TOWN OF HAGERMAN
 Government-Wide Statement of Net Assets
 June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 618,996	\$ 116,848	\$ 735,844
Receivables			
Taxes	23,297	464	23,761
Accounts	0	46,345	46,345
Restricted Cash	0	29,245	29,245
Total Current Assets	<u>642,293</u>	<u>192,902</u>	<u>835,195</u>
Capital Assets	8,173,034	2,268,001	10,441,035
Less: Accumulated Depreciation	<u>(2,412,221)</u>	<u>(1,229,670)</u>	<u>(3,641,891)</u>
Total Capital Assets	<u>5,760,813</u>	<u>1,038,331</u>	<u>6,799,144</u>
Total Assets	<u>6,403,106</u>	<u>1,231,233</u>	<u>7,634,339</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	9,484	15,968	25,452
Accrued Interest	1,596	1,167	2,763
Current Portion of Long-Term Debt	56,268	4,389	60,657
Total Current Liabilities	<u>67,348</u>	<u>21,524</u>	<u>88,872</u>
Noncurrent Liabilities			
Compensated Absences	16,050	3,418	19,468
Customer Deposits	0	29,245	29,245
Notes and Loans Payable	203,486	214,521	418,007
Total Noncurrent Liabilities	<u>219,536</u>	<u>247,184</u>	<u>466,720</u>
Total Liabilities	<u>286,884</u>	<u>268,708</u>	<u>555,592</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,501,059	819,421	6,320,480
Unrestricted	615,163	143,104	758,267
Total Net Assets	<u>\$ 6,116,222</u>	<u>\$ 962,525</u>	<u>\$ 7,078,747</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, 2012

Functions/Programs	Program Revenues				Net(Expenses) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	
Governmental Activities							
General Government	\$ 157,228	\$ 7,208	\$ 204,850	\$ 0	\$ 54,830	\$ 0	\$ 54,830
Public Safety	552,449	9,956	324,504	0	(217,989)	0	(217,989)
Public Works	112,112	0	0	133,854	21,742	0	21,742
Health & Welfare	2,880	0	0	0	(2,880)	0	(2,880)
Culture & Recreation	56,581	0	0	0	(56,581)	0	(56,581)
Interest	10,466	0	0	0	(10,466)	0	(10,466)
Total Governmental Activities	891,716	17,164	529,354	133,854	(211,344)	0	(211,344)
Business-type Activities							
Water	236,774	233,448	0	0	0	(3,326)	(3,326)
Sewer	81,993	81,812	0	0	0	(181)	(181)
Solid Waste	125,825	180,819	0	0	0	54,994	54,994
Total Business-type Activities	444,592	496,079	0	0	0	51,487	51,487
Total Primary Government	\$ 1,336,308	\$ 513,243	\$ 529,354	\$ 133,854	(211,344)	51,487	(159,857)
General Revenues							
Gross Receipts Taxes					289,317	6,754	296,071
Gasoline Taxes					14,357	0	14,357
Property Taxes					9,734	0	9,734
Franchise Taxes					15,586	0	15,586
Other Taxes					1,129	0	1,129
Miscellaneous					4,247	0	4,247
Total General Revenues					334,370	6,754	341,124
Other Items							
Contribution of Capital Assets					(123,200)	123,200	0
Change in Net Assets					(174)	181,441	181,267
Net Assets - beginning					6,104,041	781,084	6,885,125
Restatement					12,355	0	12,355
Restated Net Assets					6,116,396	781,084	6,897,480
Net Assets - ending					\$ 6,116,222	\$ 962,525	\$ 7,078,747

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, 2012

	<u>Special Revenue</u>		
	<u>General</u>	<u>Fire</u>	<u>EMS</u>
ASSETS			
Cash and Cash Equivalents	\$ 458,185	\$ 27,391	\$ 90,402
Receivables			
Taxes	22,141	0	0
Interfund Balance	46,703	0	0
Total Assets	<u>\$ 527,029</u>	<u>\$ 27,391</u>	<u>\$ 90,402</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 8,278	\$ 830	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>8,278</u>	<u>830</u>	<u>0</u>
Fund Balances			
Restricted, reported in			
Special Revenue Fund	0	26,561	90,402
Capital Projects	0	0	0
Unassigned, reported in:			
General Fund	518,751	0	0
Total Fund Balances	<u>518,751</u>	<u>26,561</u>	<u>90,402</u>
Total Liabilities and Fund Balances	<u>\$ 527,029</u>	<u>\$ 27,391</u>	<u>\$ 90,402</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, 2012

	<u>Capital Projects</u>	<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 0	\$ 43,018	\$ 618,996
Receivables			
Taxes	0	1,156	23,297
Interfund Balance	0	0	46,703
Total Assets	<u>\$ 0</u>	<u>\$ 44,174</u>	<u>\$ 688,996</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 0	\$ 376	\$ 9,484
Interfund Balance	46,703	0	46,703
Total Liabilities	<u>46,703</u>	<u>376</u>	<u>56,187</u>
Fund Balances			
Restricted, reported in			
Special Revenue Fund	0	43,798	160,761
Capital Projects	(46,703)	0	(46,703)
Unassigned, reported in:			
General Fund	0	0	518,751
Total Fund Balances	<u>(46,703)</u>	<u>43,798</u>	<u>632,809</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 44,174</u>	<u>\$ 688,996</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, 2012

Total Fund Balance - Governmental Funds \$ 632,809

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	\$ 8,173,034	
Accumulated depreciation	<u>(2,412,221)</u>	5,760,813

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	(259,754)	
Accrued Interest	(1,596)	
Compensated Absences	<u>(16,050)</u>	<u>(277,400)</u>

Total net assets - governmental activities		\$ <u><u>6,116,222</u></u>
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The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2012

	<u>Special Revenue</u>		
	<u>General</u>	<u>Fire</u>	<u>EMS</u>
Revenues			
Taxes			
Gross Receipt Taxes	\$ 289,317	\$ 0	\$ 0
Gasoline Taxes	0		0
Property Taxes	9,734	0	0
Franchise Taxes	15,586	0	0
Other Taxes	1,129	0	0
Charges for Services	7,208	0	0
License, Fees and Fines	7,678	0	0
Federal Grants	0	0	0
State Grants	204,850	147,970	96,634
County Subsidy	57,500	0	0
Interest	224	0	0
Miscellaneous	597	3,423	0
Total Revenues	<u>593,823</u>	<u>151,393</u>	<u>96,634</u>
Expenditures			
Current			
General	154,132	0	0
Public Safety	403,199	59,132	6,119
Public Works	14,987	0	0
Health & Welfare	0	0	0
Culture & Recreation	18,604	0	0
Capital Outlay	0	152,041	0
Debt Service			
Principal	3,440	36,305	0
Interest	4,849	5,741	0
Total Expenditures	<u>599,211</u>	<u>253,219</u>	<u>6,119</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,388)</u>	<u>(101,826)</u>	<u>90,515</u>
Other Financing Sources (Uses)			
Transfers In/(Out)	<u>(44,166)</u>	<u>0</u>	<u>1,879</u>
Total Other Sources (Uses)	<u>(44,166)</u>	<u>0</u>	<u>1,879</u>
Net Change in Fund Balance	(49,554)	(101,826)	92,394
Fund Balances at Beginning of Year	<u>568,305</u>	<u>128,387</u>	<u>(1,992)</u>
Fund Balance End of Year	<u>\$ 518,751</u>	<u>\$ 26,561</u>	<u>\$ 90,402</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, 2012

	<u>Capital Projects</u>	<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes			
Gross Receipt Taxes	\$ 0	\$ 0	\$ 289,317
Gasoline Taxes	0	14,357	14,357
Property Taxes	0	0	9,734
Franchise Taxes	0	0	15,586
Other Taxes	0	0	1,129
Charges for Services	0	0	7,208
License, Fees and Fines	0	2,278	9,956
Federal Grants	81,269	0	81,269
State Grants	0	74,985	524,439
County Subsidy	0	0	57,500
Interest	0	0	224
Miscellaneous	0	3	4,023
Total Revenues	<u>81,269</u>	<u>91,623</u>	<u>1,014,742</u>
Expenditures			
Current			
General	0	0	154,132
Public Safety	0	7,228	475,678
Public Works	0	3,206	18,193
Health & Welfare	0	0	0
Culture & Recreation	0	5,117	23,721
Capital Outlay	256,657	67,262	475,960
Debt Service			
Principal	0	16,735	56,480
Interest	0	0	10,590
Total Expenditures	<u>256,657</u>	<u>99,548</u>	<u>1,214,754</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(175,388)</u>	<u>(7,925)</u>	<u>(200,012)</u>
Other Financing Sources (Uses)			
Transfers In/(Out)	<u>42,287</u>	<u>0</u>	<u>0</u>
Total Other Sources (Uses)	<u>42,287</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(133,101)	(7,925)	(200,012)
Fund Balances at Beginning of Year	<u>86,398</u>	<u>51,723</u>	<u>832,821</u>
Fund Balance End of Year	<u>\$ (46,703)</u>	<u>\$ 43,798</u>	<u>\$ 632,809</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, 2012

Net Change in Fund Balance \$ (200,012)

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	\$ (209,359)	
Capital Assets Contributed to the Utility Fund	(123,200)	
Capital Outlays	475,960	143,401

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 56,480

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, 2011	1,721	
Accrued Interest, June 30, 2012	(1,596)	125

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, 2011	15,882	
Compensated Absences, June 30, 2012	(16,050)	(168)

Changes in Net Assets of Governmental Activities \$ (174)

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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Taxes				
Property Taxes	\$ 9,102	\$ 8,541	\$ 9,727	\$ 1,186
Franchise Taxes	16,500	16,000	16,340	340
Gross Receipts	294,167	294,167	299,405	5,238
Miscellaneous Taxes	1,021	1,021	1,128	107
Charges for Services	14,400	14,400	7,208	(7,192)
License, Fees and Fines	3,868	3,868	7,678	3,810
County Subsidy-PS	0	0	57,500	57,500
Small Cities Assistance	150,000	150,000	199,483	49,483
State & Local Grants	0	0	5,367	5,367
Interest Income	882	882	224	(658)
Miscellaneous	52,900	52,900	597	(52,303)
Total Revenues	<u>542,840</u>	<u>541,779</u>	<u>604,657</u>	<u>62,878</u>
Expenditures				
Executive Department				
Personnel Services	7,500	7,500	7,367	133
Operating Expense	10,429	10,429	7,385	3,044
Total Executive Department	<u>17,929</u>	<u>17,929</u>	<u>14,752</u>	<u>3,177</u>
Judicial				
Personnel Services	10,000	10,000	9,152	848
Operating Expenses	17,150	17,150	5,594	11,556
Total Judicial	<u>27,150</u>	<u>27,150</u>	<u>14,746</u>	<u>12,404</u>
Election				
Operating Expenses	0	0	1,212	(1,212)
Total Election	<u>0</u>	<u>0</u>	<u>1,212</u>	<u>(1,212)</u>
Financial				
Personnel Services	90,000	90,000	89,337	663
Operating Expenses	26,284	26,284	34,047	(7,763)
Total Financial	<u>116,284</u>	<u>116,284</u>	<u>123,384</u>	<u>(7,100)</u>
Public Safety				
Personnel Services	275,000	275,000	273,253	1,747
Operating Expenses	62,011	62,011	59,759	2,252
Total Public Safety	<u>337,011</u>	<u>337,011</u>	<u>333,012</u>	<u>3,999</u>
Fire & Ambulance				
Personnel Services	48,000	48,000	47,187	813
Operating Expenses	15,080	15,080	21,772	(6,692)
Total Fire & Ambulance	<u>\$ 63,080</u>	<u>\$ 63,080</u>	<u>\$ 68,959</u>	<u>\$ (5,879)</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Streets				
Operating Expenses	\$ 15,000	\$ 15,000	\$ 18,206	\$ (3,206)
Total Streets	<u>15,000</u>	<u>15,000</u>	<u>18,206</u>	<u>(3,206)</u>
Industrial Park				
Debt Service				
Principal	0	0	3,440	(3,440)
Interest	0	0	4,850	(4,850)
Total Industrial Park	<u>0</u>	<u>0</u>	<u>8,290</u>	<u>(8,290)</u>
Clinic				
Operating Expenses	1,200	1,200	0	1,200
Total Clinic	<u>1,200</u>	<u>1,200</u>	<u>0</u>	<u>1,200</u>
Parks & Recreation				
Operating Expenses	24,500	24,500	17,552	6,948
Total Parks & Recreation	<u>24,500</u>	<u>24,500</u>	<u>17,552</u>	<u>6,948</u>
Museum				
Operating Expenses	3,800	3,800	328	3,472
Total Museum	<u>3,800</u>	<u>3,800</u>	<u>328</u>	<u>3,472</u>
Total Expenditures	<u>605,954</u>	<u>605,954</u>	<u>600,441</u>	<u>5,513</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(63,114)</u>	<u>(64,175)</u>	<u>4,216</u>	<u>68,391</u>
Other Financing Sources (Uses)				
Transfers	0	0	(44,166)	(44,166)
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>(44,166)</u>	<u>(44,166)</u>
Net Change in Fund Balance	(63,114)	(64,175)	(39,950)	24,225
Cash Balance Beginning of Year	<u>544,838</u>	<u>544,838</u>	<u>544,838</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 481,724</u>	<u>\$ 480,663</u>	<u>\$ 504,888</u>	<u>\$ 24,225</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ (39,950)	
Net Change in Taxes Receivables			(32,974)	
Net Change in Accounts Payables			1,229	
Net Change in Fund Balance			<u>\$ (71,695)</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 106,032	\$ 106,032	\$ 147,970	\$ 41,938
Miscellaneous	0	0	3,423	3,423
Total Revenues	<u>106,032</u>	<u>106,032</u>	<u>151,393</u>	<u>45,361</u>
Expenditures				
Public Safety				
Operating Expense	86,739	0	60,730	(60,730)
Capital Purchases	150,000	0	152,041	(152,041)
Debt Service				
Principal	0	0	36,305	(36,305)
Interest	0	0	5,741	(5,741)
Total Public Safety	<u>236,739</u>	<u>0</u>	<u>254,817</u>	<u>(254,817)</u>
Total Expenditures	<u>236,739</u>	<u>0</u>	<u>254,817</u>	<u>(254,817)</u>
Excess (Deficiency) of Revenues Over Expenditures	(130,707)	106,032	(103,424)	(209,456)
Cash Balance Beginning of Year	<u>130,815</u>	<u>130,815</u>	<u>130,815</u>	<u>0</u>
Cash Balance End of Year	\$ <u>108</u>	\$ <u>236,847</u>	\$ <u>27,391</u>	\$ <u>(209,456)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (103,424)	
Net Change in Accounts Payables			1,598	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (101,826)</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 8,159	\$ 8,159	\$ 96,634	\$ 88,475
Total Revenues	<u>8,159</u>	<u>8,159</u>	<u>96,634</u>	<u>88,475</u>
Expenditures				
Public Safety				
Operating Expenses	8,159	8,159	6,232	1,927
Total Public Safety	<u>8,159</u>	<u>8,159</u>	<u>6,232</u>	<u>1,927</u>
Total Expenditures	<u>8,159</u>	<u>8,159</u>	<u>6,232</u>	<u>1,927</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>90,402</u>	<u>90,402</u>
Other Financing Sources (Uses)				
Transfers	1,879	1,879	1,879	0
Total Other Sources (Uses)	<u>1,879</u>	<u>1,879</u>	<u>1,879</u>	<u>0</u>
Net Change in Fund Balance	1,879	1,879	92,281	90,402
Cash Balance Beginning of Year	<u>(1,879)</u>	<u>(1,879)</u>	<u>(1,879)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 90,402</u>	<u>\$ 90,402</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Fund Balance			\$ 92,281	
Net Change in Accounts Payables			113	
Net Change in Fund Balance			<u>\$ 92,394</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, 2012

ASSETS	Utility Fund
Current Assets	
Cash and Cash Equivalents	\$ 116,848
Receivables	
Taxes	464
Accounts	46,345
Total Current Assets	163,657
Restricted Assets	
Restricted Cash	29,245
Total Restricted Assets	29,245
Capital Assets	
Land & Water Rights	154,890
Water System	1,379,186
Sewer System	733,925
Less: Accumulated Depreciation	(1,229,670)
Total Capital Assets	1,038,331
Total Assets	1,231,233
LIABILITIES	
Current Liabilities	
Accounts Payable	15,968
Accrued Interest	1,167
Current Portion of Long-Term Debt	4,389
Total Current Liabilities	21,524
Noncurrent Liabilities	
Compensated Absences	3,418
Customer Deposits	29,245
Long-Term Debt	214,521
Total Noncurrent Liabilities	247,184
Total Liabilities	268,708
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	819,421
Unrestricted	143,104
Total Net Assets	\$ 962,525

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, 2012

	<u>Utility Fund</u>
Operating Revenues	
Sales & Service	\$ 496,079
Total Operating Revenues	<u>496,079</u>
Operating Expenses	
Salaries & Benefits	119,982
Operating Expense	249,936
Bad Debts	5,149
Depreciation	58,870
Total Operating Expenses	<u>433,937</u>
Operating Income (Loss)	<u>62,142</u>
Nonoperating Revenue (Expenses)	
Environmental Gross Receipts Tax	6,754
Contribution from Capital Projects	123,200
Interest Expense	<u>(10,655)</u>
Total Nonoperating Revenue (Expenses)	<u>119,299</u>
Change in Net Assets	181,441
Total Net Assets - Beginning	<u>781,084</u>
Total Net Assets - Ending	<u>\$ 962,525</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, 2012

	<u>Utility Fund</u>
Cash Flows from Operating Activities	
Cash Received From Customers	\$ 482,812
Cash Paid to Suppliers and Employees	353,463
Net Cash Provided by Operating Activities	<u>129,349</u>
Cash Flows from Capital & Related Financing Activities	
Environmental Gross Receipts Tax	6,754
Interest paid on Capital Debt	(10,655)
Principal paid on Capital Debt	<u>(4,086)</u>
Net Cash Provided by Capital & Related Financing Activities	<u>(7,987)</u>
Net Increase (Decrease) in Cash	121,362
Cash, Beginning of the Year	<u>24,731</u>
Cash, End of the Year	<u>\$ 146,093</u>
Reconciliation of Cash	
Cash and Cash Equivalents	\$ 116,848
Restricted Cash	<u>29,245</u>
	<u>\$ 146,093</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 62,142
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	58,870
Change in Assets and Liabilities	
(Increase) Decrease in Taxes Receivable	233
(Increase) Decrease in Accounts Receivable	9,464
Increase (Decrease) in Accounts Payable	(2,367)
Increase (Decrease) in Accrued Interest	(21)
Increase (Decrease) in Compensated Absences	193
Increase (Decrease) in Meter Deposits	835
Net Cash Provided by Operating Activities	<u>\$ 129,349</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.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
 Notes to the Financial Statements
 June 30, 2012

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>06/30/12</u>	<u>06/30/12</u>	<u>Balance</u>	
Operating Account	3102181	\$ 667,763	\$ 651,163	651,163	Checking-Interest Bearing
Town of Hagerman	310538-5	65	65	65	Checking-Non Interest Bearing
Certificate of Deposit	63067	100,825	100,825	100,825	Saving-Interest Bearing
TOTAL Deposited		<u>768,653</u>	<u>\$ 752,053</u>	<u>752,053</u>	
Less: FDIC Coverage		<u>250,065</u>			
Uninsured Amount		518,588			
50% collateral requirement		259,294			
Pledged securities		253,739			
Over (Under) requirement		<u>\$ (5,555)</u>			

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FHLB	313374AX8	\$ 253,739	12/27/2016	TIB, Irving TX
		<u>\$ 253,739</u>		

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2012

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

	Balance 06/30/12
Bank of Albuquerque	
JF PP-2025	\$ 6
CM PP-2340	2
ZD PP-2136	13,028
TOTAL Deposited	<u>13,036</u>
Less: FDIC Coverage	<u>13,036</u>
Uninsured Amount	0
50% collateral requirement	0
Pledged securities	0
Over (Under) requirement	<u>\$ 0</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, 2012. The funds earn a small amount of interest.

Custodial Credit Risk-Deposits	Bank Balance
Depository Account	
Insured	\$ 250,065
Collateralized	
Collateral held by the pledging bank in Town's name	253,739
Uninsured and uncollateralized	277,885
Total Deposits	<u>\$ 781,689</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, 2012 \$277,885 of the Town's bank balance of \$781,689 was exposed to custodial credit risk.

NOTE D: CAPITAL ASSETS

Capital Assets Balances and Activity for the Year Ended June 30, 2012, is as follows:

	Balance 6/30/11	Increases	Decreases	Balance 6/30/12
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 138,730	\$ 0	\$ 0	\$ 138,730
Construction in Progress	<u>2,835,923</u>	<u>408,698</u>	<u>3,244,621</u>	<u>0</u>
Total Capital Assets not being Depreciated	<u>2,974,653</u>	<u>408,698</u>	<u>3,244,621</u>	<u>138,730</u>
Capital Assets, being Depreciated				
Infrastructure	339,530	67,263	0	406,793
Buildings & Improvements	3,477,000	3,121,421	0	6,598,421
Equipment & Vehicles	<u>1,029,090</u>			<u>1,029,090</u>
Total Capital Assets, being Depreciated	<u>4,845,620</u>	<u>3,188,684</u>	<u>0</u>	<u>8,034,304</u>
Total Capital Assets	<u>\$ 7,820,273</u>	<u>\$ 3,597,382</u>	<u>\$ 3,244,621</u>	<u>\$ 8,173,034</u>

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2012

Less Accumulated Depreciation				
Infrastructure	\$ 149,393	\$ 18,065	\$ 0	\$ 167,458
Buildings & Improvements	1,409,295	124,957	0	1,534,252
Equipment & Vehicles	644,175	66,336	0	710,511
Total Accumulated Depreciation	<u>2,202,863</u>	<u>209,358</u>	<u>0</u>	<u>2,412,221</u>
Capital Assets, net	<u>\$ 5,617,411</u>	<u>\$ 3,388,024</u>	<u>\$ 3,244,621</u>	<u>\$ 5,760,813</u>

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

General	\$ 1,816
Public Safety	77,883
Public Works	93,919
Health & Welfare	2,880
Culture & Recreation	32,860
Total depreciation expenses	<u>\$ 209,358</u>

	Balance 6/30/11	Increases	Decreases	Balance 6/30/12
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	154,890	0	0	154,890
Capital Assets, being Depreciated				
Water System	1,255,986	123,200	0	1,379,186
Sewer System	733,925	0	0	733,925
Total Capital Assets	<u>\$ 2,144,801</u>	<u>\$ 123,200</u>	<u>\$ 0</u>	<u>\$ 2,268,001</u>
Less Accumulated Depreciation				
Water System	\$ 796,580	\$ 34,406	\$ 0	\$ 830,986
Sewer System	374,220	24,464	0	398,684
Total Accumulated Depreciation	<u>1,170,800</u>	<u>58,870</u>	<u>0</u>	<u>1,229,670</u>
Capital Assets, net	<u>\$ 974,001</u>	<u>\$ 64,330</u>	<u>\$ 0</u>	<u>\$ 1,038,331</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 Fire Fund.	\$ 156,127	\$ 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.	86,895	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.	\$ 16,732	\$ 0

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2012

\$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	\$	101,910
\$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		117,000
	\$	<u>259,754</u>	\$	<u>218,910</u>

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

Governmental Activities:

	Restated Balance 6/30/11	Increases	Decreases	Balance 6/30/12	Due Within One Year
Loans					
NMFA Fire	\$ 192,432	\$ 0	\$ 36,305	\$ 156,127	\$ 37,347
NMFA Industrial	90,335	0	3,440	86,895	2,189
NMFA Cars	33,467	0	16,735	16,732	16,732
Compensated Absences	15,882	10,890	10,722	16,050	0
Liabilities	<u>\$ 332,116</u>	<u>10,890</u>	<u>\$ 67,202</u>	<u>\$ 275,804</u>	<u>\$ 56,268</u>

Business-Type Activities:

	Balance 6/30/11	Additions	Reductions	Balance 6/30/12	Due Within One Year
RUS 1997	\$ 103,996	0	2,086	101,910	\$ 2,189
RUS 1999	119,000	0	2,000	117,000	2,200
Compensated Absences	3,225	3,926	3,733	3,418	0
Liabilities	<u>\$ 226,221</u>	<u>3,926</u>	<u>7,819</u>	<u>222,328</u>	<u>\$ 4,389</u>

Governmental Activities:

The annual requirements to amortize the loans outstanding as of June 30, 2012, including interest payments are as follows:

	Principal	Interest	Total
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	2,660	4,449	7,109
2018-2022	15,426	20,120	35,546
2023-2027	19,674	15,872	35,546
2028-2032	25,092	10,454	35,546
2032-2037	14,605	3,067	17,672
	<u>\$ 259,754</u>	<u>\$ 84,875</u>	<u>\$ 344,629</u>

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2012

Business-Type Activities:

The annual requirements to amortize the loans outstanding as of June 30, 2012, including interest payments are as follows:

	Principal	Interest	Total
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	5,260	9,649	14,909
2018-2022	30,325	43,920	74,245
2023-2027	38,574	35,772	74,346
2028-2032	48,792	25,454	74,246
2033-2037	59,524	12,458	71,982
2038-2040	17,800	1,500	19,300
	<u>\$ 218,910</u>	<u>\$ 169,556</u>	<u>\$ 388,466</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, 2012, were as follows:

	General	Non Major	Utilities
Taxes			
Gross Receipt Taxes	\$ 19,127	\$ 0	\$ 464
Gasoline Taxes	0	1,156	0
Property Taxes	195	0	0
Franchise Taxes	2,722	0	0
Other Taxes	97	0	
Accounts	0	0	46,345
	<u>\$ 22,141</u>	<u>\$ 1,156</u>	<u>\$ 46,809</u>

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

NOTE H: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of June 30, 2012, the Town had the following interfund balances:

Loan from		Loan to	
General	\$ 46,703	Capital Projects	\$ 46,703
	<u>\$ 46,703</u>		<u>\$ 46,703</u>
Transfer From		Transfer To	
General	\$ 1,879	EMS	\$ 1,879
	<u>\$ 1,879</u>		<u>\$ 1,879</u>

The loan to Capital Projects \$199,422 was to cover the cash overdraft. There was a transfer to after the audit year end. The transfer to EMS \$1,879 was to cover excess expenditures from the prior year.

NOTE I: DEFINED BENEFIT PENSION PLAN

Plan Description. Substantially all of the Town's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members 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, until April 2012 which increased to 18.5%. 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, 2012, 2011 and 2010 were \$57,082, \$49,910, and \$44,035 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 Capital Projects fund had a deficit fund balance at the end of the fiscal year of \$(46,703).

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, 2012:

Major Funds	<u>Amount</u>
Fire	\$ (254,817)
Capital Projects	(172,711)
Non-Major Funds	
Law Enforcement Protection	(1,219)
Recreation	(5,117)

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, 2012 two checks in the amount of \$184 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: RESTATEMENT

Net Assets were restated \$12,355 for the NMFA industrial park loan. The balance of the loan was reported as \$102,690 the previous year. The correct balance was \$90,355.

**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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grants	\$ 288,000	\$ 288,000	\$ 81,269	\$ (206,731)
State Grants	0	0	285,820	285,820
Total Revenues	<u>288,000</u>	<u>288,000</u>	<u>367,089</u>	<u>79,089</u>
Expenditures				
Capital Outlay	83,946	83,946	256,657	(172,711)
Total Expenditures	<u>83,946</u>	<u>83,946</u>	<u>256,657</u>	<u>(172,711)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>204,054</u>	<u>204,054</u>	<u>110,432</u>	<u>(93,622)</u>
Other Financing Sources (Uses)				
Transfers	0	0	42,287	42,287
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>42,287</u>	<u>42,287</u>
Net Change in Fund Balance	204,054	204,054	152,719	(51,335)
Cash Balance Beginning of Year	<u>(199,422)</u>	<u>(199,422)</u>	<u>(199,422)</u>	<u>0</u>
Cash Balance End of Year	\$ <u><u>4,632</u></u>	\$ <u><u>4,632</u></u>	\$ <u><u>(46,703)</u></u>	\$ <u><u>(51,335)</u></u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Fund Balance			\$ 152,719	
Net Change in Due From Grantor			(285,820)	
Net Change in Fund Balance			<u><u>(133,101)</u></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, 2012

	Law Enforcement Protection	Corrections	Municipal Streets
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 4,275	\$ 13,987	\$ 24,756
Receivables			
Taxes	0	0	1,156
Total Assets	<u>\$ 4,275</u>	<u>\$ 13,987</u>	<u>\$ 25,912</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 376	\$ 0	\$ 0
Total Liabilities	<u>376</u>	<u>0</u>	<u>0</u>
Fund Balance			
Restricted, reported in			
Special Revenue Fund	<u>3,899</u>	<u>13,987</u>	<u>25,912</u>
Total Fund Balance	<u>3,899</u>	<u>13,987</u>	<u>25,912</u>
Total Liabilities and Fund Balance	<u>\$ 4,275</u>	<u>\$ 13,987</u>	<u>\$ 25,912</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, 2012

	<u>Recreation</u>	<u>Total</u>
ASSETS		
Cash and Cash Equivalents	\$ 0	\$ 43,018
Receivables		
Taxes	0	1,156
Total Assets	<u>\$ 0</u>	<u>\$ 44,174</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 0	\$ 376
Total Liabilities	<u>0</u>	<u>376</u>
Fund Balance		
Restricted, reported in		
Special Revenue Fund	0	43,798
Total Fund Balance	<u>0</u>	<u>43,798</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 44,174</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, 2012

	Law Enforcement Protection	Corrections	Municipal Streets
Revenues			
Taxes			
Gasoline Taxes	\$ 0	\$ 0	\$ 14,357
License, Fees and Fines	0	2,278	0
State Grants	22,400	0	52,585
Miscellaneous	3	0	0
Total Revenues	<u>22,403</u>	<u>2,278</u>	<u>66,942</u>
Expenditures			
Current			
Public Safety	6,510	718	0
Public Works	0	0	3,206
Culture & Recreation	0	0	0
Capital Outlay	0	0	67,262
Debt Service			
Principal	16,735	0	0
Total Expenditures	<u>23,245</u>	<u>718</u>	<u>70,468</u>
Excess (Deficiency) of Revenues Over Expenditures	(842)	1,560	(3,526)
Fund Balances at Beginning of Year	<u>4,741</u>	<u>12,427</u>	<u>29,438</u>
Fund Balance End of Year	<u>\$ 3,899</u>	<u>\$ 13,987</u>	<u>\$ 25,912</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, 2012

	<u>Recreation</u>	<u>Total</u>
Revenues		
Taxes		
Gasoline Taxes	\$ 0	\$ 14,357
License, Fees and Fines	0	2,278
State Grants	0	74,985
Miscellaneous	0	3
Total Revenues	<u>0</u>	<u>91,623</u>
Expenditures		
Current		
Public Safety	0	7,228
Public Works	0	3,206
Culture & Recreation	5,117	5,117
Capital Outlay	0	67,262
Debt Service		
Principal	0	16,735
Total Expenditures	<u>5,117</u>	<u>99,548</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,117)	(7,925)
Fund Balances at Beginning of Year	<u>5,117</u>	<u>51,723</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 43,798</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grants	\$ 21,800	\$ 21,800	\$ 22,400	\$ 600
Miscellaneous	0	0	2	2
Total Revenues	<u>21,800</u>	<u>21,800</u>	<u>22,402</u>	<u>602</u>
Expenditures				
Public Safety				
Operating Expenses	21,650	21,650	6,133	15,517
Debt Service				
Principal	0	0	16,735	(16,735)
Total Public Safety	<u>21,650</u>	<u>21,650</u>	<u>22,868</u>	<u>(1,218)</u>
Total Expenditures	<u>21,650</u>	<u>21,650</u>	<u>22,868</u>	<u>(1,218)</u>
Excess (Deficiency) of Revenues Over Expenditures	150	150	(466)	(616)
Cash Balance Beginning of Year	<u>4,741</u>	<u>4,741</u>	<u>4,741</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 4,891</u>	<u>\$ 4,891</u>	<u>\$ 4,275</u>	<u>\$ (616)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (466)	
Net Change in Accounts Payables			<u>(376)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (842)</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Fees	\$ 5,055	\$ 5,055	\$ 2,278	\$ (2,777)
Total Revenues	<u>5,055</u>	<u>5,055</u>	<u>2,278</u>	<u>(2,777)</u>
Expenditures				
Public Safety				
Operating Expenses	5,055	5,055	718	4,337
Total Public Safety	<u>5,055</u>	<u>5,055</u>	<u>718</u>	<u>4,337</u>
Total Expenditures	<u>5,055</u>	<u>5,055</u>	<u>718</u>	<u>4,337</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	1,560	1,560
Cash Balance Beginning of Year	<u>12,427</u>	<u>12,427</u>	<u>12,427</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 12,427</u>	<u>\$ 12,427</u>	<u>\$ 13,987</u>	<u>\$ 1,560</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 1,560	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,560</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Gasoline Taxes	\$ 14,500	\$ 14,500	\$ 14,319	\$ (181)
State Grants	0	52,585	52,585	0
Total Revenues	<u>14,500</u>	<u>67,085</u>	<u>66,904</u>	<u>(181)</u>
Expenditures				
Public Works				
Operating Expenses	25,850	25,850	3,206	22,644
Capital Outlay	0	67,260	67,262	(2)
Total Public Works	<u>25,850</u>	<u>93,110</u>	<u>70,468</u>	<u>22,642</u>
Total Expenditures	<u>25,850</u>	<u>93,110</u>	<u>70,468</u>	<u>22,642</u>
Excess (Deficiency) of Revenues Over Expenditures	(11,350)	(26,025)	(3,564)	22,461
Cash Balance Beginning of Year	<u>28,320</u>	<u>28,320</u>	<u>28,320</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 16,970</u>	<u>\$ 2,295</u>	<u>\$ 24,756</u>	<u>\$ 22,461</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (3,564)	
Net Change in Taxes Receivables			<u>(1,118)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (4,682)</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Cigarette Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Culture & Recreation				
Operating Expense	0	0	5,117	(5,117)
Total Culture & Recreation	<u>0</u>	<u>0</u>	<u>5,117</u>	<u>(5,117)</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>5,117</u>	<u>(5,117)</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(5,117)	(5,117)
Cash Balance Beginning of Year	<u>5,117</u>	<u>5,117</u>	<u>5,117</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 5,117</u>	<u>\$ 5,117</u>	<u>\$ 0</u>	<u>\$ (5,117)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ (5,117)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (5,117)</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Sales & Service	\$ 438,214	\$ 438,214	\$ 482,812	\$ 44,598
Environmental Gross Receipt Tax	7,214	7,214	6,988	(226)
Miscellaneous	8,900	8,900	18,418	9,518
Total Revenues	454,328	454,328	508,218	53,890
Expenditures				
Water				
Personnel Services	84,000	84,000	83,671	329
Operating Expenses	105,515	105,515	103,258	2,257
Debt Service				
Principal	0	0	4,086	(4,086)
Interest	0	0	10,676	(10,676)
Total Water	189,515	189,515	201,691	(12,176)
Sewer				
Personnel Services	36,000	36,000	36,119	(119)
Operating Expenses	35,857	35,857	23,658	12,199
Total Sewer	71,857	71,857	59,777	12,080
Solid Waste				
Operating Expenses	135,512	135,512	125,388	10,124
Total Solid Waste	135,512	135,512	125,388	10,124
Total Expenditures	396,884	396,884	386,856	10,028
Excess (Deficiency) of Revenues Over Expenditures	264,813	264,813	121,362	41,714
Cash Balance Beginning of Year	24,731	24,731	24,731	0
Cash Balance End of Year	\$ 289,544	\$ 289,544	\$ 146,093	\$ 41,714
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 121,362	
Depreciation			(58,870)	
Principal Paid			4,086	
Contribution from Capital Projects			123,200	
Net Changes in Taxes Receivable			(233)	
Net Changes in Accounts Receivable			(9,464)	
Net Changes in Accounts Payable			2,367	
Net Changes in Accrued Interest			21	
Net Changes in Compensated Absences			(193)	
Net Changes in Meter Deposits			(835)	
Change in Net Assets			\$ 181,441	

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, major special revenue funds, and the budgetary comparisons for the major capital project funds and the combining 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, 2012, and have issued our report thereon dated November 20, 2012. 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

Management of the board is responsible for establishing and maintaining effective 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 correct 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 certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting; 2004-1, 2009-1, 2010-1, 12-1 and 12-2. 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 are described in the accompanying schedule of findings and responses; 2004-1, 2009-1, 2011-1, 12-1 and 12-2.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's 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 20, 2012

Financial Statement

Prior Year Audit Findings

	<u>Status</u>
2004-1 Preparation of Financial Statements	Repeated
2007-1 Expenditure Documentation	Resolved
2009-1 Expenditures Over Budget	Repeated
2010-1 Cash Appropriations in Excess of Available Cash Balances	Resolved
2011-1 Payroll	Repeated & Modified

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.

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.

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

Condition

- (1) 941-The Town did not pay the 941 payroll deposits for each payperiod timely causing the Town to pay interest and penalty of \$2,330.08.
- (2) 903-The 903 for the quarter ending 12/31/11 was not filed timely resulting in a 50.00 late fee.

Criteria

- (1) IRS Publication 15 Circular E sets forth the required due dates for making 941 payroll tax deposits.
- (2) 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) The Internal Revenue Service penalized the Town \$2,330.08 for failing to timely deposit the payroll taxes.
- (2) Late filing of the 903A resulted in a penalty of \$50.00.

Recommendation

We recommend the Clerk attend 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.

12-1 Lack of Pledged Securities-Compliance and Internal Control-Significant Deficiency

Condition

The deposits held at James Polk Community Bank were \$5,555.38 under secured by pledged securities.

Criteria

Pursuant to Section 6-10-16, NMSA 1978 and Section 6-10-17, NMSA 1978 securities with an aggregate value equal to one-half the amount of public money deposited shall be provided by the depository.

Effect

Under collateralization results in lack of guarantee of the Town's money in case of bank failure.

Cause

The Town did not adequately monitor the pledged securities. The Town did meet with Bank officials. The bank representatives stated that the Town's operational accounts are secure; however, the Town's sweep accounts do not currently comply with the New Mexico Public Money statutes cited in the criteria.

Recommendation

The Town should request and receive adequate pledged securities from the bank.

Response

We will contact the bank immediately and request pledged securities.

12-2 Reconciliation-Compliance and Internal Control-Significant Deficiency

Condition

At June 30, 2012 the bank balance in the general ledger balance was \$761,663.46, the bank reconciled balance was \$751,008.90 and the DFA quarterly report cash balance was \$768,564.

Criteria

Good accounting practices require the bank accounts to be reconciled to the general ledger making it possible to submit a correct financial report with DFA.

Effect

Mistatements of the cash balance could result in improper management decisions, over spending and an opportunity to misappropriate funds.

Cause

Voided checks after the year end cause the general ledger and bank reconciliation to be different. The DFA report was not reconciled to the books because the payroll liability account had a \$5,058.18 debit balance.

Recommendation

A journal entry is required when voiding a check from a prior year or updating the accounting software will also solve the problem. Payroll liabilities must be reconciled monthly and corrections made as errors occur.

Response

We will update our software and reconcile the payroll liabilities to zero each month.

Financial Statement Preparation

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

Exit Conference

An exit conference was held on November 20, 2012 in attendance was Cliff Waide-Mayor, Gena Sterrett-Clerk Treasurer and De'Aun Willoughby, CPA.