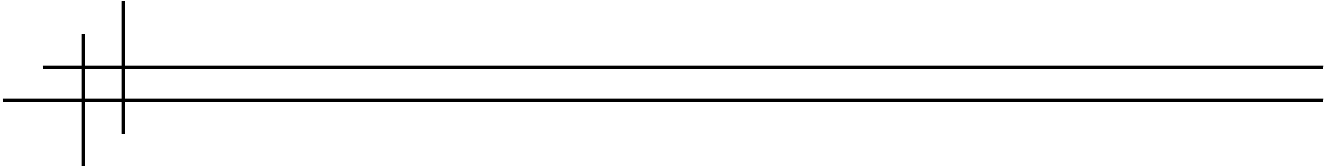




STATE OF NEW MEXICO  
**TOWN OF HAGERMAN**

**ANNUAL FINANCIAL REPORT**  
June 30, 2013

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



STATE OF NEW MEXICO  
**TOWN OF HAGERMAN**  
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 For the Year Ended June 30, 2013

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STATE OF NEW MEXICO  
**TOWN OF HAGERMAN**  
Official Roster  
June 30, 2013

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**TOWN COUNCIL**

Cliff Waide	Mayor
Jim Pilley	Mayor-Pro-Tem
Connie Andrews	Councilman
Bill Shaw	Councilman
Andrew Rodriguez	Councilman

**ADMINISTRATIVE OFFICIALS**

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101  
(855) 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

Report on Financial Statements

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 funds of Town of Hagerman (Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements 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 projects fund and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### 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, 2013, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance 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, 2013, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major capital projects fund and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

Management has omitted the Management's Discussion and Analysis which is required 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 Town's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedule required by 2.2.2.NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule required by 2.2.2 NMAC is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule required by 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, 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* in considering the Town's internal control over financial reporting and compliance.

 CPA PC

Clovis, New Mexico  
November 14, 2013

## **FINANCIAL SECTION**

STATE OF NEW MEXICO  
**TOWN OF HAGERMAN**  
 Government-Wide Statement of Net Position  
 June 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 464,656	\$ 216,987	\$ 681,643
Receivables			
Taxes	29,630	588	30,218
Due from Grantor	27,167	0	27,167
Accounts	0	62,140	62,140
Restricted Cash	0	31,175	31,175
Total Current Assets	<u>521,453</u>	<u>310,890</u>	<u>832,343</u>
Capital Assets	8,620,296	2,268,001	10,888,297
Less: Accumulated Depreciation	<u>(2,631,732)</u>	<u>(1,288,540)</u>	<u>(3,920,272)</u>
Total Capital Assets	<u>5,988,564</u>	<u>979,461</u>	<u>6,968,025</u>
Total Assets	<u>6,510,017</u>	<u>1,290,351</u>	<u>7,800,368</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	21,836	13,648	35,484
Accrued Salaries and Benefits	0	1,669	1,669
Accrued Interest	1,397	1,146	2,543
Compensated Absences	14,469	4,155	18,624
Current Portion of Long-Term Debt	40,736	4,499	45,235
Total Current Liabilities	<u>78,438</u>	<u>25,117</u>	<u>103,555</u>
Noncurrent Liabilities			
Customer Deposits	0	31,175	31,175
Notes and Loans Payable	471,241	210,023	681,264
Total Noncurrent Liabilities	<u>471,241</u>	<u>241,198</u>	<u>712,439</u>
Total Liabilities	<u>549,679</u>	<u>266,315</u>	<u>815,994</u>
<b>NET POSITION</b>			
Invested in Net Capital Assets	5,476,587	764,939	6,241,526
Unrestricted	483,751	259,097	742,848
Total Net Position	<u>\$ 5,960,338</u>	<u>\$ 1,024,036</u>	<u>\$ 6,984,374</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, 2013

Functions/Programs	Program Revenues				Net(Expenses) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>							
General Government	\$ 134,570	\$ 29,317	\$ 171,074	\$ 0	\$ 65,821	\$ 0	\$ 65,821
Public Safety	595,302	5,525	207,827	0	(381,950)	0	(381,950)
Public Works	144,239	0	0	27,167	(117,072)	0	(117,072)
Health & Welfare	17,908	0	0	0	(17,908)	0	(17,908)
Culture & Recreation	32,860	0	0	0	(32,860)	0	(32,860)
Interest	10,334	0	0	0	(10,334)	0	(10,334)
<b>Total Governmental Activities</b>	<u>935,213</u>	<u>34,842</u>	<u>378,901</u>	<u>27,167</u>	<u>(494,303)</u>	<u>0</u>	<u>(494,303)</u>
<b>Business-type Activities</b>							
Water	262,250	272,835	0	0	0	10,585	10,585
Sewer	77,918	83,658	0	0	0	5,740	5,740
Solid Waste	146,796	182,501	0	0	0	35,705	35,705
<b>Total Business-type Activities</b>	<u>486,964</u>	<u>538,994</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>52,030</u>	<u>52,030</u>
<b>Total Primary Government</b>	<u>\$ 1,422,177</u>	<u>\$ 573,836</u>	<u>\$ 378,901</u>	<u>\$ 27,167</u>	<u>(494,303)</u>	<u>52,030</u>	<u>(442,273)</u>
<b>General Revenues</b>							
Gross Receipts Taxes					269,782	9,481	279,263
Gasoline Taxes					14,447	0	14,447
Property Taxes					10,118	0	10,118
Franchise Taxes					17,793	0	17,793
Miscellaneous					26,279	0	26,279
<b>Total General Revenues</b>					<u>338,419</u>	<u>9,481</u>	<u>347,900</u>
<b>Change in Net Position</b>					(155,884)	61,511	(94,373)
<b>Net Position - Beginning</b>					<u>6,116,222</u>	<u>962,525</u>	<u>7,078,747</u>
<b>Net Position - Ending</b>					<u>\$ 5,960,338</u>	<u>\$ 1,024,036</u>	<u>\$ 6,984,374</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, 2013

	<u>Special Revenue</u>		
	<u>General</u>	<u>Fire</u>	<u>EMS</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 373,465	\$ 44,226	\$ 0
Receivables			
Taxes	28,645	0	0
Due from Grantor	0	0	0
Interfund Balance	34,213	0	0
Total Assets	<u>\$ 436,323</u>	<u>\$ 44,226</u>	<u>\$ 0</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 9,416	\$ 8,142	\$ 712
Interfund Balance	1,515	0	5,531
Total Liabilities	<u>10,931</u>	<u>8,142</u>	<u>6,243</u>
<b>Fund Balances</b>			
Restricted, reported in			
Special Revenue Fund	0	36,084	(6,243)
Capital Projects	0	0	0
Unassigned, reported in:			
General Fund	425,392	0	0
Total Fund Balances	<u>425,392</u>	<u>36,084</u>	<u>(6,243)</u>
Total Liabilities and Fund Balances	<u>\$ 436,323</u>	<u>\$ 44,226</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**TOWN OF HAGERMAN**  
 GOVERNMENTAL FUNDS  
 Balance Sheet  
 June 30, 2013

	<u>Capital Projects</u>	<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 0	\$ 46,965	\$ 464,656
Receivables			
Taxes	0	985	29,630
Due from Grantor	27,167	0	27,167
Interfund Balance	0	0	34,213
Total Assets	<u>\$ 27,167</u>	<u>\$ 47,950</u>	<u>\$ 555,666</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 0	\$ 3,566	\$ 21,836
Interfund Balance	27,167	0	34,213
Total Liabilities	<u>27,167</u>	<u>3,566</u>	<u>56,049</u>
Fund Balances			
Restricted, reported in			
Special Revenue Fund	0	44,384	74,225
Capital Projects	0	0	0
Unassigned, reported in:			
General Fund	0	0	425,392
Total Fund Balances	<u>0</u>	<u>44,384</u>	<u>499,617</u>
Total Liabilities and Fund Balances	<u>\$ 27,167</u>	<u>\$ 47,950</u>	<u>\$ 555,666</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 Position  
 June 30, 2013

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Total Fund Balance - Governmental Funds \$ 499,617

Amounts reported for governmental activities in the Statement of Net Position

\

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

	\$	8,620,296	
The cost of capital assets			
Accumulated depreciation		(2,631,732)	5,988,564

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 :

		(511,977)	
Notes and Loans payable			
Accrued Interest		(1,397)	
Compensated Absences		(14,469)	(527,843)

Total Net Position - Governmental Activities \$ 5,960,338

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, 2013

	<u>Special Revenue</u>		
	<u>General</u>	<u>Fire</u>	<u>EMS</u>
Revenues			
Taxes			
Gross Receipt Taxes	\$ 269,782	\$ 0	\$ 0
Gasoline Taxes	0	0	0
Property Taxes	10,118	0	0
Franchise Taxes	17,793	0	0
Charges for Services	29,317	0	0
License, Fees and Fines	4,570	0	0
State Grants	171,074	145,427	0
County Subsidy	40,000	0	0
Miscellaneous	6,740	0	0
Total Revenues	<u>549,394</u>	<u>145,427</u>	<u>0</u>
Expenditures			
Current			
General	132,853	0	0
Public Safety	400,825	83,748	9,123
Public Works	42,005	0	0
Culture & Recreation	17,908	0	0
Capital Outlay	121,003	238,737	87,522
Debt Service			
Principal	9,386	37,347	0
Interest	5,387	4,658	0
Loan Issue Costs	1,350	3,378	0
Total Expenditures	<u>730,717</u>	<u>367,868</u>	<u>96,645</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(181,323)</u>	<u>(222,441)</u>	<u>(96,645)</u>
Other Financing Sources (Uses)			
Loan Proceeds	91,350	228,578	0
Transfers In/(Out)	(3,386)	3,386	0
Total Other Sources (Uses)	<u>87,964</u>	<u>231,964</u>	<u>0</u>
Net Change in Fund Balance	(93,359)	9,523	(96,645)
Fund Balances at Beginning of Year	<u>518,751</u>	<u>26,561</u>	<u>90,402</u>
Fund Balance End of Year	<u>\$ 425,392</u>	<u>\$ 36,084</u>	<u>\$ (6,243)</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, 2013

	<u>Capital Projects</u>	<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes			
Gross Receipt Taxes	\$ 0	\$ 0	\$ 269,782
Gasoline Taxes	0	14,447	14,447
Property Taxes	0	0	10,118
Franchise Taxes	0	0	17,793
Charges for Services	0	0	29,317
License, Fees and Fines	0	955	5,525
State Grants	27,167	22,400	366,068
County Subsidy	0	0	40,000
Miscellaneous	0	3	6,743
Total Revenues	<u>27,167</u>	<u>37,805</u>	<u>759,793</u>
<b>Expenditures</b>			
Current			
General	0	0	132,853
Public Safety	0	13,412	507,108
Public Works	0	7,075	49,080
Culture & Recreation	0	0	17,908
Capital Outlay	0	0	447,262
Debt Service			
Principal	0	16,732	63,465
Interest	0	0	10,045
Loan Issue Costs	0	0	4,728
Total Expenditures	<u>0</u>	<u>37,219</u>	<u>1,232,449</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>27,167</u>	<u>586</u>	<u>(472,656)</u>
<b>Other Financing Sources (Uses)</b>			
Loan Proceeds	0	0	319,928
Transfers In/(Out)	19,536	0	19,536
Total Other Sources (Uses)	<u>19,536</u>	<u>0</u>	<u>339,464</u>
Net Change in Fund Balance	46,703	586	(133,192)
Fund Balances at Beginning of Year	<u>(46,703)</u>	<u>43,798</u>	<u>632,809</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 44,384</u>	<u>\$ 499,617</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, 2013

---

Net Change in Fund Balance \$ (133,192)

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 Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Depreciation expense	\$ (219,511)	
Capital Outlays	<u>447,262</u>	227,751

New loans are other financing sources in the Statement of Activities but is a liability on the Statement of Net Position. (319,928)

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 63,465

Bond issue costs are amortized in the Statement of Activities but are an expenditure in the governmental funds.

Issue Costs	4,728	
Amortization of Issue Costs	<u>(488)</u>	4,240

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, 2012	1,596	
Accrued Interest, June 30, 2013	<u>(1,397)</u>	199

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, 2012	16,050	
Compensated Absences, June 30, 2013	<u>(14,469)</u>	<u>1,581</u>

Changes in Net Position of Governmental Activities \$ (155,884)

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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Taxes				
Property Taxes	\$ 9,102	\$ 9,102	\$ 9,851	\$ 749
Franchise Taxes	16,500	16,500	16,045	(455)
Gross Receipts	294,167	294,167	265,292	(28,875)
Other Taxes	1,021	1,021	1,172	151
Charges for Services	14,400	14,400	28,145	13,745
License, Fees and Fines	3,868	3,868	4,570	702
County Subsidy	0	0	40,000	40,000
Small Cities Assistance	150,000	150,000	171,074	21,074
Loan Proceeds	0	0	91,350	91,350
Miscellaneous	57,582	57,582	6,740	(50,842)
Total Revenues	<u>546,640</u>	<u>546,640</u>	<u>634,239</u>	<u>87,599</u>
<b>Expenditures</b>				
Executive Department				
Operating Expense	17,929	17,929	15,346	2,583
Total Executive Department	<u>17,929</u>	<u>17,929</u>	<u>15,346</u>	<u>2,583</u>
Judicial				
Operating Expenses	27,150	27,150	14,761	12,389
Total Judicial	<u>27,150</u>	<u>27,150</u>	<u>14,761</u>	<u>12,389</u>
Financial				
Operating Expenses	116,284	116,284	101,364	14,920
Total Financial	<u>116,284</u>	<u>116,284</u>	<u>101,364</u>	<u>14,920</u>
Public Safety				
Operating Expenses	400,091	400,091	400,191	(100)
Capital Outlay	0	0	90,000	(90,000)
Debt Service				
Principal	0	0	5,785	(5,785)
Interest	0	0	687	(687)
Loan Issue Costs	0	0	1,350	(1,350)
Total Public Safety	<u>400,091</u>	<u>400,091</u>	<u>498,013</u>	<u>(97,922)</u>
Streets				
Operating Expenses	15,000	15,000	41,819	(26,819)
Total Streets	<u>15,000</u>	<u>15,000</u>	<u>41,819</u>	<u>(26,819)</u>
Industrial Park				
Capital Outlay	5,000	5,000	31,003	(26,003)
Debt Service				
Principal	0	0	3,601	(3,601)
Interest	0	0	4,700	(4,700)
Total Industrial Park	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 39,304</u>	<u>\$ (34,304)</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Parks & Recreation				
Operating Expenses	\$ 24,500	\$ 24,500	\$ 17,456	\$ 7,044
Total Parks & Recreation	<u>24,500</u>	<u>24,500</u>	<u>17,456</u>	<u>7,044</u>
Total Expenditures	<u>605,954</u>	<u>605,954</u>	<u>728,063</u>	<u>(122,109)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(59,314)</u>	<u>(59,314)</u>	<u>(93,824)</u>	<u>(34,510)</u>
Other Financing Sources (Uses)				
Transfers	<u>0</u>	<u>0</u>	<u>(3,386)</u>	<u>(3,386)</u>
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>(3,386)</u>	<u>(3,386)</u>
Net Change in Fund Balance	(59,314)	(59,314)	(97,210)	(37,896)
Cash Balance Beginning of Year	<u>504,888</u>	<u>504,888</u>	<u>504,888</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 445,574</u>	<u>\$ 445,574</u>	<u>\$ 407,678</u>	<u>\$ (37,896)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ (97,210)	
Net Change in Taxes Receivables			6,504	
Net Change in Accounts Payables			(1,138)	
Net Change in Accrued Salaries & Benefits			(1,515)	
Net Change in Fund Balance			<u>\$ (93,359)</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State & Local Grants	\$ 106,032	\$ 106,032	\$ 145,427	\$ 39,395
NMFA Loan Proceeds	0	0	228,578	228,578
Transfer in from General	0	0	3,386	3,386
<b>Total Revenues</b>	<u>106,032</u>	<u>106,032</u>	<u>377,391</u>	<u>271,359</u>
<b>Expenditures</b>				
<b>Public Safety</b>				
Operating Expense	236,739	236,739	76,436	160,303
Capital Purchases	0	0	238,737	(238,737)
<b>Debt Service</b>				
Principal	0	0	37,347	(37,347)
Interest	0	0	4,658	(4,658)
Loan Issue Costs	0	0	3,378	(3,378)
<b>Total Public Safety</b>	<u>236,739</u>	<u>236,739</u>	<u>360,556</u>	<u>(123,817)</u>
<b>Total Expenditures</b>	<u>236,739</u>	<u>236,739</u>	<u>360,556</u>	<u>(123,817)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(130,707)	(130,707)	16,835	147,542
<b>Cash Balance Beginning of Year</b>	<u>27,391</u>	<u>27,391</u>	<u>27,391</u>	<u>0</u>
<b>Cash Balance End of Year</b>	<u>\$ (103,316)</u>	<u>\$ (103,316)</u>	<u>\$ 44,226</u>	<u>\$ 147,542</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 16,835	
Net Change in Accounts Payables			(7,312)	
Net Change in Fund Balance			<u>\$ 9,523</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 8,159	\$ 8,159	\$ 0	\$ (8,159)
Total Revenues	<u>8,159</u>	<u>8,159</u>	<u>0</u>	<u>(8,159)</u>
<b>Expenditures</b>				
<b>Public Safety</b>				
Operating Expenses	8,159	8,159	8,411	(252)
Capital Outlay	<u>0</u>	<u>0</u>	<u>87,522</u>	<u>(87,522)</u>
Total Public Safety	<u>8,159</u>	<u>8,159</u>	<u>95,933</u>	<u>(87,774)</u>
Total Expenditures	<u>8,159</u>	<u>8,159</u>	<u>95,933</u>	<u>(87,774)</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(95,933)	(95,933)
Cash Balance Beginning of Year	<u>90,402</u>	<u>90,402</u>	<u>90,402</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 90,402</u>	<u>\$ 90,402</u>	<u>\$ (5,531)</u>	<u>\$ (95,933)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (95,933)	
Net Change in Accounts Payables			<u>(712)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (96,645)</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 Position  
 June 30, 2013

ASSETS	Utility Fund
Current Assets	
Cash and Cash Equivalents	\$ 216,987
Receivables	
Taxes	588
Accounts	62,140
Total Current Assets	279,715
Restricted Assets	
Restricted Cash	31,175
Total Restricted Assets	31,175
Capital Assets	
Land & Water Rights	154,890
Water System	1,379,186
Sewer System	733,925
Less: Accumulated Depreciation	(1,288,540)
Total Capital Assets	979,461
Total Assets	1,290,351
LIABILITIES	
Current Liabilities	
Accounts Payable	13,648
Accrued Salaries and Benefits	1,669
Accrued Interest	1,146
Compensated Absences	4,155
Current Portion of Long-Term Debt	4,499
Total Current Liabilities	25,117
Noncurrent Liabilities	
Customer Deposits	31,175
Long-Term Debt	210,023
Total Noncurrent Liabilities	241,198
Total Liabilities	266,315
NET POSITION	
Invested in Net Capital Assets	764,939
Unrestricted	259,097
Total Net Position	\$ 1,024,036

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 Position  
 For the Year Ended June 30, 2013

	<u>Utility Fund</u>
Operating Revenues	
Sales & Service	\$ 538,994
Total Operating Revenues	<u>538,994</u>
Operating Expenses	
Operating Expense	415,882
Bad Debts	1,755
Depreciation	58,870
Total Operating Expenses	<u>476,507</u>
Operating Income (Loss)	<u>62,487</u>
Nonoperating Revenue (Expenses)	
Environmental Gross Receipts Tax	9,481
Interest Expense	(10,457)
Total Nonoperating Revenue (Expenses)	<u>(976)</u>
Change in Net Position	61,511
Total Net Position - Beginning	<u>962,525</u>
Total Net Position - Ending	<u>\$ 1,024,036</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, 2013

	<u>Utility Fund</u>
Cash Flows from Operating Activities	
Cash Received From Customers	\$ 523,373
Cash Paid to Suppliers and Employees	415,939
Net Cash Provided by Operating Activities	<u>107,434</u>
Cash Flows from Capital & Related Financing Activities	
Environmental Gross Receipts Tax	9,481
Interest paid on Capital Debt	(10,457)
Principal paid on Capital Debt	<u>(4,389)</u>
Net Cash Provided by Capital & Related Financing Activities	<u>(5,365)</u>
Net Increase (Decrease) in Cash	102,069
Cash, Beginning of the Year	<u>146,093</u>
Cash, End of the Year	<u>\$ 248,162</u>
Reconciliation of Cash	
Cash and Cash Equivalents	\$ 216,987
Restricted Cash	<u>31,175</u>
	<u>\$ 248,162</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 62,487
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	(123)
(Increase) Decrease in Accounts Receivable	(15,795)
Increase (Decrease) in Accounts Payable	(2,320)
Increase (Decrease) in Accrued Salaries and Benefits	1,669
Increase (Decrease) in Accrued Interest	(20)
Increase (Decrease) in Compensated Absences	736
Increase (Decrease) in Meter Deposits	1,930
Net Cash Provided by Operating Activities	<u>\$ 107,434</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. 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 Position and the Statement of Changes in Net Position) 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 Position 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, 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 Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. 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 Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions." 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 Position 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, 2013

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Net Position

Net position represent the difference between assets and liabilities. Net position 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 proceeds 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 positions 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	Reconciled	Type
<u>Name of Account</u>	<u>Number</u>	<u>Per Bank</u>	<u>Balance</u>	
		6/30/13		
Operating Account	3102181	\$ 607,040	\$ 595,065	Checking-Interest Bearing
Town of Hagerman	310538-5	100,850	100,850	Checking-Non Interest Bearing
Certificate of Deposit	63067	65	65	Saving-Interest Bearing
TOTAL Deposited		<u>707,955</u>	<u>\$ 695,980</u>	
Less: FDIC Coverage		<u>250,000</u>		
Uninsured Amount		457,955		
50% collateral requirement		228,978		
Pledged securities		<u>200,000</u>		
Over (Under) requirement		<u>\$ (28,978)</u>		

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
Hatch Valley NM Muni SD #11	418839CL8	\$ 100,000	08/01/2014	TIB, Dallas TX
Lea Co NM Public SD #8	521513AR2	100,000	06/15/2015	TIB, Dallas TX
		<u>\$ 200,000</u>		

STATE OF NEW MEXICO  
**TOWN OF HAGERMAN**  
Notes to the Financial Statements  
June 30, 2013

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

	Balance 6/30/13
<b>Bank of America</b>	
JF PP-2025	\$ 6
CM PP-2340	3
ZD PP-2136	13,042
Ambulance	1,711
TOTAL Deposited	<u>14,762</u>
Less: FDIC Coverage	<u>14,762</u>
Uninsured Amount	0
50% collateral requirement	0
Pledged securities	0
Over (Under) requirement	<u>\$ 0</u>

The funds held at the Bank of America 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, 2013. The funds earn a small amount of interest.

Custodial Credit Risk-Deposits	Bank Balance
<u>Depository Account</u>	<u></u>
Insured	\$ 264,762
Collateralized	
Collateral held by the pledging bank in Town's name	200,000
Uninsured and uncollateralized	257,955
Total Deposits	<u>\$ 722,717</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, 2013 \$257,955 of the Town's bank balance of \$722,717 was exposed to custodial credit risk.

**NOTE D: CAPITAL ASSETS**

Capital Assets Balances and Activity for the Year Ended June 30, 2013, is as follows:

Governmental Activities	Balance 6/30/12	Increases	Decreases	Balance 6/30/13
Capital Assets, not being Depreciated				
Land	\$ 138,730	\$ 0	\$ 0	\$ 138,730
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets not being Depreciated	<u>138,730</u>	<u>0</u>	<u>0</u>	<u>138,730</u>
Capital Assets, being Depreciated				
Infrastructure	406,793	0	0	406,793
Buildings & Improvements	6,598,421	269,740	0	6,868,161
Equipment & Vehicles	<u>1,029,090</u>	<u>177,522</u>	<u>0</u>	<u>1,206,612</u>
Total Capital Assets, being Depreciated	<u>8,034,304</u>	<u>447,262</u>	<u>0</u>	<u>8,481,566</u>
Total Capital Assets	<u>\$ 8,173,034</u>	<u>\$ 447,262</u>	<u>\$ 0</u>	<u>\$ 8,620,296</u>

STATE OF NEW MEXICO  
**TOWN OF HAGERMAN**  
Notes to the Financial Statements  
June 30, 2013

Less Accumulated Depreciation				
Infrastructure	\$ 167,458	\$ 18,065	\$ 0	\$ 185,523
Buildings & Improvements	1,534,252	135,747	0	1,669,999
Equipment & Vehicles	710,511	65,699	0	776,210
Total Accumulated Depreciation	<u>2,412,221</u>	<u>219,511</u>	<u>0</u>	<u>2,631,732</u>
Capital Assets, net	<u>\$ 5,617,411</u>	<u>\$ 227,751</u>	<u>\$ 0</u>	<u>\$ 5,988,564</u>

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

General	\$ 1,234
Public Safety	90,258
Public Works	95,159
Culture & Recreation	32,860
Total depreciation expenses	<u>\$ 219,511</u>

	Balance 6/30/12	Increases	Decreases	Balance 6/30/13
<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	154,890	0	0	154,890
Capital Assets, being Depreciated				
Water System	1,379,186	0	0	1,379,186
Sewer System	733,925	0	0	733,925
Total Capital Assets	<u>\$ 2,268,001</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,268,001</u>
Less Accumulated Depreciation				
Water System	\$ 830,986	\$ 34,406	\$ 0	\$ 865,392
Sewer System	398,684	24,464	0	423,148
Total Accumulated Depreciation	<u>1,229,670</u>	<u>58,870</u>	<u>0</u>	<u>1,288,540</u>
Capital Assets, net	<u>\$ 1,038,331</u>	<u>\$ (58,870)</u>	<u>\$ 0</u>	<u>\$ 979,461</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.	\$ 118,780	\$ 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.	83,294	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.	\$ 0	\$ 0

STATE OF NEW MEXICO  
**TOWN OF HAGERMAN**  
Notes to the Financial Statements  
June 30, 2013

\$228,578 loan held by New Mexico Finance Authority with annual payments of \$15,205 to 26,000 at 0% for the improvements of the fire station building. The debt is paid from the Fire Fund. \$ 228,578 \$ 0

\$91,350 loan held by New Mexico Finance Authority with annual payments of \$10,264 at .27% to 2.2% for the purchase of EMS Equipment. The debt is paid from the revenue generated by the ambulance in the General Fund. 85,565 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 99,721

\$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. 0 114,800  
\$ 516,217 \$ 214,521

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

Governmental Activities:

	Beginning Balance 6/30/12	Increases	Decreases	Ending Balance 6/30/13	Due Within One Year
<b>Loans</b>					
NMFA Fire Truck	\$ 156,127	\$ 0	\$ 37,347	\$ 118,780	\$ 38,437
NMFA Fire Building	0	228,578	0	228,578	15,205
NMFA Industrial Park	86,895	0	3,601	83,294	2,299
NMFA EMS	0	91,350	5,785	85,565	9,190
NMFA Police Cars	16,732	0	16,732	0	0
<b>Compensated Absences</b>	16,050	10,812	12,393	14,469	0
<b>Liabilities</b>	<u>\$ 275,804</u>	<u>330,740</u>	<u>\$ 75,858</u>	<u>\$ 530,686</u>	<u>\$ 65,131</u>

Business-Type Activities:

	Balance 6/30/12	Additions	Reductions	Balance 6/30/13	Due Within One Year
RUS 1997	\$ 101,910	0	2,188	99,722	\$ 2,189
RUS 1999	117,000	0	2,200	114,800	2,200
<b>Compensated Absences</b>	3,418	5,133	4,395	4,156	0
<b>Liabilities</b>	<u>\$ 222,328</u>	<u>5,133</u>	<u>8,783</u>	<u>218,678</u>	<u>\$ 4,389</u>

STATE OF NEW MEXICO  
**TOWN OF HAGERMAN**  
Notes to the Financial Statements  
June 30, 2013

Governmental Activities:

The annual requirements to amortize the loans outstanding as of June 30, 2013, including interest payments are as follows:

	Principal	Interest	Total
2014	\$ 65,131	\$ 9,705	\$ 74,836
2015	66,589	8,246	74,835
2016	68,575	6,812	75,387
2017	38,001	5,372	43,373
2018	38,218	5,155	43,373
2019-2023	185,302	21,299	206,601
2024-2028	20,655	14,891	35,546
2029-2033	26,343	9,203	35,546
2034-2037	7,403	1,751	9,154
	<u>\$ 516,217</u>	<u>\$ 82,434</u>	<u>\$ 598,651</u>

Business-Type Activities:

The annual requirements to amortize the loans outstanding as of June 30, 2013, including interest payments are as follows:

	Principal	Interest	Total
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	5,492	9,317	14,809
2019-2023	31,895	42,451	74,346
2024-2028	40,355	33,891	74,246
2029-2033	51,243	23,103	74,346
2034-2038	55,031	9,742	64,773
2039-2040	11,000	600	11,600
	<u>\$ 214,522</u>	<u>\$ 159,036</u>	<u>\$ 373,558</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, 2013, were as follows:

	General	Non Major	Utilities
Taxes			
Gross Receipt Taxes	\$ 23,617	\$ 0	\$ 588
Gasoline Taxes	0	985	0
Property Taxes	461	0	0
Franchise Taxes	4,469	0	0
Other Taxes	98	0	
Accounts	0	0	62,140
	<u>\$ 28,645</u>	<u>\$ 985</u>	<u>\$ 62,728</u>

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



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

As of June 30, 2013, the Town had the following interfund balances:

Transfer From	Transfer To
General            \$ <u>          3,386</u>	Fire                    \$ <u>          3,386</u>

The transfer was to repay the Fire Fund for expenditures disallowed by the State Fire Marshall.

**NOTE I: DEFINED BENEFIT PENSION PLAN**

**Plan Description.** Substantially all of the municipality'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 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 <http://www.pera.state.nm.us>.

**Funding Policy.** Non-police plan members are required to contribute 7% of their gross salary. The municipality is required to contribute 7% of the gross covered salary. Police plan members are required to contribute 7% of their gross salary. The municipality is required to contribute 18.5% of the gross covered salary. The contribution requirements of the plan members and the municipality are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The municipality has passed a resolution to pay all but 1.75% of the employees portion as an employee benefit. The dollar amount listed below reflect the true dollar amount that the municipality paid. The municipality's contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$62,799, \$51,071, and \$44,285, respectively, which equal the amount of the required 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 EMS Fund had a deficit fund balance at the end of the fiscal year of \$(6,243).

**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, 2013:

<b>Major Funds</b>	<u>Amount</u>
General	\$ (122,109)
Fire	(123,817)
EMS	(87,774)
Utilities	(33,777)
<b>Non-Major Funds</b>	
Law Enforcement Protection	(19,838)

**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, 2013 in the amount of \$1,742 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.

**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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Miscellaneous	\$ 0	\$ 0	\$ 19,536	\$ 19,536
Total Revenues	<u>0</u>	<u>0</u>	<u>19,536</u>	<u>19,536</u>
<b>Expenditures</b>				
Capital Outlay	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	19,536	19,536
Cash Balance Beginning of Year	<u>(46,703)</u>	<u>(46,703)</u>	<u>(46,703)</u>	<u>0</u>
Cash Balance End of Year	<u><u>\$ (46,703)</u></u>	<u><u>\$ (46,703)</u></u>	<u><u>\$ (27,167)</u></u>	<u><u>\$ 19,536</u></u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 19,536	
Net Change in Due from Grantor			<u>27,167</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u><u>\$ 46,703</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).

STATE OF NEW MEXICO  
**TOWN OF HAGERMAN**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
June 30, 2013

	Law Enforcement Protection	Corrections	Municipal Streets
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 0	\$ 14,666	\$ 32,299
Receivables			
Taxes	0	0	985
Total Assets	<u>\$ 0</u>	<u>\$ 14,666</u>	<u>\$ 33,284</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Interfund Balance	\$ 3,566	\$ 0	\$ 0
Total Liabilities	<u>3,566</u>	<u>0</u>	<u>0</u>
Fund Balance			
Restricted, reported in			
Special Revenue Fund	(3,566)	14,666	33,284
Total Fund Balance	<u>(3,566)</u>	<u>14,666</u>	<u>33,284</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 14,666</u>	<u>\$ 33,284</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, 2013

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	<u>Total</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 46,965
Receivables	
Taxes	985
Total Assets	<u>\$ 47,950</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Interfund Balance	\$ 3,566
Total Liabilities	<u>3,566</u>
Fund Balance	
Restricted, reported in	
Special Revenue Fund	<u>44,384</u>
Total Fund Balance	<u>44,384</u>
 Total Liabilities and Fund Balance	 <u>\$ 47,950</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, 2013

	Law Enforcement Protection	Corrections	Municipal Streets
Revenues			
Taxes			
Gasoline Taxes	\$ 0	\$ 0	\$ 14,447
License, Fees and Fines	0	955	0
State Grants	22,400	0	0
Miscellaneous	3	0	0
Total Revenues	<u>22,403</u>	<u>955</u>	<u>14,447</u>
Expenditures			
Current			
Public Safety	13,136	276	0
Public Works	0	0	7,075
Culture & Recreation	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	16,732	0	0
Total Expenditures	<u>29,868</u>	<u>276</u>	<u>7,075</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,465)	679	7,372
Fund Balances at Beginning of Year	<u>3,899</u>	<u>13,987</u>	<u>25,912</u>
Fund Balance End of Year	<u>\$ (3,566)</u>	<u>\$ 14,666</u>	<u>\$ 33,284</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, 2013

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	<u>Total</u>
Revenues	
Taxes	
Gasoline Taxes	\$ 14,447
License, Fees and Fines	955
State Grants	22,400
Miscellaneous	<u>3</u>
Total Revenues	<u>37,805</u>
Expenditures	
Current	
Public Safety	13,412
Public Works	7,075
Culture & Recreation	0
Capital Outlay	0
Debt Service	
Principal	<u>16,732</u>
Total Expenditures	<u>37,219</u>
Excess (Deficiency) of Revenues Over Expenditures	586
Fund Balances at Beginning of Year	<u>43,798</u>
Fund Balance End of Year	<u>\$ 44,384</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grants	\$ 5,696	\$ 5,696	\$ 22,400	\$ 16,704
Miscellaneous	0	0	3	3
Total Revenues	<u>5,696</u>	<u>5,696</u>	<u>22,403</u>	<u>16,707</u>
<b>Expenditures</b>				
<b>Public Safety</b>				
Operating Expenses	10,406	10,406	13,512	(3,106)
Debt Service				
Principal	0	0	16,732	(16,732)
Total Public Safety	<u>10,406</u>	<u>10,406</u>	<u>30,244</u>	<u>(19,838)</u>
Total Expenditures	<u>10,406</u>	<u>10,406</u>	<u>30,244</u>	<u>(19,838)</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,710)	(4,710)	(7,841)	(3,131)
Cash Balance Beginning of Year	<u>4,275</u>	<u>4,275</u>	<u>4,275</u>	<u>0</u>
Cash Balance End of Year	<u>\$ (435)</u>	<u>\$ (435)</u>	<u>\$ (3,566)</u>	<u>\$ (3,131)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (7,841)	
Net Change in Accounts Payables			376	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (7,465)</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Fees	\$ 5,055	\$ 5,055	\$ 955	\$ (4,100)
Total Revenues	<u>5,055</u>	<u>5,055</u>	<u>955</u>	<u>(4,100)</u>
Expenditures				
Public Safety				
Operating Expenses	5,055	5,055	276	4,779
Total Public Safety	<u>5,055</u>	<u>5,055</u>	<u>276</u>	<u>4,779</u>
Total Expenditures	<u>5,055</u>	<u>5,055</u>	<u>276</u>	<u>4,779</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	679	679
Cash Balance Beginning of Year	<u>13,987</u>	<u>13,987</u>	<u>13,987</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 13,987</u>	<u>\$ 13,987</u>	<u>\$ 14,666</u>	<u>\$ 679</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 679	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 679</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Gasoline Taxes	\$ 14,500	\$ 14,500	\$ 14,618	\$ 118
State Grants	0	0	0	0
Total Revenues	<u>14,500</u>	<u>14,500</u>	<u>14,618</u>	<u>118</u>
<b>Expenditures</b>				
<b>Public Works</b>				
Operating Expenses	25,850	25,850	7,075	18,775
Capital Outlay	0	0	0	0
Total Public Works	<u>25,850</u>	<u>25,850</u>	<u>7,075</u>	<u>18,775</u>
Total Expenditures	<u>25,850</u>	<u>25,850</u>	<u>7,075</u>	<u>18,775</u>
Excess (Deficiency) of Revenues Over Expenditures	(11,350)	(11,350)	7,543	18,893
Cash Balance Beginning of Year	<u>24,756</u>	<u>24,756</u>	<u>24,756</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 13,406</u>	<u>\$ 13,406</u>	<u>\$ 32,299</u>	<u>\$ 18,893</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 7,543	
Net Change in Taxes Receivables			<u>(171)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 7,372</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Sales & Service	\$ 450,474	\$ 450,474	\$ 523,373	\$ 72,899
Environmental Gross Receipt Tax	3,497	3,497	9,357	5,860
<b>Total Revenues</b>	<b>453,971</b>	<b>453,971</b>	<b>532,730</b>	<b>78,759</b>
<b>Expenditures</b>				
<b>Water</b>				
Operating Expenses	189,515	189,515	214,220	(24,705)
<b>Debt Service</b>				
Principal	0	0	4,389	(4,389)
Interest	0	0	10,477	(10,477)
<b>Total Water</b>	<b>189,515</b>	<b>189,515</b>	<b>229,086</b>	<b>(39,571)</b>
<b>Sewer</b>				
Operating Expenses	71,857	71,857	52,153	19,704
<b>Total Sewer</b>	<b>71,857</b>	<b>71,857</b>	<b>52,153</b>	<b>19,704</b>
<b>Solid Waste</b>				
Operating Expenses	135,512	135,512	149,422	(13,910)
<b>Total Solid Waste</b>	<b>135,512</b>	<b>135,512</b>	<b>149,422</b>	<b>(13,910)</b>
<b>Total Expenditures</b>	<b>396,884</b>	<b>396,884</b>	<b>430,661</b>	<b>(33,777)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>264,456</b>	<b>57,087</b>	<b>102,069</b>	<b>44,982</b>
<b>Cash Balance Beginning of Year</b>	<b>146,093</b>	<b>146,093</b>	<b>146,093</b>	<b>0</b>
<b>Cash Balance End of Year</b>	<b>\$ 410,549</b>	<b>\$ 203,180</b>	<b>\$ 248,162</b>	<b>\$ 44,982</b>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 102,069	
Depreciation			(58,870)	
Principal Paid			4,389	
Net Changes in Taxes Receivable			123	
Net Changes in Accounts Receivable			15,795	
Net Changes in Accounts Payable			2,320	
Net Changes in Accrued Salaries & Benefits			(1,669)	
Net Changes in Accrued Interest			20	
Net Changes in Compensated Absences			(736)	
Net Changes in Meter Deposits			(1,930)	
<b>Change in Net Position</b>			<b>\$ 61,511</b>	

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*

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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund, of the Town of Hagerman (Town) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Town, presented as supplemental information, and have issued our report thereon dated November 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2004-1, 2009-1, 12-1, 13-1 and 13-2.


#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses; 2004-1, 2009-1, 12-1. 13-1 and 13-2.

#### The Town's Responses to Findings

The Town's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. The Town's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 De'Ann Willoughby CPA PC

Clovis, New Mexico

November 14, 2013

**Financial Statement**

**Prior Year Audit Findings**

	<u>Status</u>
2004-1 Preparation of Financial Statements	Repeated
2009-1 Expenditures Over Budget	Repeated
2011-1 Payroll	Resolved
12-1 Lack of Pledged Securities	Repeated
12-2 Reconciliation	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.

**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.

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

**Condition**

The deposits held at James Polk Community Bank were \$28,945.11 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.

**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.

**Effect**

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

**Recommendation**

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

**Response**

We will contact the bank immediately and request pledged securities.

**13-1 1099's-Compliance and Internal Control-Significant Deficiency**

**Condition**

During our review of 1099's two of the four vendors were not issued 1099's. The two that were not issued totaled \$1,819.46.

**Criteria**

Internal Revenue Code (IRC) Section 6721

**Cause**

The vendors were not marked in the software as 1099s not were the expenditures reviewed for the year searching for possible 1099s.

**Effect**

A penalty could be proposed for each 1099 (information return) that was not filed or filed correctly by the due date. Because it has been longer than 30 day from the original due date the penalty could be \$100 per information return, up to a maximum of \$500,000. There could also be a late filing penalty.

**Recommendation**

Vendors should be marked as 1099s in the software and expenditures reviewed on the calendar year for possible 1099s to be issued.

**Response**

We will mark vendors as 1099s when required in our software and review the expenditures by vendor for the calendar year to assure all 1099s are issued.

**13-2 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 the Fire Fund of \$(103,316).

**Criteria**

Section 2.2.2.10. (P) (1), NMAC, requires all funds, with the exception of agency funds, to 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 this budget deficit in this fund 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.

**Financial Statement Preparation**

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

**Exit Conference**

An exit conference was held on November 14, 2013 in attendance was Cliff Waide-Mayor, Gena Sterrett-Clerk Treasurer and De'Aun Willoughby, CPA.