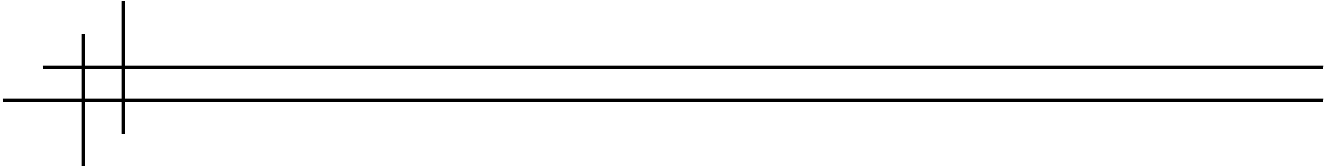




STATE OF NEW MEXICO
TOWN OF HAGERMAN

ANNUAL FINANCIAL REPORT
June 30, 2014

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



	<u>Page</u>
Official Roster.....	4
Independent Auditor's Report.....	5-6

FINANCIAL SECTION

Basic Financial Statements

Government Wide Financial Statements	
Statement of Net Position.....	8
Statement of Activities.....	9
Fund Financial Statements	
Government Funds - Balance Sheet.....	10-11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	13-14
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	15

MAJOR FUND

General Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	16-17
--	-------

Fire Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	18
--	----

Streets Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget and Actual (Budgetary Basis).....	19
---	----

Proprietary Funds

Statement of Net Position.....	20
Statement of Revenues, Expenses and Changes in Net Position.....	21
Statement of Cash Flows.....	22

Notes to Financial Statements.....	23-34
------------------------------------	-------

	<u>Page</u>
SUPPLEMENTAL INFORMATION RELATED TO NON MAJOR FUNDS	
Non-major Special Revenue Funds	
Combining Balance Sheet.....	37-38
Combining Statement of Revenues, Expenditures and Changes in Fund Balance....	39-40
Emergency Medical Services Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	41
Law Enforcement Protection Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	42
Correction Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	43
Non-major Capital Projects Fund	
Capital Projects Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	44
OTHER SUPPLEMENTAL INFORMATION	
Utility Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	46
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	47-48
Findings and Responses	49

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Official Roster
June 30, 2014

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, 2014, 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 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, 2014, 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, 2014, and the respective changes in financial position and where applicable, cash flows 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, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for 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 6, 2014, 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.

 De'Ann Willoughby CPA PC

Clovis, New Mexico
November 6, 2014

FINANCIAL SECTION

STATE OF NEW MEXICO
TOWN OF HAGERMAN
 Government-Wide Statement of Net Position
 June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 636,326	\$ 311,014	\$ 947,340
Receivables			
Taxes	29,899	602	30,501
Accounts	0	49,134	49,134
Restricted Cash	0	33,440	33,440
Total Current Assets	<u>666,225</u>	<u>394,190</u>	<u>1,060,415</u>
Noncurrent Assets	8,806,144	2,337,799	11,143,943
Less: Accumulated Depreciation	<u>(2,862,020)</u>	<u>(1,351,933)</u>	<u>(4,213,953)</u>
Total Noncurrent Assets	<u>5,944,124</u>	<u>985,866</u>	<u>6,929,990</u>
Total Assets	<u>6,610,349</u>	<u>1,380,056</u>	<u>7,990,405</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	32,275	20,914	53,189
Accrued Salaries and Benefits	1,592	563	2,155
Accrued Interest	489	1,125	1,614
Compensated Absences	9,003	3,912	12,915
Current Portion of Long-Term Debt	66,589	4,813	71,402
Total Current Liabilities	<u>109,948</u>	<u>31,327</u>	<u>141,275</u>
Noncurrent Liabilities			
Customer Deposits	0	33,440	33,440
Notes and Loans Payable	378,778	205,209	583,987
Total Noncurrent Liabilities	<u>378,778</u>	<u>238,649</u>	<u>617,427</u>
Total Liabilities	<u>488,726</u>	<u>269,976</u>	<u>758,702</u>
NET POSITION			
Net Investment in Capital Assets	5,498,757	775,844	6,274,601
Unrestricted	622,866	334,236	957,102
Total Net Position	<u>\$ 6,121,623</u>	<u>\$ 1,110,080</u>	<u>\$ 7,231,703</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, 2014

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	
Governmental Activities							
General Government	\$ 116,773	\$ 3,846	\$ 269,573	\$ 0	\$ 156,646	\$ 0	\$ 156,646
Public Safety	583,743	20,835	254,867	0	(308,041)	0	(308,041)
Public Works	131,076	0	0	117,336	(13,740)	0	(13,740)
Health & Welfare	0	0	0	0	0	0	0
Culture & Recreation	51,809	1,795	0	0	(50,014)	0	(50,014)
Interest	8,500	0	0	0	(8,500)	0	(8,500)
Total Governmental Activities	891,901	26,476	524,440	117,336	(223,649)	0	(223,649)
Business-type Activities							
Water	292,032	288,928	0	33,768	0	30,664	30,664
Sewer	102,226	79,654	0	36,000	0	13,428	13,428
Solid Waste	154,776	189,588	0	0	0	34,812	34,812
Total Business-type Activities	549,034	558,170	0	69,768	0	78,904	78,904
Total Primary Government	\$ 1,440,935	\$ 584,646	\$ 524,440	\$ 187,104	(223,649)	78,904	(144,745)
General Revenues							
Gross Receipts Taxes					327,868	7,140	335,008
Gasoline Taxes					16,681	0	16,681
Property Taxes					11,829	0	11,829
Franchise Taxes					18,172	0	18,172
Other Taxes					1,274	0	1,274
Miscellaneous					36,277	0	36,277
Total General Revenues					412,101	7,140	419,241
Change in Net Position					188,452	86,044	274,496
Net Position - Beginning					5,960,338	1,024,036	6,984,374
Restatement					(27,167)	0	(27,167)
Restated Beginning Net Position					5,933,171	1,024,036	6,957,207
Net Position - Ending					\$ 6,121,623	\$ 1,110,080	\$ 7,231,703

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, 2014

	<u>Special Revenue</u>		
	<u>General</u>	<u>Fire</u>	<u>Streets</u>
ASSETS			
Cash and Cash Equivalents	\$ 580,783	\$ 26,504	\$ 4,723
Receivables			
Taxes	28,669	0	1,230
Total Assets	<u>\$ 609,452</u>	<u>\$ 26,504</u>	<u>\$ 5,953</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 2,823	\$ 29,452	\$ 0
Accrued Salaries and Benefits	1,592	0	0
Total Liabilities	<u>4,415</u>	<u>29,452</u>	<u>0</u>
Fund Balances			
Restricted for:			
Special Revenue Fund	0	0	5,953
Capital Projects	0	0	0
Unassigned	605,037	(2,948)	0
Total Fund Balances	<u>605,037</u>	<u>(2,948)</u>	<u>5,953</u>
Total Liabilities and Fund Balances	<u>\$ 609,452</u>	<u>\$ 26,504</u>	<u>\$ 5,953</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, 2014

	<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 24,316	\$ 636,326
Receivables		
Taxes	0	29,899
Total Assets	<u>\$ 24,316</u>	<u>\$ 666,225</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 0	\$ 32,275
Accrued Salaries and Benefits	0	1,592
Total Liabilities	<u>0</u>	<u>33,867</u>
Fund Balances		
Restricted for:		
Special Revenue Fund	24,316	30,269
Capital Projects	0	0
Unassigned	0	602,089
Total Fund Balances	<u>24,316</u>	<u>632,358</u>
Total Liabilities and Fund Balances	<u>\$ 24,316</u>	<u>\$ 666,225</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, 2014

Total Fund Balance - Governmental Funds \$ 632,358

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

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

Capital Assets	\$ 8,806,144	
Accumulated Depreciation	<u>(2,862,020)</u>	5,944,124

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	(445,367)	
Accrued Interest	(489)	
Compensated Absences	<u>(9,003)</u>	<u>(454,859)</u>

Total Net Position - Governmental Activities \$ 6,121,623

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, 2014

	<u>Special Revenue</u>		
	<u>General</u>	<u>Fire</u>	<u>Streets</u>
Revenues			
Taxes			
Gross Receipt Taxes	\$ 327,868	\$ 0	\$ 0
Gasoline Taxes	0	0	16,681
Property Taxes	11,829	0	0
Franchise Taxes	18,172	0	0
Other	1,274	0	0
Charges for Services	22,630	0	0
License, Fees and Fines	3,039	0	0
State Grants	269,573	141,717	117,336
Federal Grants	0	0	0
County Subsidy	75,000	0	0
Miscellaneous	36,269	8	0
Total Revenue	<u>765,654</u>	<u>141,725</u>	<u>134,017</u>
Expenditures			
Current			
General	117,363	0	0
Public Safety	378,616	98,794	0
Public Works	25,351	0	0
Culture & Recreation	18,957	0	0
Capital Outlay	0	24,500	161,348
Debt Service			
Principal	12,968	53,642	0
Interest	5,587	3,821	0
Total Expenditures	<u>558,842</u>	<u>180,757</u>	<u>161,348</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>206,812</u>	<u>(39,032)</u>	<u>(27,331)</u>
Other Financing Sources (Uses)			
Transfers In/(Out)	<u>(27,167)</u>	<u>0</u>	<u>0</u>
Total Other Sources (Uses)	<u>(27,167)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>179,645</u>	<u>(39,032)</u>	<u>(27,331)</u>
Fund Balances at Beginning of Year	425,392	36,084	33,284
Restatement	0	0	0
Restated Beginning Fund Balance	<u>425,392</u>	<u>36,084</u>	<u>33,284</u>
Fund Balance End of Year	<u>\$ 605,037</u>	<u>\$ (2,948)</u>	<u>\$ 5,953</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, 2014

	<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
Revenues		
Taxes		
Gross Receipt Taxes	\$ 0	\$ 327,868
Gasoline Taxes	0	16,681
Property Taxes	0	11,829
Franchise Taxes	0	18,172
Other	0	1,274
Charges for Services	0	22,630
License, Fees and Fines	807	3,846
State Grants	38,150	566,776
Federal Grants	0	0
County Subsidy	0	75,000
Miscellaneous	0	36,277
Total Revenue	<u>38,957</u>	<u>1,080,353</u>
Expenditures		
Current		
General	0	117,363
Public Safety	19,498	496,908
Public Works	0	25,351
Culture & Recreation	0	18,957
Capital Outlay	0	185,848
Debt Service		
Principal	0	66,610
Interest	0	9,408
Total Expenditures	<u>19,498</u>	<u>920,445</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>19,459</u>	<u>159,908</u>
Other Financing Sources (Uses)		
Transfers In/(Out)	<u>27,167</u>	<u>0</u>
Total Other Sources (Uses)	<u>27,167</u>	<u>0</u>
Net Change in Fund Balance	<u>46,626</u>	<u>159,908</u>
Fund Balances at Beginning of Year	4,857	499,617
Restatement	<u>(27,167)</u>	<u>(27,167)</u>
Restated Beginning Fund Balance	<u>(22,310)</u>	<u>472,450</u>
Fund Balance End of Year	<u>\$ 24,316</u>	<u>\$ 632,358</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, 2014

Net Change in Fund Balance \$ 159,908

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	\$ (230,288)	
Capital Outlays	<u>185,848</u>	(44,440)

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 66,610

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, 2013	1,397	
Accrued Interest, June 30, 2014	<u>(489)</u>	908

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, 2013	14,469	
Compensated Absences, June 30, 2014	<u>(9,003)</u>	<u>5,466</u>

Changes in Net Position of Governmental Activities \$ 188,452

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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Taxes				
Property Taxes	\$ 10,518	\$ 10,518	\$ 11,973	\$ 1,455
Franchise Taxes	18,475	18,475	18,627	152
Gross Receipts	253,303	253,303	327,256	73,953
Other Taxes	998	998	1,263	265
Charges for Services	27,545	27,545	22,630	(4,915)
License, Fees and Fines	11,450	11,450	3,040	(8,410)
County Subsidy	64,360	64,360	75,000	10,640
Small Cities Assistance	170,000	170,000	269,573	99,573
Miscellaneous	3,857	3,857	36,269	32,412
Total Revenues	<u>560,506</u>	<u>560,506</u>	<u>765,631</u>	<u>205,125</u>
Expenditures				
Executive Department				
Operating Expense	<u>17,818</u>	<u>17,818</u>	<u>18,573</u>	<u>(755)</u>
Total Executive Department	<u>17,818</u>	<u>17,818</u>	<u>18,573</u>	<u>(755)</u>
Judicial				
Operating Expenses	<u>29,335</u>	<u>29,335</u>	<u>13,821</u>	<u>15,514</u>
Total Judicial	<u>29,335</u>	<u>29,335</u>	<u>13,821</u>	<u>15,514</u>
Financial				
Operating Expenses	<u>111,367</u>	<u>111,367</u>	<u>85,686</u>	<u>25,681</u>
Total Financial	<u>111,367</u>	<u>111,367</u>	<u>85,686</u>	<u>25,681</u>
Public Safety				
Operating Expenses	429,624	429,624	382,133	47,491
Debt Service				
Principal	0	0	9,191	(9,191)
Interest	<u>0</u>	<u>0</u>	<u>1,073</u>	<u>(1,073)</u>
Total Public Safety	<u>429,624</u>	<u>429,624</u>	<u>392,397</u>	<u>37,227</u>
Streets				
Operating Expenses	<u>17,507</u>	<u>17,507</u>	<u>26,112</u>	<u>(8,605)</u>
Total Streets	<u>17,507</u>	<u>17,507</u>	<u>26,112</u>	<u>(8,605)</u>
Industrial Park				
Capital Outlay	0	0	0	0
Debt Service				
Principal	0	0	3,777	(3,777)
Interest	<u>0</u>	<u>0</u>	<u>4,514</u>	<u>(4,514)</u>
Total Industrial Park	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,291</u>	<u>\$ (8,291)</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Parks & Recreation				
Operating Expenses	\$ 19,411	\$ 19,411	\$ 20,479	\$ (1,068)
Total Parks & Recreation	<u>19,411</u>	<u>19,411</u>	<u>20,479</u>	<u>(1,068)</u>
Total Expenditures	<u>607,555</u>	<u>625,062</u>	<u>565,359</u>	<u>59,703</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(47,049)</u>	<u>(64,556)</u>	<u>200,272</u>	<u>264,828</u>
Other Financing Sources (Uses)				
Transfers	<u>0</u>	<u>0</u>	<u>(27,167)</u>	<u>(27,167)</u>
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>(27,167)</u>	<u>(27,167)</u>
Net Change in Fund Balance	(47,049)	(64,556)	173,105	237,661
Cash Balance Beginning of Year	<u>407,678</u>	<u>407,678</u>	<u>407,678</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 360,629</u>	<u>\$ 343,122</u>	<u>\$ 580,783</u>	<u>\$ 237,661</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ 173,105	
Net Change in Taxes Receivables			24	
Net Change in Accounts Payables			6,593	
Net Change in Accrued Salaries & Benefits			(77)	
Net Change in Fund Balance			<u>\$ 179,645</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 141,716	\$ 141,716	\$ 141,716	\$ 0
Other	0	0	8	8
Total Revenues	<u>141,716</u>	<u>141,716</u>	<u>141,724</u>	<u>8</u>
Expenditures				
Public Safety				
Operating Expense	128,479	128,479	77,483	50,996
Capital Purchases	0	0	24,500	(24,500)
Debt Service				
Principal	53,642	53,642	53,642	0
Interest	3,821	3,821	3,821	0
Total Public Safety	<u>185,942</u>	<u>185,942</u>	<u>159,446</u>	<u>26,496</u>
Total Expenditures	<u>185,942</u>	<u>185,942</u>	<u>159,446</u>	<u>26,496</u>
Excess (Deficiency) of Revenues Over Expenditures	(44,226)	(44,226)	(17,722)	26,504
Cash Balance Beginning of Year	<u>44,226</u>	<u>44,226</u>	<u>44,226</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 26,504</u>	<u>\$ 26,504</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (17,722)	
Net Change in Accounts Payables			(21,310)	
Net Change in Fund Balance			<u>\$ (39,032)</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Gasoline Taxes	\$ 14,622	\$ 14,622	\$ 16,436	\$ 1,814
State Grants	117,343	117,343	117,336	(7)
Total Revenues	<u>131,965</u>	<u>131,965</u>	<u>133,772</u>	<u>1,807</u>
Expenditures				
Public Works				
Capital Outlay	156,457	161,348	161,348	0
Total Public Works	<u>156,457</u>	<u>161,348</u>	<u>161,348</u>	<u>0</u>
Total Expenditures	<u>156,457</u>	<u>161,348</u>	<u>161,348</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(24,492)	(29,383)	(27,576)	1,807
Cash Balance Beginning of Year	<u>32,299</u>	<u>32,299</u>	<u>32,299</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 7,807</u>	<u>\$ 2,916</u>	<u>\$ 4,723</u>	<u>\$ 1,807</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (27,576)	
Net Change in Taxes Receivables			245	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (27,331)</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, 2014

ASSETS	<u>Utility Fund</u>
Current Assets	
Cash and Cash Equivalents	\$ 311,014
Receivables	
Taxes	602
Accounts	49,134
Total Current Assets	<u>360,750</u>
Restricted Assets	
Restricted Cash	33,440
Total Restricted Assets	<u>33,440</u>
Capital Assets	
Land & Water Rights	154,890
Water System	1,412,984
Sewer System	769,925
Less: Accumulated Depreciation	<u>(1,351,933)</u>
Total Noncurrent Assets	<u>985,866</u>
Total Assets	<u>1,380,056</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	20,914
Accrued Salaries and Benefits	563
Accrued Interest	1,125
Compensated Absences	3,912
Current Portion of Long-Term Debt	4,813
Total Current Liabilities	<u>31,327</u>
Noncurrent Liabilities	
Customer Deposits	33,440
Long-Term Debt	205,209
Total Noncurrent Liabilities	<u>238,649</u>
Total Liabilities	<u>269,976</u>
NET POSITION	
Invested in Net Capital Assets	775,844
Unrestricted	334,236
Total Net Position	<u>\$ 1,110,080</u>

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

STATE OF NEW MEXICO
TOWN OF HAGERMAN
 PROPRIETARY FUND
 Statement of Revenue, Expenses and Changes in Net Position
 For the Year Ended June 30, 2014

	<u>Utility Fund</u>
Operating Revenues	
Sales & Service	\$ 558,169
Total Operating Revenues	<u>558,169</u>
Operating Expenses	
Operating Expense	475,427
Bad Debts	0
Depreciation	63,393
Total Operating Expenses	<u>538,820</u>
Operating Income (Loss)	<u>19,349</u>
Non-Operating Revenue (Expenses)	
Environmental Gross Receipts Tax	7,140
Grants	69,798
Interest Expense	<u>(10,243)</u>
Total Non-Operating Revenue (Expenses)	<u>66,695</u>
Change in Net Position	86,044
Total Net Position - Beginning	<u>1,024,036</u>
Total Net Position - Ending	<u>\$ 1,110,080</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, 2014

	<u>Utility Fund</u>
Cash Flows from Operating Activities	
Cash Received From Customers	\$ 573,441
Cash Paid to Suppliers and Employees	469,547
Net Cash Provided by Operating Activities	<u>103,894</u>
Cash Flows from Capital & Related Financing Activities	
Environmental Gross Receipts Tax	7,140
Interest paid on Capital Debt	(10,243)
Principal paid on Capital Debt	<u>(4,499)</u>
Net Cash Provided by Capital & Related Financing Activities	<u>(7,602)</u>
Net Increase (Decrease) in Cash	96,292
Cash, Beginning of the Year	<u>248,162</u>
Cash, End of the Year	<u>\$ 344,454</u>
Reconciliation of Cash	
Cash and Cash Equivalents	\$ 311,014
Restricted Cash	<u>33,440</u>
	<u>\$ 344,454</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 19,349
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	63,393
Change in Assets and Liabilities	
(Increase) Decrease in Taxes Receivable	(14)
(Increase) Decrease in Accounts Receivable	13,005
Increase (Decrease) in Accounts Payable	7,266
Increase (Decrease) in Accrued Salaries and Benefits	(1,106)
Increase (Decrease) in Accrued Interest	(21)
Increase (Decrease) in Compensated Absences	(243)
Increase (Decrease) in Meter Deposits	2,265
Net Cash Provided by Operating Activities	<u>\$ 103,894</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).

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

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.

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
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
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

Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet.

Long-Term Liabilities

For district-wide reporting, the costs associated with the bonds are recognized over the life of the bond. As permitted by GASB Statement No. 34 the amortization of the costs of bonds will be amortized prospectively from the date of adoption of GASB Statement No. 34.

Restricted Net Position

For the government-wide statement of net position, restrictions are reported when constraints placed on net position use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Nonspendable fund balance indicates that portion of fund equity is not spendable such as inventory.

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Unearned and Unavailable Revenue

The District reports unearned and unavailable revenues on its Statement of Net Position and Fund Balance Sheet. Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and the revenue is recognized. Unavailable revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

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.

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.

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).

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2014

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	Reconciled	Type
<u>Name of Account</u>	<u>Number</u>	<u>Per Bank</u>	<u>Balance</u>	
		6/30/14		
Town of Hagerman	3102181	\$ 872,903	\$ 865,009	Checking-Interest Bearing
Town of Hagerman	310538-5	100,926	100,926	Saving-Interest Bearing
Town of Hagerman	63067	65	65	Checking-Non-Interest Bearing
TOTAL Deposited		<u>973,894</u>	<u>\$ 966,000</u>	
Less: FDIC Coverage		<u>350,926</u>		
Uninsured Amount		622,968		
50% collateral requirement		311,484		
Pledged securities		<u>325,000</u>		
Over (Under) requirement		<u>\$ 13,516</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
Lea Co NM Public SD #8	521513CB5	125,000	07/15/2016	TIB, Dallas TX
		<u>\$ 325,000</u>		

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

Bank of America	Balance
	6/30/14
JF PP-2025	\$ 12
EJP PP-2742	3
ZD PP-2136	13,054
ELP PP-2753	<u>1,712</u>
TOTAL Deposited	14,781
Less: FDIC Coverage	<u>14,781</u>
Uninsured Amount	0
50% collateral requirement	0
Pledged securities	0
Over (Under) requirement	<u>\$ 0</u>

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2014

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.

<u>Depository Account</u>	Bank Balance
Insured	\$ 365,707
Collateralized	
Collateral held by the pledging bank in Town's name	325,000
Uninsured and uncollateralized	297,968
Total Deposits	<u>\$ 988,675</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, 2014 \$297,968 of the Town's bank balance of \$988,675 was exposed to custodial credit risk.

NOTE D: CAPITAL ASSETS

Capital Assets Balances and Activity for the Year Ended June 30, 2014, is as follows:

Governmental Activities	Balance 6/30/13	Increases	Decreases	Balance 6/30/14
Capital Assets, not being Depreciated				
Land	\$ 138,730	\$ 0	\$ 0	\$ 138,730
Construction in Progress	0	0	0	0
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	\$ 161,348	\$ 0	\$ 568,141
Buildings & Improvements	6,868,161	24,500	0	6,892,661
Equipment & Vehicles	1,206,612	0	0	1,206,612
Total Capital Assets, being Depreciated	<u>8,481,566</u>	<u>185,848</u>	<u>0</u>	<u>8,667,414</u>
Total Capital Assets	<u>\$ 8,620,296</u>	<u>\$ 185,848</u>	<u>\$ 0</u>	<u>\$ 8,806,144</u>
Less Accumulated Depreciation				
Infrastructure	\$ 185,523	\$ 28,822	\$ 0	\$ 214,345
Buildings & Improvements	1,669,999	136,972	0	1,806,971
Equipment & Vehicles	776,210	64,494	0	840,704
Total Accumulated Depreciation	<u>2,631,732</u>	<u>230,288</u>	<u>0</u>	<u>2,862,020</u>
Capital Assets, net	<u>\$ 5,988,564</u>	<u>\$ (44,440)</u>	<u>\$ 0</u>	<u>\$ 5,944,124</u>

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

General	\$ 1,016
Public Safety	90,695
Public Works	94,969
Culture & Recreation	32,852
Total Depreciation Expenses	<u>\$ 219,532</u>

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2014

	Balance 6/30/13	Increases	Decreases	Balance 6/30/14
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	1,379,186	33,798	0	1,412,984
Sewer System	733,925	36,000	0	769,925
Total Capital Assets	\$ 2,268,001	\$ 69,798	\$ 0	\$ 2,337,799
Less Accumulated Depreciation				
Water System	\$ 865,392	\$ 36,529	\$ 0	\$ 901,921
Sewer System	423,148	26,864	0	450,012
Total Accumulated Depreciation	1,288,540	63,393	0	1,351,933
Capital Assets, net	\$ 979,461	\$ 6,405	\$ 0	\$ 985,866

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.	\$ 76,103	\$ 0
\$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.	\$ 213,373	\$ 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.	79,517	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.	76,374	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	97,423
\$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	112,600
	\$ 445,367	\$ 210,023

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

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2014

Governmental Activities:

	Beginning Balance 6/30/13	Increases	Decreases	Ending Balance 6/30/14	Due Within One Year
Loans					
NMFA Fire Truck	\$ 114,540	\$ 0	\$ 38,437	\$ 76,103	\$ 39,576
NMFA Fire Building	228,578	0	15,205	213,373	15,373
NMFA Industrial Park	83,294	0	3,777	79,517	2,413
NMFA EMS	85,565	0	9,191	76,374	9,226
	<u>\$ 511,977</u>	<u>\$ 0</u>	<u>\$ 66,610</u>	<u>\$ 445,367</u>	<u>\$ 66,588</u>
Compensated Absences					
	\$ 14,469	\$ 8,465	\$ 13,931	\$ 9,003	\$ 9,003
	<u>\$ 14,469</u>	<u>\$ 8,465</u>	<u>\$ 13,931</u>	<u>\$ 9,003</u>	<u>\$ 9,003</u>

Business-Type Activities:

	Balance 6/30/13	Increases	Decreases	Balance 6/30/14	Due Within One Year
RUS 1997	\$ 99,722	\$ 0	\$ 2,299	\$ 97,423	\$ 2,413
RUS 1999	114,800	0	2,200	112,600	2,400
	<u>\$ 214,522</u>	<u>\$ 0</u>	<u>\$ 4,499</u>	<u>\$ 210,023</u>	<u>\$ 4,813</u>
Compensated Absences Liabilities					
	\$ 4,156	\$ 4,702	\$ 4,946	\$ 3,912	\$ 3,912
	<u>\$ 4,156</u>	<u>\$ 4,702</u>	<u>\$ 4,946</u>	<u>\$ 3,912</u>	<u>\$ 3,912</u>

Governmental Activities:

The annual requirements to amortize the loans outstanding as of June 30, 2014, including interest payments are as follows:

	Principal	Interest	Total
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	38,469	4,904	43,373
2024-2024	150,572	19,764	170,336
2025-2029	21,684	13,861	35,545
2030-2034	27,499	7,890	35,389
	<u>\$ 449,607</u>	<u>\$ 72,004</u>	<u>\$ 521,611</u>

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2014

Business-Type Activities:

The annual requirements to amortize the loans outstanding as of June 30, 2014, including interest payments are as follows:

	Principal	Interest	Total
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	5,832	9,077	14,909
2024-2024	33,302	40,944	74,246
2025-2029	42,484	31,861	74,345
2030-2034	53,556	20,690	74,246
2035-2039	54,349	7,215	61,564
	<u>\$ 210,022</u>	<u>\$ 148,725</u>	<u>\$ 358,747</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, 2014, were as follows:

	General	Streets	Utilities
Taxes			
Gross Receipt Taxes	\$ 24,230	\$ 0	\$ 602
Gasoline Taxes	0	1,230	0
Property Taxes	316	0	0
Franchise Taxes	4,015	0	0
Other Taxes	108	0	0
Accounts	0	0	49,134
	<u>\$ 28,669</u>	<u>\$ 1,230</u>	<u>\$ 49,736</u>

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

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. Plan members are required to contribute 7% of their gross salary. The municipality is required to contribute 7% 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's contributions to PERA for the fiscal years ending June 30, 2014, 2013 and 2012 were \$62,380, \$62,799, and \$51,071, 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.

The participating municipalities pay the same cost per employee each year, as determined by the 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: 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, 2014 in the amount of \$3,005 was for the repairs and maintenance in the Utility Fund.

NOTE M: 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 N: 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 O: RESTATEMENT

The fund balance and net position were restated \$27,167 for receivable from a state grant that will not be received. A transfer from the General Fund occurred to cover the shortage.

**SUPPLEMENTAL INFORMATION RELATED TO
NON MAJOR FUNDS**

NONMAJOR SPECIAL REVENUE FUNDS

Emergency Medical Services Fund - To account for the operation and maintenance of the Town's EMS Department. Financing is primarily from an annual EMS allotment. The fund was created by the authority of state grant provisions. (NMSA 59A-53-1)

Law Enforcement Protection Fund - To account for funds received from the State of New Mexico for law enforcement purposes. The fund was created by the authority of state grant provisions. (NMSA 29-13-3)

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

NONMAJOR CAPITAL PROJECTS FUND

Capital Projects - To account for the construction projects funded by state and federal grants.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2014

	Special Revenue Funds		
	Law		
	EMS	Enforcement Protection	Corrections
ASSETS			
Cash and Cash Equivalents	\$ 111	\$ 8,969	\$ 15,236
Total Assets	<u>\$ 111</u>	<u>\$ 8,969</u>	<u>\$ 15,236</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted for:			
Special Revenue	111	8,969	15,236
Total Fund Balance	<u>111</u>	<u>8,969</u>	<u>15,236</u>
Total Liabilities and Fund Balance	<u>\$ 111</u>	<u>\$ 8,969</u>	<u>\$ 15,236</u>

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

STATE OF NEW MEXICO
TOWN OF HAGERMAN
 NONMAJOR GOVERNMENTAL FUNDS
 Combining Balance Sheet
 June 30, 2014

	<u>Capital Projects</u>	<u>Total</u>
ASSETS		
Cash and Cash Equivalents	\$ 0	\$ 24,316
Total Assets	<u>\$ 0</u>	<u>\$ 24,316</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 0	\$ 0
Total Liabilities	<u>0</u>	<u>0</u>
Fund Balances		
Restricted for:		
Special Revenue	<u>0</u>	<u>24,316</u>
Total Fund Balance	<u>0</u>	<u>24,316</u>
 Total Liabilities and Fund Balance	 <u>\$ 0</u>	 <u>\$ 24,316</u>

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

STATE OF NEW MEXICO
TOWN OF HAGERMAN
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2014

	Special Revenue Funds		
	Law		
	EMS	Enforcement Protection	Corrections
Revenues			
Fees and Fines	\$ 0	\$ 0	\$ 807
State Grants	15,750	22,400	0
Total Revenues	<u>15,750</u>	<u>22,400</u>	<u>807</u>
Expenditures			
Current			
Public Safety	9,396	9,865	237
Total Expenditures	<u>9,396</u>	<u>9,865</u>	<u>237</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,354</u>	<u>12,535</u>	<u>570</u>
Other Financing Sources (Uses)			
Transfers In/(Out)	0	0	0
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	(6,243)	(3,566)	14,666
Restatement	0	0	0
Restated Beginning Fund Balance	<u>(6,243)</u>	<u>(3,566)</u>	<u>14,666</u>
Fund Balance End of Year	<u>\$ 111</u>	<u>\$ 8,969</u>	<u>\$ 15,236</u>

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

STATE OF NEW MEXICO
TOWN OF HAGERMAN
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2014

	Capital Projects	Total
Revenues		
Fees and Fines	\$ 0	\$ 807
State Grants	0	38,150
Total Revenues	<u>0</u>	<u>38,957</u>
Expenditures		
Current		
Public Safety	0	19,498
Total Expenditures	<u>0</u>	<u>19,498</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>19,459</u>
Other Financing Sources (Uses)		
Transfers In/(Out)	<u>27,167</u>	<u>27,167</u>
Total Other Sources (Uses)	<u>27,167</u>	<u>27,167</u>
Fund Balances at Beginning of Year	0	4,857
Restatement	<u>(27,167)</u>	<u>(27,167)</u>
Restated Beginning Fund Balance	<u>(27,167)</u>	<u>(22,310)</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 24,316</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 15,750	\$ 15,750	\$ 15,750	\$ 0
Total Revenues	<u>15,750</u>	<u>15,750</u>	<u>15,750</u>	<u>0</u>
Expenditures				
Public Safety				
Operating Expenses	10,218	10,218	10,108	110
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Public Safety	<u>10,218</u>	<u>10,218</u>	<u>10,108</u>	<u>110</u>
Total Expenditures	<u>10,218</u>	<u>10,218</u>	<u>10,108</u>	<u>110</u>
Excess (Deficiency) of Revenues Over Expenditures	5,532	5,532	5,642	110
Cash Balance Beginning of Year	<u>(5,531)</u>	<u>(5,531)</u>	<u>(5,531)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 111</u>	<u>\$ 110</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 5,642	
Net Change in Accounts Payables			<u>712</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 6,354</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grants	\$ 22,400	\$ 22,400	\$ 22,400	\$ 0
Total Revenues	<u>22,400</u>	<u>22,400</u>	<u>22,400</u>	<u>0</u>
Expenditures				
Public Safety				
Operating Expenses	18,831	18,831	9,865	8,966
Total Public Safety	<u>18,831</u>	<u>18,831</u>	<u>9,865</u>	<u>8,966</u>
Total Expenditures	<u>18,831</u>	<u>18,831</u>	<u>9,865</u>	<u>8,966</u>
Excess (Deficiency) of Revenues Over Expenditures	3,569	3,569	12,535	8,966
Cash Balance Beginning of Year	<u>(3,566)</u>	<u>(3,566)</u>	<u>(3,566)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 8,969</u>	<u>\$ 8,966</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 12,535	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 12,535</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Fees	\$ 5,055	\$ 5,055	\$ 807	\$ (4,248)
Total Revenues	<u>5,055</u>	<u>5,055</u>	<u>807</u>	<u>(4,248)</u>
Expenditures				
Public Safety				
Operating Expenses	5,055	5,055	237	4,818
Total Public Safety	<u>5,055</u>	<u>5,055</u>	<u>237</u>	<u>4,818</u>
Total Expenditures	<u>5,055</u>	<u>5,055</u>	<u>237</u>	<u>4,818</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	570	570
Cash Balance Beginning of Year	<u>14,666</u>	<u>14,666</u>	<u>14,666</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 14,666</u>	<u>\$ 14,666</u>	<u>\$ 15,236</u>	<u>\$ 570</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 570	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 570</u>	

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

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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grants	\$ 0	\$ 0	\$ 0	\$ 0
Federal Grants	0	0	0	0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses)				
Transfers	0	0	27,167	27,167
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>27,167</u>	<u>27,167</u>
Net Change in Cash Balance	0	0	27,167	27,167
Cash Balance Beginning of Year	<u>(27,167)</u>	<u>(27,167)</u>	<u>(27,167)</u>	<u>0</u>
Cash Balance End of Year	\$ <u><u>(27,167)</u></u>	\$ <u><u>(27,167)</u></u>	\$ <u><u>0</u></u>	\$ <u><u>27,167</u></u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance-Cash Basis			\$ 27,167	
Net Change in Due from Grantor			<u>(27,167)</u>	
Net Change in Fund Balance-GAAP Basis			<u><u>0</u></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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Sales & Service	\$ 531,103	\$ 531,103	\$ 573,441	\$ 42,338
Capital Grants	336,675	336,675	69,798	(266,877)
Environmental Gross Receipt Tax	3,567	3,567	7,126	3,559
Total Revenues	871,345	871,345	650,365	(220,980)
Expenditures				
Water				
Operating Expenses	261,189	261,189	245,745	15,444
Capital Outlay	193,000	193,000	33,798	159,202
Debt Service				
Principal	0	0	4,499	(4,499)
Interest	0	0	10,264	(10,264)
Total Water	454,189	454,189	294,306	159,883
Sewer				
Operating Expenses	72,122	72,452	72,230	222
Capital Outlay	143,675	143,675	36,000	107,675
Total Sewer	215,797	216,127	108,230	107,897
Solid Waste				
Operating Expenses	186,134	186,134	151,537	34,597
Total Solid Waste	186,134	186,134	151,537	34,597
Total Expenditures	856,120	856,450	554,073	302,377
Excess (Deficiency) of Revenues Over Expenditures	417,156	14,895	96,292	81,397
Cash Balance Beginning of Year	248,162	248,162	248,162	0
Cash Balance End of Year	\$ 665,318	\$ 263,057	\$ 344,454	\$ 81,397
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 96,292	
Depreciation			(63,393)	
Capital Outlay			69,798	
Principal Paid			4,499	
Net Changes in Taxes Receivable			14	
Net Changes in Accounts Receivable			(13,005)	
Net Changes in Accounts Payable			(7,266)	
Net Changes in Accrued Salaries & Benefits			1,106	
Net Changes in Accrued Interest			21	
Net Changes in Compensated Absences			243	
Net Changes in Meter Deposits			(2,265)	
Change in Net Position			\$ 86,044	

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

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

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 funds, of the Town of Hagerman (Town) as of and for the year ended June 30, 2014, 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 6, 2014.

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 a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be a significant deficiency. 2014-001


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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses; 2014-001.

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.

 CPA PC

Clovis, New Mexico

November 6, 2014

Financial Statement

Prior Year Audit Findings

		<u>Status</u>
2004-1	Preparation of Financial Statements	Resolved
2009-1	Expenditures Over Budget	Resolved
12-1	Lack of Pledged Securities	Resolved
13-1	1099's	Resolved
13-2	Cash Appropriations in Excess of Available Cash Balances	Resolved

Current Year Audit Findings

2014-001 Payroll-Compliance and Internal Control-Significant Deficiency

Condition

During our audit procedures we noted the following:

- 1) The 9/30/13 941 quarterly report was not submitted timely.
- 2) The 9/30/13 State Unemployment quarterly report was not submitted timely, causing the Town to pay a \$50.00 penalty.
- 3) 5 out of 8 I-9's sampled were incomplete.

Criteria

irs.gov/Businesses/Small-Businesses-&-Self-Employed/Employment-Tax-Due-Dates states that for 941s are due by the last day of the month following end of quarter. New Mexico Department of Labor, Employment Security Division State Unemployment (SUTA Form 903A) is due by the last day of the month following end of the quarter. uscis.gov/i-9-central/complete-correct-form-i-9 explains the correction process.

Cause

The Clerk went on vacation during the deadline for the payroll reports. They were not filed until she returned. The Clerk is completing the current I-9s correctly but did not realize the older ones should be corrected.

Effect

The Town will pay penalties and interest for the payroll issues noted in the condition. The money should be spent on services for the citizens of the Town.

Recommendation

Tax filings should be completed before leave or assigned to the Assistant Clerk. A review and correction of all I-9s should be completed

Response

We will file the tax returns timely and review and correct all I-9s.

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 6, 2014 in attendance was Cliff Waide-Mayor, Connie Andrews-Councilmember, Gena Sterrett-Clerk Treasurer and De'Aun Willoughby, CPA.