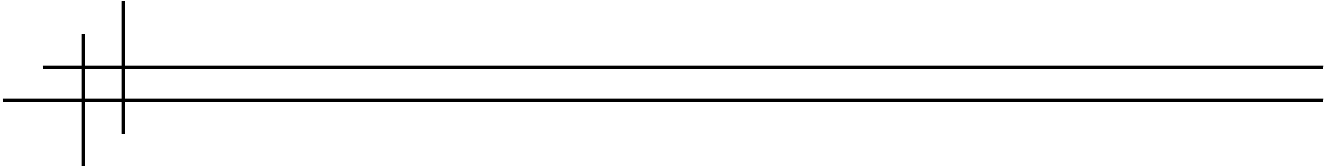




STATE OF NEW MEXICO
TOWN OF HAGERMAN

ANNUAL FINANCIAL REPORT
June 30, 2015

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
----------------------------------------------------------------------------------------------------------------	----

Proprietary Funds

Statement of Net Position.....	19
Statement of Revenues, Expenses and Changes in Net Position.....	20
Statement of Cash Flows.....	21

Notes to Financial Statements.....	22-38
------------------------------------	-------

SUPPLEMENTAL INFORMATION RELATED TO MAJOR FUNDS

Capital Projects Fund

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	40
----------------------------------------------------------------------------------------------------------------	----

	<u>Page</u>
SUPPLEMENTAL INFORMATION RELATED TO NON MAJOR FUNDS	
Non-Major Special Revenue Funds	
Combining Balance Sheet.....	43-44
Combining Statement of Revenues, Expenditures and Changes in Fund Balance....	45-46
Emergency Medical Services Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget and Actual (Budgetary Basis).....	47
Law Enforcement Protection Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	48
Correction Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget and Actual (Budgetary Basis).....	49
Streets Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget and Actual (Budgetary Basis).....	50
REQUIRED SUPPLEMENTAL INFORMATION	
Schedules of Required Supplementary Information for Pension Plan.....	52
Notes to Required Supplementary Information for Pension Plan.....	53
OTHER SUPPLEMENTAL INFORMATION	
Utility Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	56
Vendor Schedule	57
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>	58-59
Findings and Responses	60-62

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Official Roster
June 30, 2015

TOWN COUNCIL

Cliff Waide	Mayor
Connie Andrews	Mayor-Pro-Tem
Bill Shaw	Councilman
Andrew Rodriguez	Councilman
Diana Rivers	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. Tim Keller
State Auditor of the State of New Mexico
Board Members of the Town of Hagerman

Mr. Keller 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 fund of Town of Hagerman (Town), as of and for the year ended June 30, 2015, 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 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, 2015, 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, 2015, 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, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital projects and for all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for the Pension Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Vendor Schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015, 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 10, 2015

FINANCIAL SECTION

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Government-Wide Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 525,431	\$ 312,572	\$ 838,003
Receivables			
Taxes	24,825	484	25,309
Accounts	0	38,307	38,307
Due from Grantor	108,904	0	108,904
Total Current Assets	<u>659,160</u>	<u>351,363</u>	<u>1,010,523</u>
Noncurrent Assets			
Restricted Cash	14,797	30,975	45,772
Capital Assets	9,099,712	2,383,308	11,483,020
Accumulated Depreciation	(3,109,227)	(1,410,560)	(4,519,787)
Total Noncurrent Assets	<u>6,005,282</u>	<u>1,003,723</u>	<u>7,009,005</u>
Total Assets	<u>6,664,442</u>	<u>1,355,086</u>	<u>8,019,528</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	73,184	0	73,184
Total Deferred Outflows of Resources	<u>73,184</u>	<u>0</u>	<u>73,184</u>
Liabilities			
Current Liabilities			
Accounts Payable	8,814	15,627	24,441
Accrued Salaries and Benefits	2,333	1,060	3,393
Accrued Interest	1,695	1,104	2,799
Compensated Absences	3,633	8,418	12,051
Current Portion of Long-Term Debt	79,575	4,934	84,509
Total Current Liabilities	<u>96,050</u>	<u>31,143</u>	<u>127,193</u>
Noncurrent Liabilities			
Customer Deposits	0	30,975	30,975
Notes and Loans	361,593	200,276	561,869
Pension Liability	419,775	0	419,775
Total Noncurrent Liabilities	<u>781,368</u>	<u>231,251</u>	<u>1,012,619</u>
Total Liabilities	<u>877,418</u>	<u>262,394</u>	<u>1,139,812</u>
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	181,969	0	181,969
Total Deferred Inflows of Resources	<u>181,969</u>	<u>0</u>	<u>181,969</u>
Net Position			
Net Investment in Capital Assets	5,549,317	798,513	6,347,830
Unrestricted	128,922	294,179	423,101
Total Net Position	<u>\$ 5,678,239</u>	<u>\$ 1,092,692</u>	<u>\$ 6,770,931</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, 2015

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	\$ 176,386	\$ 1,040	\$ 240,928	\$ 0	\$ 65,582	\$ 0	\$ 65,582
Public Safety	397,497	46,964	170,363	36,306	(143,864)	0	(143,864)
Public Works	131,571	0	0	158,870	27,299	0	27,299
Health & Welfare	64,219	14,898	0	0	(49,321)	0	(49,321)
Culture & Recreation	129,634	2,832	0	0	(126,802)	0	(126,802)
Interest	9,082	0	0	0	(9,082)	0	(9,082)
Total Governmental Activities	908,389	65,734	411,291	195,176	(236,188)	0	(236,188)
Business-type Activities							
Water	307,029	266,771	0	0	0	(40,258)	(40,258)
Sewer	95,883	79,081	0	0	0	(16,802)	(16,802)
Solid Waste	157,155	188,109	0	0	0	30,954	30,954
Total Business-type Activities	560,067	533,961	0	0	0	(26,106)	(26,106)
Total Primary Government	\$ 1,468,456	\$ 599,695	\$ 411,291	\$ 195,176	(236,188)	(26,106)	(262,294)
General Revenues							
Gross Receipts Taxes					305,626	8,718	314,344
Gasoline Taxes					18,971	0	18,971
Property Taxes					11,598	0	11,598
Franchise Taxes					18,966	0	18,966
Other Taxes					1,286	0	1,286
Miscellaneous					17,677	0	17,677
Total General Revenues					374,124	8,718	382,842
Change in Net Position					137,936	(17,388)	120,548
Net Position - Beginning					6,121,623	1,110,080	7,231,703
Restatement					(581,320)	0	(581,320)
Restated Beginning Net Position					5,540,303	1,110,080	6,650,383
Net Position - Ending					\$ 5,678,239	\$ 1,092,692	\$ 6,770,931

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, 2015

	<u>General</u>	<u>Special Revenue Fire</u>	<u>Capital Projects</u>
Assets			
Cash and Cash Equivalents	\$ 451,011	\$ 34,146	\$ 0
Receivables			
Taxes	23,204	0	0
Due from Grantor	0	0	108,904
Interfund Balances	107,212	0	0
Restricted Cash	14,777	20	0
Total Assets	<u>\$ 596,204</u>	<u>\$ 34,166</u>	<u>\$ 108,904</u>
Liabilities and Fund Balance			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 5,648	\$ 1,474	\$ 1,692
Accrued Salaries and Benefits	2,333	0	0
Interfund Balances	0	0	107,212
Total Liabilities	<u>7,981</u>	<u>1,474</u>	<u>108,904</u>
Fund Balances			
Restricted for:			
Special Revenue Fund	0	32,692	0
Capital Projects	0	0	0
Unassigned	588,223	0	0
Total Fund Balances	<u>588,223</u>	<u>32,692</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 596,204</u>	<u>\$ 34,166</u>	<u>\$ 108,904</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, 2015

	<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
Assets		
Cash and Cash Equivalents	\$ 40,274	\$ 525,431
Receivables		
Taxes	1,621	24,825
Due from Grantor	0	108,904
Interfund Balances	0	107,212
Restricted Cash	0	14,797
Total Assets	<u>\$ 41,895</u>	<u>\$ 781,169</u>
Liabilities and Fund Balance		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 0	\$ 8,814
Accrued Salaries and Benefits	0	2,333
Interfund Balances	0	107,212
Total Liabilities	<u>0</u>	<u>118,359</u>
Fund Balances		
Restricted for:		
Special Revenue Fund	41,895	74,587
Capital Projects	0	0
Unassigned	0	588,223
Total Fund Balances	<u>41,895</u>	<u>662,810</u>
Total Liabilities and Fund Balances	<u>\$ 41,895</u>	<u>\$ 781,169</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, 2015

Total Fund Balance - Governmental Funds \$ 662,810

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	\$ 9,099,712	
Accumulated Depreciation	<u>(3,109,227)</u>	5,990,485

Deferred Outflows and Inflows Related to Pensions are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	73,184	
Deferred Inflows Related to Pensions	<u>(181,969)</u>	(108,785)

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	(441,168)	
Pension Liability	(419,775)	
Accrued Interest	(1,695)	
Compensated Absences	<u>(3,633)</u>	<u>(866,271)</u>

Total Net Position - Governmental Activities \$ 5,678,239

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, 2015

	General	Special Revenue Fire	Capital Projects
Revenues			
Taxes			
Gross Receipt Taxes	\$ 305,626	\$ 0	\$ 0
Gasoline Taxes	0	0	0
Property Taxes	11,598	0	0
Franchise Taxes	18,966	0	0
Other	1,286	0	0
Interest	155	0	0
Charges for Services	57,730	0	0
License, Fees and Fines	4,796	0	0
State Grants	240,928	147,963	158,870
Federal Grants	36,306	0	0
Miscellaneous	17,517	5	0
Total Revenue	<u>694,908</u>	<u>147,968</u>	<u>158,870</u>
Expenditures			
Current			
General	165,933	0	0
Public Safety	346,739	49,466	0
Public Works	33,347	0	0
Health & Welfare	64,219	0	0
Culture & Recreation	23,464	0	0
Capital Outlay	114,434	5,400	158,870
Debt Service			
Principal	13,190	54,949	0
Interest	5,363	2,513	0
Total Expenditures	<u>766,689</u>	<u>112,328</u>	<u>158,870</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(71,781)</u>	<u>35,640</u>	<u>0</u>
Other Financing Sources (Uses)			
USDA Loan	59,700	0	0
Transfers In/(Out)	(4,733)	0	0
Total Other Sources (Uses)	<u>54,967</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>(16,814)</u>	<u>35,640</u>	<u>0</u>
Fund Balances at Beginning of Year	605,037	(2,948)	0
Restatement	0	0	0
Restated Beginning Fund Balance	<u>605,037</u>	<u>(2,948)</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 588,223</u>	<u>\$ 32,692</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
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2015

	<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
Revenues		
Taxes		
Gross Receipt Taxes	\$ 0	\$ 305,626
Gasoline Taxes	18,971	18,971
Property Taxes	0	11,598
Franchise Taxes	0	18,966
Other	0	1,286
Interest	0	155
Charges for Services	0	57,730
License, Fees and Fines	3,208	8,004
State Grants	22,400	570,161
Federal Grants	0	36,306
Miscellaneous	0	17,522
Total Revenue	<u>44,579</u>	<u>1,046,325</u>
Expenditures		
Current		
General	0	165,933
Public Safety	21,069	417,274
Public Works	1,642	34,989
Health & Welfare	0	64,219
Culture & Recreation	0	23,464
Capital Outlay	14,864	293,568
Debt Service		
Principal	0	68,139
Interest	0	7,876
Total Expenditures	<u>37,575</u>	<u>1,075,462</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,004</u>	<u>(29,137)</u>
Other Financing Sources (Uses)		
USDA Loan	0	59,700
Transfers In/(Out)	4,733	0
Total Other Sources (Uses)	<u>4,733</u>	<u>59,700</u>
Net Change in Fund Balance	<u>11,737</u>	<u>30,563</u>
Fund Balances at Beginning of Year	30,269	632,358
Restatement	(111)	(111)
Restated Beginning Fund Balance	<u>30,158</u>	<u>632,247</u>
Fund Balance End of Year	<u>\$ 41,895</u>	<u>\$ 662,810</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, 2015

Net Change in Fund Balance \$ 30,563

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	\$	(247,207)	
Capital Outlays		<u>293,568</u>	46,361

Pension contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions		73,184	
Pension Expense		<u>(24,775)</u>	48,409

The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net position. (59,700)

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 68,139

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, 2014		489	
Accrued Interest, June 30, 2015		<u>(1,695)</u>	(1,206)

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, 2014		9,003	
Compensated Absences, June 30, 2015		<u>(3,633)</u>	<u>5,370</u>

Changes in Net Position of Governmental Activities \$ 137,936

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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
Property Taxes	\$ 11,422	\$ 11,422	\$ 11,573	\$ 151
Franchise Taxes	22,364	22,364	19,336	(3,028)
Gross Receipts	279,487	279,487	310,669	31,182
Other Taxes	1,204	1,204	1,365	161
Interest Income	63	63	155	92
Charges for Services	19,155	19,155	57,729	38,574
License, Fees and Fines	3,284	3,284	4,796	1,512
Federal Grant	0	0	36,306	36,306
Small Cities Assistance	199,000	199,000	240,928	41,928
USDA Loan	0	0	59,700	59,700
Miscellaneous	63,450	63,450	17,517	(45,933)
Total Revenues	<u>599,429</u>	<u>599,429</u>	<u>760,074</u>	<u>160,645</u>
Expenditures				
Executive Department				
Operating Expense	19,720	19,720	21,801	(2,081)
Total Executive Department	<u>19,720</u>	<u>19,720</u>	<u>21,801</u>	<u>(2,081)</u>
Judicial				
Operating Expenses	28,042	28,042	15,634	12,408
Total Judicial	<u>28,042</u>	<u>28,042</u>	<u>15,634</u>	<u>12,408</u>
Financial				
Operating Expenses	90,035	130,000	128,975	1,025
Total Financial	<u>90,035</u>	<u>130,000</u>	<u>128,975</u>	<u>1,025</u>
Public Safety				
Operating Expenses	416,935	416,935	408,411	8,524
Capital Outlay	0	92,000	91,506	494
Debt Service				
Principal	0	9,226	9,226	0
Interest	0	1,037	1,037	0
Total Public Safety	<u>416,935</u>	<u>519,198</u>	<u>510,180</u>	<u>9,018</u>
Streets				
Operating Expenses	45,000	45,000	32,383	12,617
Total Streets	<u>45,000</u>	<u>45,000</u>	<u>32,383</u>	<u>12,617</u>
Industrial Park				
Debt Service				
Principal	0	3,964	3,964	0
Interest	0	4,327	4,327	0
Total Industrial Park	<u>\$ 0</u>	<u>\$ 8,291</u>	<u>\$ 8,291</u>	<u>\$ 0</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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Parks & Recreation				
Operating Expenses	\$ 19,240	\$ 19,240	\$ 22,932	\$ (3,692)
Capital Outlay	0	22,000	22,928	(928)
Total Parks & Recreation	<u>19,240</u>	<u>41,240</u>	<u>45,860</u>	<u>(4,620)</u>
Total Expenditures	<u>618,972</u>	<u>791,491</u>	<u>763,124</u>	<u>28,367</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(19,543)</u>	<u>(192,062)</u>	<u>(3,050)</u>	<u>189,012</u>
Other Financing Sources (Uses)				
Transfers	0	0	(4,733)	(4,733)
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>(4,733)</u>	<u>(4,733)</u>
Net Change in Fund Balance	(19,543)	(192,062)	(7,783)	184,279
Cash Balance Beginning of Year	<u>580,783</u>	<u>580,783</u>	<u>580,783</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 561,240</u>	<u>\$ 388,721</u>	<u>\$ 573,000</u>	<u>\$ 184,279</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ (7,783)	
Net Change in Taxes Receivables			(5,465)	
Net Change in Accounts Payables			(2,825)	
Net Change in Accrued Salaries & Benefits			(741)	
Net Change in Fund Balance			<u>\$ (16,814)</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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 141,716	\$ 141,716	\$ 147,964	\$ 6,248
Other	0	0	5	5
Total Revenues	<u>141,716</u>	<u>141,716</u>	<u>147,969</u>	<u>6,253</u>
Expenditures				
Public Safety				
Operating Expense	110,751	110,751	77,445	33,306
Capital Purchases			5,400	(5,400)
Debt Service				
Principal	54,949	54,949	54,949	0
Interest	2,513	2,513	2,513	0
Total Public Safety	<u>168,213</u>	<u>168,213</u>	<u>140,307</u>	<u>27,906</u>
Total Expenditures	<u>168,213</u>	<u>168,213</u>	<u>140,307</u>	<u>27,906</u>
Excess (Deficiency) of Revenues Over Expenditures	(26,497)	(26,497)	7,662	34,159
Cash Balance Beginning of Year	<u>26,504</u>	<u>26,504</u>	<u>26,504</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 7</u>	<u>\$ 7</u>	<u>\$ 34,166</u>	<u>\$ 34,159</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 7,662	
Net Change in Accounts Payables			<u>27,978</u>	
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 35,640</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, 2015

	<u>Utility Fund</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 312,572
Receivables	
Taxes	484
Accounts	38,307
Total Current Assets	<u>351,363</u>
Noncurrent Assets	
Restricted Cash	30,975
Capital Assets	2,383,308
Accumulated Depreciation	<u>(1,410,560)</u>
Total Noncurrent Assets	<u>1,003,723</u>
Total Assets	<u>\$ 1,355,086</u>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 15,627
Accrued Salaries and Benefits	1,060
Accrued Interest	1,104
Compensated Absences	8,418
Current Portion of Long-Term Debt	<u>4,934</u>
Total Current Liabilities	<u>31,143</u>
Noncurrent Liabilities	
Customer Deposits	30,975
Long-Term Debt	<u>200,276</u>
Total Noncurrent Liabilities	<u>231,251</u>
Total Liabilities	<u>262,394</u>
Net Position	
Invested in Net Capital Assets	798,513
Unrestricted	<u>294,179</u>
Total Net Position	<u>\$ 1,092,692</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, 2015

	<u>Utility Fund</u>
Operating Revenues	
Sales & Service	\$ 533,961
Total Operating Revenues	<u>533,961</u>
Operating Expenses	
Operating Expense	491,366
Depreciation	58,626
Total Operating Expenses	<u>549,992</u>
Operating Income (Loss)	<u>(16,031)</u>
Non-Operating Revenue (Expenses)	
Environmental Gross Receipts Tax	8,718
Interest Expense	<u>(10,075)</u>
Total Non-Operating Revenue (Expenses)	<u>(1,357)</u>
Change in Net Position	(17,388)
Total Net Position - Beginning	<u>1,110,080</u>
Total Net Position - Ending	<u>\$ 1,092,692</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, 2015

	<u>Utility Fund</u>
Cash Flows from Operating Activities	
Cash Received From Customers	\$ 542,321
Cash Paid to Suppliers and Employees	491,518
Net Cash Provided by Operating Activities	<u>50,803</u>
Cash Flows from Capital & Related Financing Activities	
Environmental Gross Receipts Tax	8,718
Capital Outlay	(45,540)
Interest paid on Capital Debt	(10,075)
Principal paid on Capital Debt	(4,813)
Net Cash Provided by Capital & Related Financing Activities	<u>(51,710)</u>
Net Increase (Decrease) in Cash	(907)
Cash, Beginning of the Year	<u>344,454</u>
Cash, End of the Year	<u>\$ 343,547</u>
Reconciliation of Cash	
Cash and Cash Equivalents	\$ 312,572
Restricted Cash	30,975
	<u>\$ 343,547</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (16,031)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	58,626
Change in Assets and Liabilities	
(Increase) Decrease in Taxes Receivable	117
(Increase) Decrease in Accounts Receivable	10,826
Increase (Decrease) in Accounts Payable	(5,286)
Increase (Decrease) in Accrued Salaries and Benefits	531
Increase (Decrease) in Accrued Interest	(21)
Increase (Decrease) in Compensated Absences	4,506
Increase (Decrease) in Meter Deposits	(2,465)
Net Cash Provided by Operating Activities	<u>\$ 50,803</u>

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

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.

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).

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
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.

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.

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.

Deferred Inflow of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The Municipality has two types of items, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, unavailable revenue – property taxes and unavailable revenue - grants, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become 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.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
 Notes to the Financial Statements
 June 30, 2015

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).

B. 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	Balance	Reconciled	Type
<u>Name of Account</u>	<u>Per Bank</u>	<u>Balance</u>	
	6/30/15	Balance	
Town of Hagerman	\$ 774,652	\$ 767,937	Checking-Interest Bearing
Town of Hagerman	100,976	100,976	Saving-Interest Bearing
Town of Hagerman	65	65	Checking-Non-Interest Bearing
TOTAL Deposited	<u>875,693</u>	<u>\$ 868,978</u>	
Less: FDIC Coverage	<u>350,976</u>		
Uninsured Amount	524,717		
50% collateral requirement	262,359		
Pledged securities	<u>229,917</u>		
Over (Under) requirement	<u>\$ (32,442)</u>		

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
Lea Co NM Public SD #8	521513AR2	\$ 126,665	06/15/2015	TIB, Dallas TX
Clovis NM Muni Sch	189414KN4	103,252	07/15/2016	TIB, Dallas TX
		<u>\$ 229,917</u>		

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

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2015

	Balance 6/30/15
Bank of America	
JF PP-2025	\$ 15
EJP PP-2742	13,065
ZD PP-2136	5
ELP PP-2753	1,712
TOTAL Deposited	<u>14,797</u>
Less: FDIC Coverage	<u>14,797</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.

<u>Depository Account</u>	Bank Balance
Insured	\$ 365,773
Collateralized	
Collateral held by the pledging bank in Town's name	229,917
Uninsured and uncollateralized	294,800
Total Deposits	<u>\$ 890,490</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, 2015 \$294,800 of the Town's bank balance of \$890,490 was exposed to custodial credit risk.

C. Receivables

Receivables as of June 30, 2015, were as follows:

	<u>General</u>	<u>Streets</u>	<u>Utilities</u>
Taxes			
Gross Receipt Taxes	\$ 19,186	\$ 0	\$ 486
Gasoline Taxes	0	1,621	0
Property Taxes	341	0	0
Franchise Taxes	3,645	0	0
Other Taxes	30	0	0
Accounts	0	0	38,307
	<u>\$ 23,202</u>	<u>\$ 1,621</u>	<u>\$ 38,793</u>

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

D. Interfund Receivables, Payables and Transfers

Interfund transfers during the year ended June 30, 2015, were as follows:

<u>Transfers Out</u>		<u>Transfer In</u>	
General Fund	\$ 4,733	EMS	\$ 4,733
	<u>\$ 4,733</u>		<u>4,733</u>

The transfers out from the General Fund to the EMS Fund for financial support.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2015

E. Capital Assets

Capital Assets Balances and Activity for the Year Ended June 30, 2015, is as follows:

	Balance 6/30/14	Increases	Decreases	Balance 6/30/15
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 138,730	\$ 0	\$ 0	\$ 138,730
Construction in Progress	0	8,125	0	8,125
Capital Assets, being Depreciated				
Infrastructure	568,141	14,864	0	583,005
Buildings & Improvements	6,892,661	179,073	0	7,071,734
Equipment & Vehicles	1,206,612	91,506	0	1,298,118
Total Capital Assets	<u>8,806,144</u>	<u>293,568</u>	<u>0</u>	<u>9,099,712</u>
Less Accumulated Depreciation				
Infrastructure	214,345	29,813	0	244,158
Buildings & Improvements	1,806,971	149,090	0	1,956,061
Equipment & Vehicles	840,704	68,304	0	909,008
Total Accumulated Depreciation	<u>2,631,732</u>	<u>247,207</u>	<u>0</u>	<u>3,109,227</u>
Capital Assets, net	<u>\$ 5,988,564</u>	<u>\$ 46,361</u>	<u>\$ 0</u>	<u>\$ 5,990,485</u>

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

General	\$ 11,066
Public Safety	96,582
Public Works	106,170
Culture & Recreation	33,389
Total Depreciation Expenses	<u>\$ 247,207</u>

	Balance 6/30/14	Increases	Decreases	Balance 6/30/15
Business-Type Activities				
Capital Assets not being Depreciated				
Land	\$ 9,890	\$ 0	\$ 0	\$ 9,890
Water Rights	145,000	0	0	145,000
Capital Assets, being Depreciated				
Water System	1,412,984	0	0	1,412,984
Sewer System	769,894	0	0	769,894
Equipment & Vehicles	0	45,540	0	45,540
Total Capital Assets	<u>\$ 2,337,768</u>	<u>\$ 45,540</u>	<u>\$ 0</u>	<u>\$ 2,383,308</u>

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2015

Less Accumulated Depreciation				
Water System	\$ 901,921	\$ 28,726	\$ 0	\$ 930,647
Sewer System	450,012	26,864	0	476,876
Equipment & Vehicles	0	3,037		3,037
Total Accumulated Depreciation	<u>1,351,933</u>	<u>58,627</u>	<u>0</u>	<u>1,410,560</u>
Capital Assets, net	<u>\$ 979,461</u>	<u>\$ (13,087)</u>	<u>\$ 0</u>	<u>\$ 972,748</u>

F. Long-Term Liabilities and Other Liabilities

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.	\$ 40,767	\$ 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.	198,000	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.	75,553	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.	67,148	0
\$59,700 loan from USDA with annual payments of \$13,238 at 3.75% for the purchase of police vehicles. The funds from the LEPF grant are pledged. The maturity date is 3/1/2020.	59,700	
\$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	95,009
\$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	110,200
	<u>\$ 441,168</u>	<u>\$ 205,209</u>

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, 2015

Governmental Activities:

	Beginning Balance 06/30/14 *	Increases	Decreases	Ending Balance 6/30/15	Due Within One Year
Loans					
NMFA Fire Truck	\$ 80,343	\$ 0	\$ 39,576	\$ 40,767	40,767
NMFA Fire Building	213,373	0	15,373	198,000	16,000
NMFA Industrial Park	79,517	0	3,964	75,553	2,534
NMFA EMS	76,374	0	9,226	67,148	9,274
USDA LEPP	0	59,700	0	59,700	11,000
	<u>\$ 449,607</u>	<u>\$ 59,700</u>	<u>\$ 68,139</u>	<u>\$ 441,168</u>	<u>79,575</u>

*There was a restatement. See Note N.

Compensated

Absences	\$ 9,003	\$ 3,353	\$ 8,723	\$ 3,633	3,633
	<u>\$ 9,003</u>	<u>\$ 3,353</u>	<u>\$ 8,723</u>	<u>\$ 3,633</u>	<u>3,633</u>

Business-Type Activities:

	Balance 6/30/14	Increases	Decreases	Balance 6/30/15	Due Within One Year
RUS 1997	\$ 97,423	\$ 0	\$ 2,413	\$ 95,010	2,534
RUS 1999	112,600	0	2,400	110,200	2,400
	<u>\$ 210,023</u>	<u>\$ 0</u>	<u>\$ 4,813</u>	<u>\$ 205,210</u>	<u>4,934</u>
Compensated					
Absences	\$ 3,912	\$ 5,213	\$ 707	\$ 8,418	8,418
Liabilities	\$ 3,912	\$ 5,213	\$ 707	\$ 8,418	8,418

Governmental Activities:

The annual requirements to amortize the loans outstanding as of June 30, 2015, including interest payments are as follows:

	Principal	Interest	Total
2016	\$ 79,575	\$ 9,050	\$ 88,625
2017	49,001	7,198	56,199
2018	50,218	6,568	56,786
2019	50,469	5,867	56,336
2020	52,458	5,128	57,586
2021-2025	115,739	18,334	134,073
2026-2030	22,766	12,780	35,546
2031-2034	20,942	5,784	26,726
	<u>\$ 441,168</u>	<u>\$ 70,709</u>	<u>\$ 511,877</u>

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2015

Business-Type Activities:

The annual requirements to amortize the loans outstanding as of June 30, 2015, including interest payments are as follows:

	Principal	Interest	Total
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
2020	5,978	8,831	14,809
2021-2025	35,050	39,296	74,346
2026-2030	44,466	29,780	74,246
2031-2035	56,235	18,111	74,346
2036-2039	41,963	4,691	46,654
	<u>\$ 205,210</u>	<u>\$ 138,628</u>	<u>\$ 343,838</u>

G. Retirement Plan

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Contributions. The contribution requirements of defined benefit plan members and the Town are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage options that apply to Town are Municipal Plan 1 (Plan) and Police 3 (Police). Statutorily required contributions to the pension plan from the Town were \$28,448 for the Plan and \$44,736 for the Police for a total of \$73,184 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Town's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For the Plan and Police, at June 30, 2015, the Town reported a liability of \$134,191 and \$285,584 respectively for a total of \$419,775 for its proportionate share of the net pension liability. At June 30, 2014, the Town's proportion was 0.0172% for the Plan and 0.8760% for the Police for a total of 0.89320%, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2015

For the year ended June 30, 2015, the Town recognized pension expense for the Plan of \$5,598 and for the Police of \$19,177 for a total of \$24,775. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Plan Deferred Outflows of Resources	Police Deferred Outflows of Resources	Total Deferred Outflows of Resources
Differences between expected and actual experience \$	0 \$	0 \$	0
Changes of assumptions	0	0	0
Net difference between projected and actual earnings on pension plan investments	0	0	0
Changes in proportion and differences between the Town's contributions and proportionate share of	0	0	0
Town's contributions subsequent to the measurement date	<u>28,448</u>	<u>44,736</u>	<u>73,184</u>
Total	<u>\$ 28,448</u>	<u>\$ 44,736</u>	<u>\$ 73,184</u>
	Deferred Inflows of Resources	Deferred Inflows of Resources	Total Deferred Inflows of Resources
Differences between expected and actual experience \$	0 \$	0 \$	0
Changes of assumptions	(91)	(23,198)	(23,289)
Net difference between projected and actual earnings on pension plan investments	(52,494)	(106,186)	(158,680)
Changes in proportion and differences between the Town's contributions and proportionate share of	0	0	0
Town's contributions subsequent to the measurement date	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ (52,585)</u>	<u>\$ (129,384)</u>	<u>\$ (181,969)</u>

The Plan's \$28,448 and Police's \$44,736 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Notes to the Financial Statements
June 30, 2015

Year ended June 30:			
2016	\$	(13,146)	\$ (45,492)
2017		(13,146)	(45,492)
2018		(13,146)	(45,492)
2019		(13,147)	(45,493)
Total	\$	<u>(52,585)</u>	<u>\$ (181,969)</u>

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
(1) Investment rate of return	7.75% annual rate, net of investment expense
(2) Payroll growth	3.50% annual rate
(3) Projected salary increases	3.50 to 14.25% annual rate
(4) Includes inflation at	3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	4.00%	4.15%

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the Town's net pension liability in the Municipal Plan 2 and Police 5 PERA Fund Divisions that the Town participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The Town's proportionate share of the net pension liability for the Plan	\$ 252,957	\$ 134,191	\$ 42,417

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The Town's proportionate share of the net pension liability for Police	\$ 544,576	\$ 285,584	\$ 92,168

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

H. Retiree Health Care

The Town has elected not to participate in the New Mexico Retiree Health Care Authority post employment employee benefits.

I. 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.

STATE OF NEW MEXICO
TOWN OF HAGERMAN
 Notes to the Financial Statements
 June 30, 2015

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.

The officials and certain employees of the Town are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

J. Budget Violations

The Town incurred expenditures in excess of the approved budget in the following

	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
Non-Major Funds			
EMS-Public	\$ 0	\$ 4,733	\$ (4,733)
Streets-Public Works	16,311	16,506	(195)

K. 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, 2015 in the amount of \$379 was for the repairs and maintenance in the Utility Fund.

L. 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.

M. Subsequent Events

Subsequent events were evaluated through November 10, 2015 which is the date the financial statements were available to be issued.

N. Restatement

The EMS Fund Balance was restated for \$111. Net Position was restated \$(576,969) for pension liability balance at the end of the prior year and \$(4,240) for a MNFA Fire Truck loan balance for a total of \$(581,320).

**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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grants	\$ 358,041	\$ 358,041	\$ 49,966	\$ (308,075)
Total Revenues	<u>358,041</u>	<u>358,041</u>	<u>49,966</u>	<u>(308,075)</u>
Expenditures				
Capital Outlay	358,041	358,041	157,178	200,863
Total Expenditures	<u>358,041</u>	<u>358,041</u>	<u>157,178</u>	<u>200,863</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(107,212)	(107,212)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>(107,212)</u></u>	\$ <u><u>(107,212)</u></u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (107,212)	
Net Change in Due from Grantor			107,212	
Net Change in Accounts Payables			<u>(1,692)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u><u>(1,692)</u></u>	

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

**SUPPLEMENTAL INFORMATION RELATED TO
NON MAJOR FUNDS**

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

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

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

Street Fund - To account for the distributions of tax revenues distributed to the Town for use in financing improvement projects. The fund was created by the authority of state grant provisions. (3-34-3, NMSA 1978).

STATE OF NEW MEXICO
TOWN OF HAGERMAN
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2015

	Special Revenue Funds		
	EMS	Law Enforcement Protection	Corrections
Assets			
Cash and Cash Equivalents	\$ 0	\$ 15,448	\$ 18,029
Receivables			
Taxes	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 15,448</u>	<u>\$ 18,029</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	0	15,448	18,029
Total Fund Balance	<u>0</u>	<u>15,448</u>	<u>18,029</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 15,448</u>	<u>\$ 18,029</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, 2015

	Special Revenue Streets	Total
	<u> </u>	<u> </u>
Assets		
Cash and Cash Equivalents	\$ 6,797	\$ 40,274
Receivables		
Taxes	1,621	1,621
Total Assets	<u>\$ 8,418</u>	<u>\$ 41,895</u>
Liabilities and Fund Balance		
Liabilities		
Accounts Payable	\$ 0	\$ 0
Total Liabilities	<u>0</u>	<u>0</u>
Fund Balances		
Restricted for:		
Special Revenue	8,418	41,895
Total Fund Balance	<u>8,418</u>	<u>41,895</u>
Total Liabilities and Fund Balance	<u>\$ 8,418</u>	<u>\$ 41,895</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, 2015

	Special Revenue Funds		
	EMS	Law Enforcement Protection	Corrections
Revenues			
Taxes			
Gasoline	\$ 0	\$ 0	\$ 0
Fees and Fines	0	0	3,208
State Grants	0	22,400	0
Total Revenues	<u>0</u>	<u>22,400</u>	<u>3,208</u>
Expenditures			
Current			
Public Safety	4,733	15,921	415
Public Works	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>4,733</u>	<u>15,921</u>	<u>415</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,733)</u>	<u>6,479</u>	<u>2,793</u>
Other Financing Sources (Uses)			
Transfers In/(Out)	4,733	0	0
Total Other Sources (Uses)	<u>4,733</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>0</u>	<u>6,479</u>	<u>2,793</u>
Fund Balances at Beginning of Year	111	8,969	15,236
Restatement	(111)	0	0
Restated Beginning Fund Balance	<u>0</u>	<u>8,969</u>	<u>15,236</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 15,448</u>	<u>\$ 18,029</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, 2015

	Special Revenue Streets	Total
Revenues		
Taxes		
Gasoline	\$ 18,971	\$ 18,971
Fees and Fines	0	3,208
State Grants	0	22,400
Total Revenues	<u>18,971</u>	<u>44,579</u>
Expenditures		
Current		
Public Safety	0	21,069
Public Works	1,642	1,642
Capital Outlay	14,864	14,864
Total Expenditures	<u>16,506</u>	<u>37,575</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,465</u>	<u>7,004</u>
Other Financing Sources (Uses)		
Transfers In/(Out)	0	4,733
Total Other Sources (Uses)	<u>0</u>	<u>4,733</u>
Net Change in Fund Balance	<u>2,465</u>	<u>11,737</u>
Fund Balances at Beginning of Year	5,953	30,269
Restatement		(111)
Restated Beginning Fund Balance	<u>5,953</u>	<u>30,158</u>
Fund Balance End of Year	<u>\$ 8,418</u>	<u>\$ 41,895</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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Public Safety				
Operating Expenses	0	0	4,733	(4,733)
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Public Safety	<u>0</u>	<u>0</u>	<u>4,733</u>	<u>(4,733)</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>4,733</u>	<u>(4,733)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>(4,733)</u>	<u>(4,733)</u>
Other Financing Sources (Uses)				
Transfers	0	0	4,622	4,622
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>4,622</u>	<u>4,622</u>
Net Change in Fund Balance	0	0	(111)	(111)
Cash Balance Beginning of Year	<u>111</u>	<u>111</u>	<u>111</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 111</u>	<u>\$ 111</u>	<u>\$ 0</u>	<u>\$ (111)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance-Cash Basis			\$ (111)	
Net Change in Fund Balance-GAAP Basis			<u>\$ (111)</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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	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	31,366	31,366	15,921	15,445
Total Public Safety	<u>31,366</u>	<u>31,366</u>	<u>15,921</u>	<u>15,445</u>
Total Expenditures	<u>31,366</u>	<u>31,366</u>	<u>15,921</u>	<u>15,445</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,966)	(8,966)	6,479	15,445
Cash Balance Beginning of Year	<u>8,969</u>	<u>8,969</u>	<u>8,969</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 15,448</u>	<u>\$ 15,445</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 6,479	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 6,479</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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Fees	\$ 4,575	\$ 4,575	\$ 3,208	\$ (1,367)
Total Revenues	<u>4,575</u>	<u>4,575</u>	<u>3,208</u>	<u>(1,367)</u>
Expenditures				
Public Safety				
Operating Expenses	<u>4,575</u>	<u>4,575</u>	<u>415</u>	<u>4,160</u>
Total Public Safety	<u>4,575</u>	<u>4,575</u>	<u>415</u>	<u>4,160</u>
Total Expenditures	<u>4,575</u>	<u>4,575</u>	<u>415</u>	<u>4,160</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	2,793	2,793
Cash Balance Beginning of Year	<u>15,236</u>	<u>15,236</u>	<u>15,236</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 15,236</u>	<u>\$ 15,236</u>	<u>\$ 18,029</u>	<u>\$ 2,793</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 2,793</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 2,793</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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Gasoline Taxes	\$ 16,311	\$ 16,331	\$ 18,580	\$ 2,249
Total Revenues	<u>16,311</u>	<u>16,331</u>	<u>18,580</u>	<u>2,249</u>
Expenditures				
Public Works				
Operating Expenses	16,311	16,311	1,642	14,669
Capital Outlay	<u>0</u>	<u>0</u>	<u>14,864</u>	<u>(14,864)</u>
Total Public Works	<u>16,311</u>	<u>16,311</u>	<u>16,506</u>	<u>(195)</u>
Total Expenditures	<u>16,311</u>	<u>16,311</u>	<u>16,506</u>	<u>(195)</u>
Excess (Deficiency) of Revenues Over Expenditures	0	20	2,074	2,054
Cash Balance Beginning of Year	<u>4,723</u>	<u>4,723</u>	<u>4,723</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 4,723</u>	<u>\$ 4,743</u>	<u>\$ 6,797</u>	<u>\$ 2,054</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 2,074	
Net Change in Taxes Receivables			<u>391</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 2,465</u>	

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

REQUIRED SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
TOWN OF HAGERMAN
Schedules of Required Supplementary Information for Pension Plan
For the Year Ended June 30, 2015

Schedule of the Town's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

	<u>2015</u>
Town's proportion of the net pension liability	0.89320%
Town's proportionate share of the net pension liability	\$ 285,584
Town's covered-employee payroll	\$ 350,933
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	81.38%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

Schedule of Town's Contributions

Last 10 Fiscal Years*

	<u>2015</u>
Contractually required contribution	\$ 73,184
Contributions in relation to the contractually required contribution	<u>73,184</u>
Contribution deficiency (excess)	\$ <u><u>0</u></u>
Town's covered-employee payroll	\$ 350,933
Contributions as a percentage of covered-employee payroll	20.85%

* These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

STATE OF NEW MEXICO

TOWN OF HAGERMAN

Notes to Required Supplementary Information

For the Year Ended June 30, 2015

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement Association 2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf).

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

OTHER SUPPLEMENTAL INFORMATION

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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales and Service	\$ 593,907	\$ 593,907	\$ 542,321	\$ (51,586)
Environmental Gross Receipts	7,065	7,065	8,836	1,771
Total Revenues	<u>600,972</u>	<u>600,972</u>	<u>551,157</u>	<u>(49,815)</u>
Expenditures				
Water				
Operating Expenses	228,711	265,000	262,268	2,732
Capital Outlay	0	45,000	45,540	(540)
Debt Service				
Principal	0	4,813	4,813	0
Interest	0	10,096	10,096	0
Total Water	<u>228,711</u>	<u>324,909</u>	<u>322,717</u>	<u>2,192</u>
Sewer				
Operating Expenses	72,330	72,330	69,396	2,934
Total Sewer	<u>72,330</u>	<u>72,330</u>	<u>69,396</u>	<u>2,934</u>
Solid Waste				
Operating Expenses	185,000	185,000	159,951	25,049
Total Solid Waste	<u>185,000</u>	<u>185,000</u>	<u>159,951</u>	<u>25,049</u>
Total Expenditures	<u>486,041</u>	<u>582,239</u>	<u>552,064</u>	<u>30,175</u>
Excess (Deficiency) of Revenues Over Expenditures	372,261	18,733	(907)	(19,640)
Cash Balance Beginning of Year	<u>344,454</u>	<u>344,454</u>	<u>344,454</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 716,715</u>	<u>\$ 363,187</u>	<u>\$ 343,547</u>	<u>\$ (19,640)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (907)	
Depreciation			(58,626)	
Capital Outlay			45,540	
Principal Paid			4,813	
Net Changes in Taxes Receivable			(117)	
Net Changes in Accounts Receivable			(10,826)	
Net Changes in Accounts Payable			5,286	
Net Changes in Accrued Salaries & Benefits			(531)	
Net Changes in Accrued Interest			21	
Net Changes in Compensated Absences			(4,506)	
Net Changes in Meter Deposits			2,465	
Change in Net Position			<u>\$ (17,388)</u>	

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

STATE OF NEW MEXICO
TOWN OF HAGERMAN
 Vendor Schedule
 For the Year Ended June 30, 2015

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
13-L-1667	IFB	Vantage Engr. & Constr	\$ 145,600.00	\$ 180,717.48	Vantage Engr. & Constr PO Box 2602 Roswell, NM 88202	Yes	No	Remodel Town Hall

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. Tim Keller
State Auditor of the State of New Mexico
Board Members of the Town of Hagerman

Mr. Keller 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, 2015, 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 10, 2015.

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. 2015-001, 2015-002, 2015-003, 2015-004, 2015-005

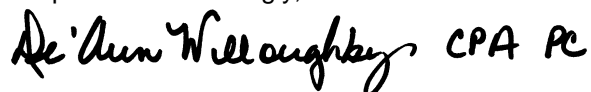
Compliance and Other Matters

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; 2015-001, 2015-002, 2015-003, 2015-004, 2015-005

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 10, 2015

Financial Statement

Prior Year Audit Findings

2014-001 Payroll

Status
 Resolved

Current Year Audit Findings

2015-001 Expenditures Over Budget-Compliance and Internal Control-Significant Deficiency Condition

The Town incurred expenditures in excess of the approved budget in the following fund:

	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
Non-Major Funds			
EMS-Public Safety	\$ 0	\$ 4,733	\$ (4,733)
Streets-Public Works	16,311	16,506	(195)

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 has 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. The town clerk expects to have this corrected by the end of next fiscal year.

2015-002 Expenditures-Compliance and Internal Control-Significant Deficiency

Condition

6 of 141 expenditures sampled were not paid within 30 days of receipt totaling \$55,585.43
 1 of 141 expenditures were unable to be located totaling \$22,928.83

Criteria

In accordance with 6.20.2.17 Purchasing each entity shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq, NMSA 1978.

Cause

The Clerk is not receiving the bills from the fire department timely to avoid late payment of bills.

Effect

Late fees are charged for late payments as well as jeopardizing the Town's reputation as an entity that is worthy of open credit.

Recommendation

The bills should be submitted timely to avoid late payment. Requiring purchase orders could alert the Clerk that a bill should be forthcoming.

Response

This matter will be discussed with those responsible for this issue. The town clerk expects to have this corrected by the end of next fiscal year.

2015-003 Purchase Orders-Compliance and Internal Control-Significant Deficiency

Condition

Purchase orders are not utilized in the purchasing process on a consistent basis.

Criteria

"The Town's policy requires purchase requisitions and purchase orders to be obtained and approved before procurement of goods and services."

Cause

Employees have become lax in utilizing the purchase requisitions and purchase orders.

Effect

The Town's internal controls over purchasing authorizations and payments limit management's ability to monitor the accuracy of transactions and provide assurance with respect to public funds.

Recommendation

The Town should exercise more caution with purchase authorization procedures to ensure similar instances do not occur.

Response

This matter will be discussed with those responsible for this issue. The town clerk expects to have this corrected by the end of next fiscal year.

2015-004 Pledged Securities-Compliance and Internal Control-Significant Deficiency

Condition

Hagerman National Bank has not pledged enough securities for the public monies held by the institution over the insured amount. The Town was under pledged by \$32,442.

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

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

Effect

Without adequate securities, the Town could have monetary losses if the institution should fail.

Recommendation

The Bank should be contacted and request additional collateral.

Response

We have received additional securities. The town clerk expects to have this corrected by the end of next fiscal year.

2015-005 PERA-Compliance and Internal Control-Significant Deficiency

Condition

The Town did not update their PERA withholding rates for Police officers for the entire year causing the Town to owe PERA a total of \$2,564.79 at fiscal year end.

Criteria

Per 10-11-126.A NMSA 1978, affiliated public employers are required to remit contributions to the association in accordance with the procedures and schedules established by the association. Per Section 2 of the PERA Employer Guide, contributions are due to the association no later than the 5th working day after the payday applicable to the payroll period being reported. If an employer fails to make the required member deductions, the employer will be responsible for correcting the omission and will be assessed interest charges.

Cause

There was a change in the rate that was not corrected in the payroll process.

Effect

The Town had to make a payment to PERA for the difference between collected amounts for the above noted pay periods, and was charged additional interest.

Recommendation

The PERA contributions calculated by the payroll program should be compared to the calculations on the form and reconciled before the payments and reports are submitted to PERA.

Response

This problem has been resolved and will not occur again. The town clerk expects to have this corrected by the end of next fiscal year.

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 10, 2015 in attendance was Cliff Waide-Mayor, Bill Shaw-Board Member, Gina Sterrett-Clerk Treasurer and De'Aun Willoughby, CPA.