

**State of New Mexico
Village of Magdalena**

**Annual Financial Report
For The Year Ended June 30, 2006**

(With Independent Auditor's Report Thereon)

State of New Mexico
Village of Magdalena

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INTRODUCTORY SECTION

**State of New Mexico
Village of Magdalena**

**Official Roster
June 30, 2006**

Name

Title

James Wolfe
Della Benavidez
Jack Fairweather
Bill Fuller
Eleanor Dawson

Mayor
Trustee
Trustee
Trustee
Trustee

Robert Serna

Municipal Judge

Administration

Rita Broaddus

Clerk/Treasurer

Garcia and Associates, CPA, LLC
Certified Public Accountant and Business Consultants

Raymond J. Garcia, CPA
Partner

Paul Lucero, MBA
Partner

2060 Main Street NE, Suite C
Los Lunas, NM 87031
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INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas
New Mexico State Auditor, and
Village Council
Village of Magdalena
Magdalena, New Mexico 87825

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and major special revenue funds, and the aggregate remaining fund information of the Village of Magdalena (the Village), as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Village's non major governmental funds and all budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2006 as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The Village of Magdalena, over the years has not maintained adequate detailed records of the Capital Assets. Accounting principles generally accepted in the United States of America require that adequate detailed records of the Capital Assets be maintained to provide for the verification and valuation of individual capital assets and to determine the adequacy of the related depreciation. The valuation of the Capital Assets and the related depreciation would effect the determination of assets, net assets and expenses of the Village. The amount by which this would affect the assets, net assets and expenses is not reasonably determinable.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the Capital Assets and related depreciation as described in the third paragraph, 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,

Independent Auditor's Report (Continued)

and the aggregate remaining fund information of the Village of Magdalena, New Mexico as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the Capital Assets and related depreciation as described in the third paragraph, the financial statements referred to above presented fairly, in all material respects, the respective financial position of the combining and each non-major governmental funds and combining proprietary funds of the Village of Magdalena, New Mexico as of June 30, 2006 and the respective changes in financial position and cash flows, were applicable thereof, and the budgetary comparisons for the non-major special revenue funds and enterprise funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

For the year ended June 30, 2006, the Village of Magdalena has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basis financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2009 on our consideration of the Village's internal control over financial reporting and 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 the audit performed in accordance with Government Auditing Standards and should be considered in assessing the result of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Magdalena, New Mexico, basic financial statements, and on the combining and individual fund statements, and budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, Audits of the State and Local Governments and Non-Profit Organization and the Schedule of Capital Assets Used in the Operations of Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures and Federal Awards and Schedule of Capital Assets Used in the Operations of Governmental Funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the Capital Assets and related depreciation as described in the third paragraph, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Garcia and Associates, CPA, LLC

Garcia and Associates, CPA, LLC
Los Lunas, New Mexico
November 13, 2009

**State of New Mexico
Village of Magdalena
Statement of Net Assets
June 30, 2006**

	Primary Government		Total
	Governmental Activities	Business Type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 358,819	\$ 170,017	\$ 528,836
Taxes receivable	17,940	0	17,940
Intergovernmental receivable	7,202	0	7,202
Interest receivable	23	30	53
Accounts receivable (net)	0	39,604	39,604
Inventories	0	2,172	2,172
Total current assets	<u>383,984</u>	<u>211,823</u>	<u>595,807</u>
Restricted assets:			
Cash and cash equivalents	0	56,749	56,749
Total restricted assets	<u>0</u>	<u>56,749</u>	<u>56,749</u>
Capital assets:			
Capital assets not being depreciated:			
Land	248,971	6,025	254,996
Capital assets being depreciated:			
Distribution system	0	3,476,474	3,476,474
Buildings and improvements	1,114,089	26,097	1,140,186
Furniture, fixtures and equipment	992,212	290,451	1,282,663
Less accumulated depreciation	<u>(1,443,659)</u>	<u>(1,360,707)</u>	<u>(2,804,366)</u>
Total capital assets	<u>911,613</u>	<u>2,438,340</u>	<u>3,349,953</u>
Total assets	<u>1,295,597</u>	<u>2,706,911</u>	<u>4,002,508</u>
LIABILITIES			
Accounts payable	5,844	4,943	10,787
Accrued interest payable	0	2,066	2,066
Wages and benefits payable	2,720	2,781	5,501
Compensated absences payable	13,029	6,786	19,815
Long term note payable:			
Due within one year	12,157	4,000	16,157
Due in more than one year	60,837	173,000	233,837
Deposits held for others	-	26,559	26,559
Total liabilities	<u>94,587</u>	<u>220,135</u>	<u>314,722</u>
NET ASSETS			
Invested in capital assets, net of related debt	838,619	2,261,340	3,099,959
Restricted for:			
Debt service	0	21,440	21,440
Capital projects	12,303	0	12,303
Customer meter deposits	0	26,559	26,559
Landfill closure and post closure	0	8,750	8,750
Unrestricted	350,089	168,688	518,777
Total net assets	<u>\$ 1,201,011</u>	<u>\$ 2,486,777</u>	<u>\$ 3,687,788</u>

**State of New Mexico
Village of Magdalena
Statement of Activities
June 30, 2006**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets				
	Fees, Fines and Charges for		Capital		Governmental		Business-type		Total
	Expenses	Services	Operating	Grants and Contributions	Activities	Activities	Activities		
Primary Government									
Governmental activities:									
General government	\$ 110,986	\$ 3,224	\$ 109,535	\$ 0	\$ 1,773	\$ 0	0	1,773	(193,795)
Public safety	281,225	15,186	72,244	0	(193,795)	0	0	(193,795)	(6,239)
Public works	19,421	0	-	13,182	(6,239)	0	0	(6,239)	(2,169)
Public health	15,261	0	13,092	0	(2,169)	0	0	(2,169)	(25,051)
Culture and recreation	33,680	0	8,629	0	(25,051)	0	0	(25,051)	(214)
Interest and fiscal charges on long-term debt	214	0	-	0	(214)	0	0	(214)	(225,695)
Total governmental activities	460,787	18,410	203,500	13,182	(225,695)	0	0	(225,695)	
Business-type activities:									
Water and sewer	309,940	210,871	0	0	0	(99,069)	(99,069)	(99,069)	13,849
Solid Waste	50,667	64,516	0	0	0	13,849	13,849	13,849	8,994
CDBG Sewer Lagoon	0	0	0	8,994	0	8,994	8,994	8,994	(8,094)
Interest on longterm obligations	8,094	0	0	0	0	(8,094)	(8,094)	(8,094)	(84,319)
Total business-type activities	368,700	275,387	0	8,994	0	(84,319)	(84,319)	(84,319)	(310,014)
Total primary government	\$ 829,488	\$ 293,797	\$ 203,500	\$ 22,176	\$ (225,695)	\$ (84,319)	\$ (84,319)	\$ (310,014)	
General revenues:									
Taxes									
Property taxes, levied for general purposes					4,871	0	0	4,871	213,815
Gross receipts taxes					213,815	0	0	213,815	14,290
Franchise taxes					14,290	0	0	14,290	41,035
Other taxes					41,035	0	0	41,035	0
Grants and contributions unrestricted					0	0	0	0	719
Investment income					719	901	901	1,620	0
Transfers					0	0	0	0	274,730
Total general revenues					274,730	901	901	275,631	(34,383)
Changes in net assets					49,035	(83,418)	(83,418)	(34,383)	3,721,297
Net assets, beginning of year					1,151,102	2,570,195	2,570,195	3,721,297	874
Restatement					874	0	0	874	1,151,976
Net assets, beginning of year (restated)					1,151,976	2,570,195	2,570,195	3,722,171	\$ 1,201,011
Net assets, end of year					\$ 1,201,011	\$ 2,486,777	\$ 2,486,777	\$ 3,687,788	

The accompanying notes are an integral part of the financial statements.

**State of New Mexico
Village of Magdalena
Balance Sheet
Governmental Funds
June 30, 2006**

	General Fund	Fire Fund	Environmental Fund	Other Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 236,524	\$ 10,679	\$ 33,323	\$ 78,294	\$ 358,819
Taxes receivable	17,208	0	423	309	17,940
Intergovernmental receivables	5,552	0	0	1,650	7,202
Interest receivable	23	0	0	0	23
Inventories	0	0	0	0	0
Total assets	<u>\$ 259,307</u>	<u>\$ 10,679</u>	<u>\$ 33,746</u>	<u>\$ 80,253</u>	<u>\$ 383,985</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,380	\$ 3,166	\$ 0	\$ 1,299	\$ 5,845
Accrued payroll	2,621	0	0	99	2,720
Accrued interest payable	0	0	0	0	0
Note Payable	0	0	0	0	0
Total liabilities	<u>4,001</u>	<u>3,166</u>	<u>0</u>	<u>1,398</u>	<u>8,565</u>
Fund balances:					
Reserved for:					
Capital projects	0	0	0	0	0
Debt service	0	7,513	0	0	7,513
Airport improvements	3,425	0	0	0	3,425
Unreserved reported in:					
General fund	251,881	0	0	0	251,881
Special revenue funds	0	0	33,746	78,855	112,601
Total fund balances	<u>255,306</u>	<u>7,513</u>	<u>33,746</u>	<u>78,855</u>	<u>375,421</u>
Total liabilities and fund balances	<u>\$ 259,307</u>	<u>\$ 10,679</u>	<u>\$ 33,746</u>	<u>\$ 80,253</u>	<u>\$ 383,985</u>

**State of New Mexico
Village of Magdalena
Reconciliation of the Governmental Fund Balance Sheet to the
Statement of Net Assets
June 30, 2006**

Total Fund balance for governmental funds \$ 375,421

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Governmental capital assets	\$ 2,355,271	
Less accumulated depreciation	<u>(1,443,659)</u>	911,612

Long-term and short-term liabilities applicable to the Village governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in statement of net assets

Compensated absences payable	\$ (13,029)	
Long-term note payable	<u>(72,994)</u>	<u>(86,023)</u>

Total net assets of governmental activities \$ 1,201,011

State of New Mexico
Village of Magdalena
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General Fund	Fire Fund	Environmental Fund	Other Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 4,871	\$ 0	\$ 0	\$ 0	\$ 4,871
Gross receipts tax	106,038	0	0	0	106,038
Franchise tax	14,290	0	0	0	14,290
Other taxes	0	0	0	8,604	8,604
Licenses and permits	2,254	0	0	0	2,254
Intergovernmental revenue and grants	220,997	46,251	5,175	78,470	350,893
Charges for service	970	0	0	5,124	6,094
Fines	10,062	0	0	0	10,062
Investment earnings	316	403	0	0	719
Other revenues	130	4,792	0	1,074	5,996
Total revenues	<u>359,927</u>	<u>51,446</u>	<u>5,175</u>	<u>93,272</u>	<u>509,821</u>
EXPENDITURES:					
Current -					
General government	89,987	0	0	0	89,987
Public safety	189,344	29,461	0	15,978	234,783
Public works	-	0	0	16,612	16,612
Public health	0	0	0	12,858	12,858
Culture and recreation	0	0	0	25,961	25,961
Capital outlay	0	0	0	43,763	43,763
Debt service -					
Principal	0	12,128	0	0	12,128
Interest and fiscal charges	0	214	0	0	214
Capital outlay	0	0	0	0	0
Total expenditures	<u>279,332</u>	<u>41,803</u>	<u>0</u>	<u>115,172</u>	<u>436,306</u>
Excess (deficiency) of revenues over expenditures	<u>80,596</u>	<u>9,643</u>	<u>5,175</u>	<u>(21,900)</u>	<u>73,514</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	4,000	0	0	28,205	32,205
Transfers out	(28,205)	(4,000)	0	0	(32,205)
Total other financing sources (uses)	<u>(24,205)</u>	<u>(4,000)</u>	<u>0</u>	<u>28,205</u>	<u>0</u>
Net changes in fund balances	<u>56,391</u>	<u>5,643</u>	<u>5,175</u>	<u>6,305</u>	<u>73,514</u>
Fund balances - July 1 (Beginning)	198,915	1,257	28,571	72,289	301,032
Restatement	0	613	0	261	874
Fund balances - July 1 (Restated)	<u>198,915</u>	<u>1,870</u>	<u>28,571</u>	<u>72,550</u>	<u>301,906</u>
Fund balances, end of year	<u>\$ 255,306</u>	<u>\$ 7,513</u>	<u>\$ 33,746</u>	<u>\$ 78,855</u>	<u>\$ 375,421</u>

State of New Mexico
Village of Magdalena
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund
Balances to Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006

Net changes in fund balances - total governmental funds \$ 73,514

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	38,527	
Less current year depreciation	<u>(73,851)</u>	(35,324)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	<u>(1,283)</u>	(1,283)
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The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of new assets. Repayment of long-term debt principal are expenditures in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.

Notes payable retirement	<u>12,128</u>	12,128
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Change in net assets of governmental activities		<u><u>\$ 49,035</u></u>
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State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Property taxes	\$ 6,082	\$ 6,082	\$ 4,976	\$ (1,106)
Gross receipts taxes	100,526	100,526	106,359	5,833
Franchise taxes	9,000	9,000	14,077	5,077
Licenses and permits	2,100	2,100	2,254	154
Intergovernmental revenue and grants	185,539	185,539	219,897	34,358
Charges for services	0	0	970	970
Investment earnings	0	0	288	288
Fines	10,275	10,275	10,062	(213)
Other revenues	0	0	130	130
Total revenues	313,522	313,522	359,012	45,490
EXPENDITURES:				
General government	103,503	98,503	89,726	8,777
Public safety	182,503	208,503	206,540	1,963
Capital outlay	0	0	0	0
Total expenditures	286,006	307,006	296,266	10,740
Excess (deficiency) of revenues over expenditures	27,516	6,516	62,747	56,231
OTHER FINANCING SOURCES (USES):				
Transfers in	0	0	4,000	4,000
Transfers out	(26,400)	(28,205)	(28,205)	0
Total other financing sources (uses)	(26,400)	(28,205)	(24,205)	4,000
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	1,116	(21,689)	38,542	60,231
Budgeted cash carryover	0	21,689	0	0
	\$ 1,116	\$ 0	\$ 38,542	\$ 60,231
Budgetary - GAAP Reporting Reconciliation:				
Excess (deficiency) of revenues over expenditures and other financing sources (uses)			\$ 38,542	
Adjustments for revenue accruals			917	
Adjustment for expenditures accruals			16,933	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)			\$ 56,391	

The accompanying notes are an integral part of the financial statements.

State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
Fire Protection Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Intergovernmental revenue and grants	\$ 46,251	\$ 46,251	\$ 46,251	\$ 0
Other	15,000	19,793	4,793	(15,001)
Investment earnings	0	0	375	375
Total revenues	<u>61,251</u>	<u>66,044</u>	<u>51,419</u>	<u>(14,626)</u>
EXPENDITURES:				
Public safety	39,646	39,646	26,427	13,219
Debt service	16,342	16,342	12,342	4,000
Capital outlay	5,733	5,733	0	5,733
Total expenditures	<u>61,721</u>	<u>61,721</u>	<u>38,769</u>	<u>22,952</u>
Excess (deficiency) of revenues over expenditures	(470)	4,323	12,649	8,326
OTHER FINANCING SOURCES (USES):				
Transfers out	0	0	(4,000)	(4,000)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(4,000)</u>	<u>(4,000)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(470)	4,323	8,649	4,326
Budgeted cash carryover	470	0	0	0
	<u>\$ 0</u>	<u>\$ 4,323</u>	<u>\$ 8,649</u>	<u>\$ 4,326</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 8,649
Adjustments for revenue accruals	28
Adjustment for expenditures accruals	<u>(3,034)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ 5,643</u>

State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
Environmental Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes:				
Intergovernmental revenue and grants	\$ 5,600	\$ 5,600	\$ 5,192	\$ (408)
Total revenues	<u>5,600</u>	<u>5,600</u>	<u>5,192</u>	<u>(408)</u>
EXPENDITURES:				
Public safety	2,500	2,500	0	2,500
Capital outlay	30,000	30,000	0	30,000
Total expenditures	<u>32,500</u>	<u>32,500</u>	<u>0</u>	<u>32,500</u>
Excess (deficiency) of revenues over expenditures	(26,900)	(26,900)	5,192	32,092
OTHER FINANCING SOURCES (USES):				
Reimbursement proceeds	0	0	0	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(26,900)	(26,900)	5,192	32,092
Budgeted cash carryover	<u>26,900</u>	<u>26,900</u>	<u>0</u>	<u>0</u>
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,192</u>	<u>\$ 32,092</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 5,192
Adjustments for revenue accruals	(16)
Adjustment for expenditures accruals	<u>0</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ 5,175</u>

State of New Mexico
Village of Magdalena
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Enterprise Funds			Total
	Water, Sewer & Solid Waste Utilities	RUS/NMFA Water Project	CDBG Sewer Lagon Project	
ASSETS				
Current assets:				
Cash and investments	\$ 169,828	\$ 3	\$ 186	\$ 170,017
Accounts receivable	39,604	0	0	39,604
Interest receivable	30	0	0	30
Inventory	2,172	0	0	2,172
Intergovernmental receivable	0	0	0	0
Total current assets	211,634	3	186	211,823
Noncurrent assets:				
Customer meter deposits	26,559	0	0	26,559
Revenue bond reserve	21,440	0	0	21,440
Landfill closure and post closure costs	8,750	0	0	8,750
Land	6,025	0	0	6,025
Distribution system	1,985,638	474,492	1,016,344	3,476,474
Buildings and improvements	26,097	0	0	26,097
Vehicles, furniture and equipment	290,451	0	0	290,451
Construction in progress	0	0	0	0
Accumulated depreciation	(1,360,707)	0	0	(1,360,707)
Total noncurrent assets	1,004,253	474,492	1,016,344	2,495,089
Total assets	1,215,887	474,495	1,016,530	2,706,911
LIABILITIES				
Current liabilities:				
Accounts payable	4,943	0	0	4,943
Accrued payroll	2,781	0	0	2,781
Accrued interest payable	2,066	0	0	2,066
Compensated absences payable	6,786	0	0	6,786
Revenue bonds payable	4,000	0	0	4,000
Deposits held for others	26,559	0	0	26,559
Total current liabilities	47,135	0	0	47,135
Noncurrent liabilities:				
Revenue bonds payable	173,000	0	0	173,000
Total non-current liabilities	173,000	0	0	173,000
Total liabilities	220,135	0	0	220,135
NET ASSETS				
Invested in capital assets, net of related debt	770,504	474,492	1,016,344	2,261,340
Restricted for:				
Customer meter deposits	26,559	0	0	26,559
Landfill closure and post closure	8,750	0	0	8,750
Debt service	21,440	0	0	21,440
Unrestricted	168,499	3	186	168,688
Total net assets	\$ 995,752	\$ 474,495	\$ 1,016,530	\$ 2,486,777

State of New Mexico
Village of Magdalena
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2006

	Enterprise Funds			Total
	Water, Sewer & Solid Waste Utilities	RUS/NMFA Water Project	CDBG Sewer Lagon Project	
Operating revenues:				
Charges for services	\$ 269,330	\$ 0	\$ 0	\$ 269,330
Other revenues	6,057	0	0	6,057
Total operating revenues	<u>275,387</u>	<u>0</u>	<u>0</u>	<u>275,387</u>
Operating expenses:				
Salaries	92,075	0	0	92,075
Benefits	23,847	0	0	23,847
Other operating expenses	112,471	0	0	112,471
Depreciation	132,213	0	0	132,213
Total operating expenses	<u>360,607</u>	<u>0</u>	<u>0</u>	<u>360,607</u>
Operating income	<u>(85,219)</u>	<u>(0)</u>	<u>(0)</u>	<u>(85,219)</u>
<u>Nonoperating revenues (expenses):</u>				
Interest expense	(8,094)	0	0	(8,094)
Interest income	901	0	0	901
Intergovernmental - federal	0	0	8,994	8,994
Intergovernmental - state	0	0	0	0
Transfers in (out)	(12,000)	0	12,000	0
Total nonoperating revenues (expenses)	<u>(19,193)</u>	<u>0</u>	<u>20,994</u>	<u>1,801</u>
Changes in net assets	(104,412)	0	20,994	(83,418)
Total net assets, beginning of year	<u>1,100,164</u>	<u>474,495</u>	<u>995,536</u>	<u>2,570,195</u>
Total net assets, end of year	<u>\$ 995,752</u>	<u>\$ 474,495</u>	<u>\$ 1,016,530</u>	<u>\$ 2,486,777</u>

**State of New Mexico
Village of Magdalena
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2006**

	Enterprise Funds			Total
	Utilities	RUS/NMFA Water Project	CDBG Sewer Lagoon Project	
Increase (Decrease) In Cash and Cash Equivalents				
Cash flows from operating activities:				
Cash received from customers	\$ 265,001	\$ 0	\$ 0	\$ 265,001
Other receipts	-	0	0	0
Cash payments to employees	(113,375)	0	0	(113,375)
Cash payments to suppliers for goods and services	(109,265)	0	0	(109,265)
Net cash provided by (used for) operating activities	<u>42,361</u>	<u>0</u>	<u>0</u>	<u>42,361</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	0	0	12,000	12,000
Transfers to other funds	(12,000)	0	0	(12,000)
Subsidy from state	0	0	0	0
Net cash provided by (used for) noncapital and related financing activities	<u>(12,000)</u>	<u>0</u>	<u>12,000</u>	<u>0</u>
Cash flows from capital and related financing activities:				
Net acquisition of capital assets	0	0	(20,839)	(20,839)
Payment of principal on long-term debt	(4,000)	0	0	(4,000)
Interest paid on bonds	(8,235)	0	0	(8,235)
Proceeds from federal grant	0	0	8,994	8,994
Proceeds from state grant	0	0	0	0
Proceeds from sale of equipment	0	0	0	0
Net cash provided by (used for) capital and related financing activities	<u>(12,235)</u>	<u>0</u>	<u>(11,845)</u>	<u>(24,080)</u>
Cash flows from investing activities:				
Investment income	1,757	0	0	1,757
Net cash provided by investing Activities	<u>1,757</u>	<u>0</u>	<u>0</u>	<u>1,757</u>
Net increase (decrease) in cash and cash equivalents	19,883	0	155	20,039
Cash and cash equivalents, beginning of year	<u>206,694</u>	<u>3</u>	<u>31</u>	<u>206,728</u>
Cash and cash equivalents, end of year	<u>\$ 226,577</u>	<u>\$ 3</u>	<u>\$ 186</u>	<u>\$ 226,766</u>

**State of New Mexico
Village of Magdalena
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2006**

Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities

Operating income	\$ (86,009)	\$ 0	\$ 0	\$ (86,009)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	132,213	0	0	132,213
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable - utilities	(10,400)	0	0	(10,400)
Increase (decrease) in accrued payroll	1,721	0	0	1,721
Increase (decrease) in accounts payable - operations	3,124	0	0	3,124
Increase (decrease) in accounts payable - others	(141)	0	0	(141)
Increase (decrease) in accrued liabilities	896	0	0	896
Increase (decrease) in deposits held for others	957	0	0	957
Total adjustments	<u>128,370</u>	<u>0</u>	<u>0</u>	<u>128,370</u>
Net cash provided by (used for) operating activities	<u>\$ 42,361</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 42,361</u>

**State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description and Reporting Entity

The Village of Magdalena was incorporated under the laws of the State of New Mexico in 1913. The Village operates under a Mayor-Trustee form of government, providing services as authorized by law: public safety (police and fire), streets, sanitation, health and welfare, culture and recreation, public improvements, and general administrative services. The Village operates the following enterprises: water, sewer and solid waste.

The Village's financial statements are prepared using the accrual basis of accounting, in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standard Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB approved Statement #34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Government." In June 2001, the GAAP approved Statement No. 37 "Basic Financial Statements and Management Discussion and Analysis for State and Local Government: Omnibus" and Statement No. 38 "Certain Financial Statement Note Disclosures". Statement No. 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies establishes and rescinds certain financial statement disclosure requirements. The Village of Magdalena implemented the provisions of the above statements effective July 1, 2003.

Reporting Entity

The Village Council (the "Council") is elected by the public and it has authority to make decisions, appoint administrators and managers, and significantly influence operations. It also holds primary accountability for fiscal matters. Therefore, the Village is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity." The Village is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Even though, the Village has decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The Village does not have any component units; therefore, component units are not represented in the financial statements.

Basis of Presentation, Basis of Accounting

Government-Wide and Fund Financial Statements - The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Village of Magdalena non-fiduciary activities with most of the inter fund activities removed. Governmental activities include programs supported primarily by taxes, state funds, grants and other intergovernmental revenues. Business-type activities include operations that rely on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the Village operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the Village. Examples include user charges at recreation facilities and for health care services. The "grants and contributions" column includes amounts paid by organizations outside the Village to help meet the operational or capital requirements of a given function. Examples include grants under Housing and Urban Development's Community Development Block Grants. If revenue is not program revenue, it is general revenue used to support all of the Village's functions. Taxes are always general revenues.

State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inter-fund activities between governmental funds [and between governmental funds and proprietary funds] appear as due to/due from on the Governmental Fund Balance Sheet [and Proprietary Fund Statement of Net Assets] and as other resource and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance (and on the Proprietary Fund Statement of Revenues, Expenses and Charges in Fund Net Assets).

Fund Financial Statements – The fund financial statements provides information on the financial condition and results of operations for two fund categories -governmental and proprietary. The village considers some governmental (and enterprise) funds major and reports their financial condition and results of operations in a separate column The fund financial statements exclude the portion of these non exchange transaction revenues that are not available.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non operating revenues, such as subsidies and investment earnings, result from non exchange transactions or ancillary activities.

The Village reports the following major governmental funds:

General Fund - The General Fund is the Village's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Fire Fund - To account for the operations and maintenance of fire equipment. Financing is provided by a State allotment. Authority -NMSA 59A-53-1.

Environmental Fund - To account for one sixteenth of one percent of Gross Receipts Tax to be spent for the retirement of debt of the Central Solid Waste Facility. The fund was created by the state statute. NMSA 7-19D-10..

The Village reports the following major enterprise funds:

Utility Fund – To account for the providing of water, sewer and solid waste services to the residents of the Village. 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 collection.

RUSINMFA Water Project - To account for the construction of a water storage facility for the Village. Financing is provided by federal and state grants.

CDBG Sewer Lagoon Project -To account for the construction of a sewer lagoon for the Village. Financing is provided by federal and local matching funds.

Additionally, the Village reports the following fund type(s):

Governmental Funds:

Special Revenue -The Village accounts for resources restricted to, or designated for, specific purposes by the Village or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds:

Enterprise -The Village's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The Village has no non-major enterprise funds.

Measurement Focus, Basis of Accounting

Government – Wide, Proprietary, and Fiduciary Fund Financial Statements - the government-wide financial statements use the economic resource measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenue, expenses, Gains, losses, assets, and liabilities resulting from exchange transactions, derived tax revenues such as gross receipt taxes, and exchange-like transactions should be recognized when the exchange takes places. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied, net of estimated refunds and uncollectible amounts. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increase and decrease in current assets (i .e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The Village considers all revenues available if they are collectable within 60 days after year end. Property taxes are considered revenue when they are levied, even if enforceable legal claims arise or the due date for payment occurs in a different period.

Revenues from local sources consist primarily of property, franchise, and gross receipts taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The Village considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the grant provisions. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the Village to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and recognized that become measurable. The Village applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on

State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Budgets and Budgetary Accounting

The Village Council adopts an annual budget for the General, Special Revenue, Capital Projects, Enterprise, and Debt Service Funds, which are prepared by management and approved by the Village Council and by the Local Government Division of the Department of Finance and Administration.

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balances be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore used in the calculation to determine the balance.

Actual expenditures may not exceed the budget on fund basis, i.e. budgeted expenditures must be within budgeted amounts. Budgets may be amended in two ways. All budget transfers that will exceed a cumulative of five percent of a department's total budget require approval from the Local Governmental Division of the Department of Finance and Administration. Transfers, which do not exceed the five percent limit, require approval by the Village Council. Resolutions for budget increases will only be approved in the event of an emergency.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to June 1, the Village submits a proposed budget to the Local Government Division of the Department of Finance and Administration. The budget submitted has been approved by the Village Council after presentation by the Village Clerk. The operating budget includes proposed expenditures and the means financing them.

The Local Government Division, in relation to the Village shall:

- a. Examine each proposed budget and on or before July 1 of each year, approve and certify to the Village an operating budget for use pending approval of final budget.
- b. Hold public hearings on proposed budgets.
- c. Make such corrections; revisions, and amendments to proposed budgets as may be necessary to meet the requirements of law.
- d. Certify a final budget for the Village prior to the first Monday in September of each year. Such budgets, when approved, shall be binding upon all tax officials of the State.
- e. Upon the approval of the Secretary of Finance and Administration, authorize the transfer of funds from one budget item to another budget item when such transfer is required or an emergency condition exists meriting such transfer and such transfer is not prohibited by law. In case of emergency necessitating the expenditures for item or items not provided for in the budget, upon approval of the Secretary of Finance and Administration, the budget may be revised to authorize such expenditures.

State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- f. With written approval of the Secretary of Finance and Administration and the Attorney General, increase the total budget of the Village in the event the Village undertakes an activity, service, project, or construction program which was not contemplated at the time the final budget was adopted and approved and which activity, service, project, or construction program will produce sufficient revenue to cover such increase in the budget or the Village has surplus funds on hand not necessary to meet the expenditures provided for in the budget with which to cover such increase in the budget.
- g. Supervise the disbursement of funds to the end that expenditures will not be made in excess of budgeted items or for items not budgeted, and that there will not be illegal expenditures.
- h. Prescribe the form for all budgets, books, records, and accounts for the Village.
- i. With the approval of the Secretary of Finance and Administration, make rules and regulations relating to budgets, records, reports, handling and disbursement of public funds, or in any manner relating to the financial affairs' of the Village.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Fund.

Assets, Liabilities and Equity

Cash and Cash Equivalents

The Villages cash and cash equivalents are considered to be cash on hand, demand deposits and short term deposits with maturities of one year or less from date of acquisition.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include gross receipts taxes, certain charges for services and reimbursements, grants and state shared taxes as well as assessed, but unpaid property taxes. For the proprietary funds the primary receivables are amounts due from customers.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as tax and grants and other similar intergovernmental revenues that have met the available criteria for accrual, since they are usually measurable. Non exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. For governmental fund financial statement purposes, interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Interest and investment earnings are recognized when earned, regardless of when received in the government-wide and proprietary fund statements in accordance with the accrual basis of accounting.

State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Doubtful Accounts

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. A provision for uncollectible accounts was maintained at June 30, 2005 for the proprietary funds and certain governmental funds, as follows:

Governmental Funds:		
General		None
Proprietary Funds:		
Water and Sewer		\$4,597

Prepaid Expenses

Prepaid expenses are reported in the Statement of Net Assets (government-wide statement) and balance sheet (fund financial statement) when expenditures for goods or services are made that benefit future periods. At June 30, 2006 there were no prepaid expenses.

Inventory

Inventory is valued at cost on a first in first out basis. Inventories in the proprietary funds consist of consumable supplies and parts. The cost of the supplies is recorded as an expenditure when consumed or otherwise used or sold.

Restricted Assets

The Proprietary Funds include cash and cash equivalents, as well as investments that may be used only for customer's deposits, construction, repair and replacement, payment of bond principle and interest.

Capital Assets and Depreciation

Government-wide Statements

In the government-wide financial statements, capital assets with a value or cost greater than \$1,000 (the Village's capitalization policy) are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. With the adoption of GASB 34 in this fiscal year, the Village must begin to capitalize infrastructure assets. The Village is not required to capitalize existing infrastructure assets existing on July 1, 2003 but may do so if they wish. The Village has declined to capitalize those assets. No infrastructure assets were purchased or constructed during the current year. Depreciation of all exhaustible capital assets, including capitalized infrastructure acquired after June 30, 2003, used by the governmental funds is charged as an expense on the government-wide statement of activities financial statement. Accumulated depreciation is reported on the government-wide statement of net assets. Depreciation had been provided over the estimated useful lives using the straight-line method. The estimated useful lives of the governmental capital assets are as follows:

State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Infrastructure	50 years
Buildings and Improvements	40 years
Equipment	3-10 years
Vehicles	5-7 years
Software	5 years

The Village does not develop "internal use" software. Rather, software purchased is depreciated over its expected useful life (generally 5 years) using the straight-line method of depreciation.

Government fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Since capital assets and long-term debt do not provide or use available spendable resources they are not included on the balance sheets of governmental funds. In governmental funds the purchase of capital assets are shown as capital outlay expenditures.

Property Taxes

The County collects the Village's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent by the County Treasurer to property owners by November 1 of each year to be paid in whole or two installments by December 10 and May 10 of the following year. The County collects such taxes and distributes to the Village on a monthly basis. The Village accounts for its share of property taxes in the General Fund. Property tax revenues are considered available (1) when they become due or past due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the Village fiscal year.

Income Taxes

As a local government entity, the Village is not subject to federal or state income taxes.

Account Payable

Accounts payable represent expenditures for goods and services prior to June 30, 2006.

Compensation Absences

The Village's policy regarding vacation time permits employees to accumulate earned but unused compensated absences. The liability for these compensated absences is recorded as debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources and the proprietary funds use the economic resources measurement focus.

Vacation hours are accrued on a monthly basis and employees are allowed to accumulate a maximum of 12 monthly accruals. Employees who work greater or lesser than five 8 hour days in each workweek earn vacation at adjusted rates.

Sick pay is earned by all permanent employees at the rate of one half (1/2) day for each month's employment up to a maximum of 40 days. There is no provision for converting sick pay into vacation pay, nor can payment for unused sick pay be made prior to termination/retirement.

**State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As of June 30, 2006, the liability for accrued compensated absences is \$19,815. The amount applicable to the Enterprise Funds Utility is \$6,786 and to Government Activities is \$13,029. These liabilities will be liquidated as leave time is utilized from the various funding sources from which each employee is paid.

Inter Fund Transactions

There are transactions that constitute reimbursements to a fund for expenditures initially expended from one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditure in the fund that is reimbursed.

At June 30, 2006 there are no due to/due from accounts in the fund financial statements.

Inter Fund Transfers In (Out)

The following schedule details the inter fund operating transfers made during the year ended June 30, 2006.

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:		
General Fund	\$ 4,000	\$ 28,205
Fire Fund	-	4,000
EMS Fund	1,805	0
Library Fund	26,400	-
	\$ 32,205	\$ 32,205
 Business Type Activities		
Joint Utilities Fund	\$ 0	\$ 12,000
CDBG Fund	12,000	0
	\$ 12,000	\$ 12,000

Net Assets

Net assets are displayed in three components:

Invested in Capital Assets, net of related debt -This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets -Net assets are reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets -Net assets that do not meet the definition of restricted" and "Invested in capital assets, net of related debt.

State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

Reserved -The portion of fund balance that is not appropriable for expenditure or is legally segregated for specific future use.

Unreserved -The portion of fund balance that is not reserved but may be designated as noted below.

Designated -The position of fund balance established to indicate tentative plans for financial resources utilization in a future period.

State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006

NOTE 2. CASH AND INVESTMENTS

The Village's cash balances are reserved from subsequent years and consist of demand deposits, interest bearing savings accounts, certificates of deposit and short-term investment funds. The certificates of deposits have varying interest rates and maturity dates. The majority of Village cash and in investments are co-mingled. All interest income is accounted for in the related funds.

The Village's investments are governed by state law. State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit be collateralized by the depository thrift or banking institution. At present, state statutes require that a minimum of fifty percent of uninsured balances on deposit with anyone institution must be collateralized, with higher requirements up to 100% for financially troubled institutions.

Cash and certificates of deposit at June 30, 2006 consisted of the following:

Depository	Account Name	Type of Account	Interest Bearing	Bank Balance at June 30, 2006	(Outstanding item)	Reconciled Balance at June 30, 2006
Wells Fargo Bank	Village of Magdalena	Checking	Yes	\$ 359,755	\$ (6,295)	\$ 353,459
Wells Fargo Bank	Village of Magdalena	Checking	Yes	161,284	(529)	160,755
Wells Fargo Bank	Village of Magdalena	Checking	Yes	26,559	0	26,559
Wells Fargo Bank	Village of Magdalena	Checking	Yes	186	0	186
Wells Fargo Bank	Village of Magdalena	Checking	Yes	468	0	468
Wells Fargo Bank	Village of Magdalena	Checking	Yes	3	0	3
Wells Fargo Bank	Village of Magdalena	Certificate of Deposit	Yes	20,000	0	20,000
Wells Fargo Bank	Village of Magdalena	Certificate of Deposit	Yes	18,693	0	18,693
Wells Fargo Bank	Village of Magdalena	Certificate of Deposit	Yes	3,425	0	3,425
NMFA	Village of Magdalena	Escrow	Yes	1,935	0	1,935
	Balance per bank			592,307		
	Outstanding item			(6,824)	(6,824)	
	Village of Magdalena Petty Cash			102		102
	Cash balances as of June 30, 2006			<u>\$ 585,585</u>		<u>\$ 585,585</u>
	Cash reconciliation to Fund type:					
	Total cash for Government Funds					358,819
	Total cash for Utility Fund					226,766
	Total cash for Agency Fund					-
	Cash balances as of June 30, 2006					<u>\$ 585,585</u>

**State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006**

NOTE 3. PLEDGED COLLATERAL

Deposit and Investments

Custodial Credit Risk - Deposits

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, 2006 \$65,994 of the government's bank balance of \$590,370 was exposed to custodial credit risk as follow:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured by FDIC	\$ 100,000
Collateralized:	
Collateral held by pledging bank's trust department in the Village's name	256,836
Uninsured and uncollateralized	<u>233,534</u>
Total deposits as of June 30, 2006	<u><u>\$ 590,370</u></u>

The Following Is The Investment At The Financial Institution:

<u>Type of Account</u> <u>Account name</u>	<u>Wells Fargo</u> <u>Bank</u>
Balance per bank	<u>\$ 590,370</u>
Balance per bank	<u><u>\$ 590,370</u></u>
Demmand deposits and Certificates of deposits	\$ 590,370
Total deposits	<u>590,370</u>
Less: FDIC coverage	<u>(100,000)</u>
Uninsured public funds	<u>490,370</u>
Collateral held by Wells fargo Trust in the Name of Village of Magdalena	256,836
Total pledged held by the pledging financial institution	<u>256,836</u>
Uninsured and uncollateralized	<u><u>\$ 233,534</u></u>
50% pledged collateral requirement per Section 6-10-17, NMSA, 1978	\$ 245,185
Total pledged collateral	<u>256,836</u>
Pledged collateral (over) under the requirement	<u><u>\$ (11,651)</u></u>

**State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006**

NOTE 3. PLEDGED COLLATERAL (CONTINUED)

Pledged Security Descriptions:

<u>CUSIP</u>	<u>Description</u>	<u>Original Face</u>	<u>Current Face</u>	<u>Current Market</u>	<u>Moody Rating</u>	<u>Maturity Date</u>
31368HVGS	FNCI 190615	300,000	2,995	3,011	AAA	01/01/09
31368H3S0	FNCI 190809	50,000	671	680	AAA	05/01/09
31371KKK6	FNCL 254198	900,000	170,623	168,668	AAA	01/01/32
31388WWU6	FNCL 617259	275,000	38,058	37,622	AAA	01/01/32
36225BG36	GNSF 781118	27,000	2,136	2,168	AAA	10/15/29
36225BG69	GNSF 781121	75,000	4,296	4,433	AAA	12/15/29
3622BG85	GNSF 781123	55,000	2,894	2,986	AAA	12/15/29
36225BKX5	GNSF 781210	250,000	19,666	19,969	AAA	09/15/29
36225BL30	GNSF 781246	100,000	17,386	17,299	AAA	02/15/31
				<u>\$ 256,836</u>		

Property Taxes

The County collects the Village's share of property taxes assessed Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent by the County Treasurer to property owners by November 1 of each year to be paid in whole or two installments by December 10 and May 10 of the following year. The County collects such taxes and distributes to the Village on a monthly basis The Village accounts for its share of property taxes in the General Fund. Property tax revenues are considered available (1) when they become due or past due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the Village fiscal year.

Delinquent Taxes Receivable

No allowances for uncollectible taxes receivables, either current or delinquent, are included within the Village's funds because the information is unavailable from the County. The Village is prohibited from writing off real property taxes.

State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006

NOTE 4. CAPITAL ASSETS

Capital asset activity for the Village's primary government for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Governmental Activities:				
Capital Assets:				
Non Depreciable:				
Land	\$ 248,971	\$ -	\$ -	\$ 248,971
Depreciable:				
Building and Improvements	1,100,907	13,182	-	1,114,089
Machinery and Equipment	966,867	25,345	-	992,212
Total	<u>2,316,745</u>	<u>38,527</u>	<u>-</u>	<u>2,355,272</u>
Less accumulated depreciation				
Building and Improvements	(577,153)	(23,425)	-	(600,578)
Machinery and Equipment	(792,654)	(50,426)	-	(843,080)
Total accumulated depreciation	<u>(1,369,807)</u>	<u>(73,851)</u>	<u>-</u>	<u>(1,443,658)</u>
Net capital assets	<u>\$ 946,938</u>	<u>\$ (35,324)</u>	<u>\$ -</u>	<u>\$ 911,613</u>

Depreciation expense for governmental activities is \$ 73,851 for the year.

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Business - Type Activities				
Capital Assets:				
Non Depreciable:				
Land	\$ 6,025	\$ 0	\$ 0	\$ 6,025
Depreciable:				
Distribution System	3,455,635	20,839	0	3,476,474
Building and Improvements	26,097	0	0	26,097
Furniture, fixtures & equipment	290,451	-	0	290,451
Total	<u>3,778,208</u>	<u>20,839</u>	<u>0</u>	<u>3,799,047</u>
Less accumulated depreciation				
Distribution System	(1,030,902)	(102,518)	0	(1,133,420)
Building and Improvements	(8,468)	(652)	0	(9,120)
Furniture, fixtures & equipment	(189,125)	(29,043)	0	(218,168)
Total accumulated depreciation	<u>(1,228,495)</u>	<u>(132,213)</u>	<u>0</u>	<u>(1,360,708)</u>
Net capital assets	<u>\$ 2,549,713</u>	<u>\$ (111,374)</u>	<u>\$ 0</u>	<u>\$ 2,438,340</u>

Depreciation expense for business - type activities is \$ 132,213 for the year.

**State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006**

NOTE 4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

	Governmental Activities	Business - Type Activities
General Government	\$ 19,259	\$ 0
Public Safety	49,300	0
Public Works	2,809	0
Culture and Recreation	2,483	0
Water & Sewer	0	109,737
Solid Waste	0	22,476
	<u>\$ 73,851</u>	<u>\$ 132,213</u>

NOTE 5. CHANGES IN LONG-TERM DEBT

The following summarizes the changes in the long-term debt for government activities during 2006:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006	Amounts Due in One Year
Note payable:					
NMFA Loan A	31,055	-	6,180	24,875	6,195
NMFA Loan B	54,067	-	5,948	48,119	5,962
NMFA Loan C	-	-	-	-	-
Accrued Compensated Absences	11,743	7,292	6,006	13,029	13,029
	<u>\$ 96,865</u>	<u>\$ 7,292</u>	<u>\$ 18,134</u>	<u>\$ 86,023</u>	<u>\$ 25,186</u>

New Mexico Finance Authority

Original Amount	\$61,540
Interim Loan Closing Date	May 4, 1999
First Coupon Date	November 11, 2000
Final Maturity	November 11, 2010
Interest Rate	0.0%

The Village of Magdalena purchased a Fire Blush Truck in 1999, for \$90,899 in order to provide fire protection services within the Village. A \$60,000 loan was obtained from the New Mexico Finance Authority, which was combined with \$30,899 from the Village's Fire Protection Fund, to fund the purchase. The loan is secured with a pledge of the Fire Department's annual distribution of Fire Protection Fund Revenues. The cost of issuance of this loan was \$1,540, and an administration fee of 0.25% will be charged. The Village has entered into an intercept agreement with the New Mexico Finance Authority from the annual distribution of Fire Protection Fund Revenues for the annual debt service payment. The New Mexico Finance Authority maintains an interest bearing account in the name of the Village to receive and disburse those amounts.

**State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006**

NOTE 5. CHANGES IN LONG-TERM DEBT (CONTINUED)

Cash Requirements for NMFA Loan Payable A

<u>Year ending</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Admin. Fee</u>	<u>Total</u>
2007	\$ 6,195	\$ -	\$ 63	\$ 6,258
2008	6,211	-	47	6,258
2009	6,227	-	31	6,258
2010	6,242	-	15	6,257
	-	-		-
	<u>\$ 24,875</u>	<u>\$ -</u>	<u>\$ 156</u>	<u>\$ 25,031</u>

New Mexico Finance Authority

Original Amount	\$ 60,000
Loan Closing Date	May 1, 2004
First Coupon Date	November 1, 2004
Final Maturity	May 1, 2014
Interest Rate	0.0%

The Village of Magdalena is acquired a Pumper Tanker Fire Truck in order to provide fire protection services within the Village. A \$60,000 loan was obtained from the New Mexico Finance Authority, which was combined with \$76,000 from the Village's Fire Protection Fund, to fund the purchase. The loan is secured with a pledge of the Fire Department's annual distribution of Fire Protection Fund Revenues. An administration fee of .25% will be charged. The village has entered into an intercept agreement with the New Mexico Finance Authority from the annual distribution of Fire Protection Fund Revenues for the annual debt service payment. The New Mexico Finance Authority maintains an interest bearing account in the name of the Village to receive and disburse those amounts

Cash Requirements for NMFA Loan Payable B

<u>Year ending</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Admin. Fee</u>	<u>Total</u>
2007	\$ 5,962	\$ -	\$ 120	\$ 6,082
2008	5,977	-	106	6,083
2009	5,992	-	90	6,082
2010	6,007	-	76	6,083
2011-2014	24,181	-	151	24,332
	<u>\$ 48,119</u>	<u>\$ -</u>	<u>\$ 543</u>	<u>\$ 48,662</u>

**State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006**

NOTE 5. CHANGES IN LONG-TERM DEBT (CONTINUED)

The following summarizes the changes in the Business-Type Activities Long-Term Debt during 2006:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006	Amounts Due in One Year
Revenue Bonds Series 1974	18,000	-	2,000	16,000	2,000
Revenue Bonds Series 1999	163,000	-	2,000	161,000	2,000
Accrued Compensated Absences	4,346	5,902	3,461	6,786	6,786
Totals	\$ 185,346	\$ 5,902	\$ 7,461	\$ 183,786	\$ 10,786

Bonds outstanding reported in the Proprietary Fund at June 30, 2006, consist of the following issues:

Series:	Revenue Bond 1974 Series
Purpose:	Improving and Extending Utility System
Original Issue:	\$50,000
Principal:	January 1
Interest:	January 1
Rates:	5.0%

Amortized as follows:

Fiscal Year Ending June 30,	Principal Amount	Interest Amount	Total
2007	\$ 2,000	\$ 800	\$ 2,800
2008	2,000	700	2,700
2009	2,000	600	2,600
2010	2,000	500	2,500
2011-2014	8,000	1,000	9,000
Totals	\$ 16,000	\$ 3,600	\$ 19,600

**State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006**

NOTE 5. CHANGES IN LONG-TERM DEBT (CONTINUED)

Series: Revenue Bond 1999 Series
 Purpose: Improving the Wastewater Treatment System
 Original Issue: \$175,000
 Principal: April 7
 Interest: April 7
 Rates: 4.5%

Amortized as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2007	\$ 2,000	\$ 7,245	\$ 9,245
2008	2,000	7,155	9,155
2009	2,000	7,065	9,065
2010	2,000	6,975	8,975
2011-2015	15,000	33,075	48,075
2016-2020	17,000	29,655	46,655
2021-2025	21,000	25,425	46,425
2026-2030	26,000	20,250	46,250
2031-2035	32,000	13,905	45,905
2036-2039	42,000	5,535	47,535
		-	
Totals	\$ 161,000	\$ 156,285	\$ 317,285

Reserve Requirement - Revenue Bonds - Proprietary Fund

<u>Series</u>	<u>Reserve for Debt Service</u>	<u>Reserve for Repair and Replacement</u>	<u>Total</u>
1974	\$ 3,100	\$ 10,000	\$ 13,100
1999	2,340	6,000	8,340
		-	
Totals	\$ 5,440	\$ 16,000	\$ 21,440

The following summarizes the combined aggregate maturities for long-term borrowing in the Proprietary Fund for the next five years following June 30, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Principal Amount</u>
2007	4,000
2008	4,000
2009	4,000
2010	4,000
2011-2039	161,000
Totals	\$ 177,000

State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2006

NOTE 6. PERA PENSION PLAN

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

Funding Policy. Plan members, except police are required to contribute 7% of their gross salary. The Village is required to contribute 7% for all employees except police, which is required at 10%. The contribution requirements of plan members and the Village are established in Chapter 10, Article 7C, NMSA 1978. The requirements may be amended by acts of the legislature. The Village's contributions to PERA for the years ending June 30, 2006, 2005 and 2004 are \$14,174.33, \$13,403 and \$13,061, respectively, equal to the amount of the required contributions for each year.

NOTE 7. POST EMPLOYMENT BENEFITS

The Village of Magdalena has chosen not to participate in Retiree Health Care or any other post employment benefit program.

NOTE 8. PARTICIPATION IN PUBLIC ENTITY RISK POOL

The Village is a member of the New Mexico Self-Insurers' Fund (the "Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for insurance coverage and develop a comprehensive loss control program. The Village pays an annual premium to the Fund for its workers' compensation liability, general liability, auto liability, auto physical damage and property coverage. The Village's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide through commercial companies reinsurance contracts, individual stop loss coverage for member cities. The Village paid premiums of \$47,168 for the year ended June 30, 2006.

NOTE 9. PRIOR PERIOD ADJUSTMENT

During the current year, it was determined that \$613 held in escrow by the New Mexico Finance Authority was not included in prior period financial statements. A check for \$261 was voided in 2006 which had the effect of increasing the beginning fund balance in the EMS Fund. To correct this error, the beginning fund balance of the Fire Fund of \$1,257, as originally reported, has been increased to \$1,870 and beginning fund balance of the EMS Fund of \$392, as originally reported, has been increased to \$653. In addition, beginning net assets for governmental activities of \$1,151,976 as originally reported has been increased to \$1,151,976.

NOTE 10. COMMITMENTS AND CONTINGENCIES

The Village has no significant commitments or contingencies.

SUPPLEMENTAL INFORMATION

State of New Mexico
Village of Magdalena
June 30, 2006

Special Revenue Funds

Major Funds

Fire Protection Fund - To account for the operations and maintenance of fire equipment. Financing is provided by a state allotment. Authority - NMSA 59A-53-1.

Environmental Fund - To account for the repayment of debt obligations to the New Mexico Finance Authority through the Central Solid Waste Authority (CSWA) solely from pledged revenues from the environmental services gross receipts tax. Authority - NMSA 24-10-1.

Non-Major Funds

Juvenile Recreation Fund - To account for the operations and maintenance of recreation facilities. Financing is provided by a specific tax on cigarette sales. Authority -NMSA 7-12-15.

Lodger's Tax Fund - To account for a lodger's tax which is used for cultural and recreational purposes. Authority NMSA 3-38-13 to 24.

Street Fund - To account for the receipts and expenditures for special gasoline tax, is restricted for use in repairing and maintaining roads and streets within the municipality. The fund was created by state statute, NMSA 7-1-6.9 and 7-13-1 to 18.

Emergency Medical Services Fund - To account for state and county proceeds provided for operations of the Village's emergency medical services. Authority -NMSA 24-10A-1 to 10.

Law Enforcement Fund - To account for funds received from the state for law enforcement purpose. The fund was created by the authority of state grant provisions, NMSA 29-13-3.

Correctional 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 29-13-1 NMSA 1978.

Library Fund - To account for the operation and maintenance of the library. Financing is provided by grants, transfers form General fund, and library fines. Authority - NMSA 3-18-14.

**State of New Mexico
Village of Magdalena
Combining Balance Sheet
Non Major Governmental Funds
June 30, 2006**

	Special Revenue Funds										Capital Projects Funds	
	Juvenile Recreation Fund	Lodgers Tax Fund	Street Fund	Emergency Medical Services Fund	Law Enforcement Fund	Correctional Fund	Library Fund	Total	Capital Project Fund	Total		
ASSETS												
Cash and cash equivalents	\$ 5,748	\$ 27,805	\$ 20,165	\$ 2,662	\$ 1,262	\$ 10,593	\$ 10,059	\$ 78,294	\$ 0	\$ 0	\$ 78,294	
Taxes receivable	0	309	-	0	0	0	0	309	0	0	309	
Intergovernmental receivables	42	0	1,608	0	0	0	0	1,650	0	0	1,650	
Total assets	\$ 5,790	\$ 28,114	\$ 21,773	\$ 2,662	\$ 1,262	\$ 10,593	\$ 10,059	\$ 80,253	\$ 0	\$ 0	\$ 80,253	
LIABILITIES AND FUND BALANCES												
Accounts payable	\$ 0	\$ 0	\$ 7	\$ 0	\$ 1,223	\$ 0	\$ 69	\$ 1,299	\$ 0	\$ 0	\$ 1,299	
Accrued payroll	0	0	78	0	0	0	21	99	0	0	99	
Total liabilities	0	0	85	0	1,223	0	90	1,398	0	0	1,398	
Fund balances:												
Reserved	0	0	0	0	0	0	0	0	0	0	0	
Unreserved	5,790	28,114	21,688	2,662	39	10,593	9,969	78,855	0	0	78,855	
Total fund balances	5,790	28,114	21,688	2,662	39	10,593	9,969	78,855	0	0	78,855	
Total liabilities and fund balances	\$ 5,790	\$ 28,114	\$ 21,773	\$ 2,662	\$ 1,262	\$ 10,593	\$ 10,059	\$ 80,253	\$ 0	\$ 0	\$ 80,253	

The accompanying notes are an integral part of the financial statements.

**State of New Mexico
Village of Magdalena
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Non Major Governmental Funds
Year Ended June 30, 2006**

	Special Revenue Funds										Capital Projects Funds	
	Juvenile Recreation Fund	Lodgers Tax Fund	Street Fund	Emergency Medical Services Fund	Law Enforcement Fund	Correctional Fund	Library Fund	Total	Capital Projects Fund	Total		
REVENUES:												
Taxes:												
Other taxes	\$ 0	\$ 8,604	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,604	\$ 0	\$ 8,604	\$ 0	\$ 8,604
Intergovernmental revenue and grants	623	0	22,818	12,018	21,200	0	8,629	65,288	13,182	13,182	0	78,470
Charges for services	0	0	0	0	0	5,124	0	5,124	0	0	0	5,124
Sale of fixed assets	0	0	0	0	0	0	0	0	0	0	0	0
Other revenues	0	0	0	1,044	0	0	30	1,074	0	0	0	1,074
Investment earnings	0	0	0	0	0	0	0	0	0	0	0	0
Total revenues	623	8,604	22,818	13,062	21,200	5,124	8,659	80,090	13,182	13,182	0	93,272
EXPENDITURES:												
Public safety	0	0	0	0	14,424	1,554	0	15,978	0	0	0	15,978
Public works	0	0	16,612	0	0	0	0	16,612	0	0	0	16,612
Health	0	0	0	12,858	0	0	0	12,858	0	0	0	12,858
Culture and recreation	0	3,594	0	0	0	0	22,368	25,961	0	0	0	25,961
Capital outlay	0	3,594	16,612	12,858	20,000	0	10,581	30,581	13,182	13,182	0	43,763
Total expenditures	0	3,594	16,612	12,858	34,424	1,554	32,949	101,991	13,182	13,182	0	115,173
Excess (deficiency) of revenues over expenditures	623	5,011	6,206	204	(13,224)	3,570	(24,290)	(21,900)	0	0	0	(21,900)
OTHER FINANCING SOURCES (USES):												
Transfers in	0	0	0	1,805	0	0	26,400	28,205	0	0	0	28,205
Total other financing sources (uses)	0	0	0	1,805	0	0	26,400	28,205	0	0	0	28,205
Net changes in fund balances	623	5,011	6,206	2,009	(13,224)	3,570	2,110	6,305	0	0	0	6,305
Fund balances - July 1 (Beginning)	5,167	23,104	15,482	392	13,263	7,023	7,859	72,290	0	0	0	72,290
Restatement	0	0	0	261	0	0	0	261	0	0	0	261
Fund balances - July 1 (Restated)	5,167	23,104	15,482	653	13,263	7,023	7,859	72,551	0	0	0	72,551
Fund balances - June 30 (Ending)	\$ 5,790	\$ 28,114	\$ 21,688	\$ 2,662	\$ 39	\$ 10,593	\$ 9,969	\$ 78,855	\$ 0	\$ 0	\$ 0	\$ 78,855

The accompanying notes are an integral part of the financial statements.

State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
Juvenile Recreation Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenue and grants	\$ 500	\$ 500	\$ 622	\$ 122
Total revenues	<u>500</u>	<u>500</u>	<u>622</u>	<u>122</u>
EXPENDITURES:				
Recreation	250	250	0	250
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>250</u>	<u>250</u>	<u>0</u>	<u>250</u>
Excess (deficiency) of revenues over expenditures	250	250	622	372
Budgeted cash carryover	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 622</u>	<u>\$ 372</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 622
Adjustments for revenue accruals	1
Adjustment for expenditures accruals	<u>0</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ 623</u>

State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
Lodgers Tax Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 10,000	\$ 10,000	\$ 9,268	\$ (732)
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>9,268</u>	<u>(732)</u>
EXPENDITURES:				
Culture and recreation	8,000	8,000	3,594	4,407
Total expenditures	<u>8,000</u>	<u>8,000</u>	<u>3,594</u>	<u>4,407</u>
Excess (deficiency) of revenues over expenditures	2,000	2,000	5,675	3,675
Budgeted cash carryover	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 5,675</u>	<u>\$ 3,675</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 5,675
Adjustments for revenue accruals	(664)
Adjustment for expenditures accruals	<u>0</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ 5,011</u>

**State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
Street Fund
For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental revenue and grants	\$ 47,004	\$ 47,004	\$ 22,955	\$ (24,049)
Total revenues	47,004	47,004	22,955	(24,049)
EXPENDITURES:				
Public Works	44,158	44,158	16,605	27,553
Total expenditures	44,158	44,158	16,605	27,553
Excess (deficiency) of revenues over expenditures	2,846	2,846	6,350	3,504
Budgeted cash carryover	0	0	0	0
	\$ 0	\$ 0	\$ 6,350	\$ 3,504

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 6,350
Adjustments for revenue accruals	(137)
Adjustment for expenditures accruals	(7)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$ 6,206

State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
Emergency Medical Services Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenue and grants	\$ 12,018	\$ 12,018	\$ 12,018	\$ 0
Other	0	1,044	1,044	0
Total revenues	<u>12,018</u>	<u>13,062</u>	<u>13,062</u>	<u>0</u>
EXPENDITURES:				
Health	12,800	15,649	14,410	1,240
Capital Outlay	1,161	1,161	-	1,161
Total expenditures	<u>13,961</u>	<u>16,810</u>	<u>14,410</u>	<u>2,401</u>
Excess (deficiency) of revenues over expenditures	(1,943)	(3,748)	(1,348)	2,401
OTHER FINANCING SOURCES (USES):				
Transfers in	1,805	1,805	1,805	0
Total other financing sources (uses)	<u>1,805</u>	<u>1,805</u>	<u>1,805</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(138)	(1,943)	458	2,401
Budgeted cash carryover	<u>138</u>	<u>1,943</u>	<u>0</u>	<u>0</u>
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 458</u>	<u>\$ 2,401</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 458
Adjustments for revenue accruals	0
Adjustment for expenditures accruals	<u>1,551</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ 2,009</u>

State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
Law Enforcement Protection Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenue and grants	\$ 21,200	\$ 21,200	\$ 21,200	\$ 0
Total revenues	<u>21,200</u>	<u>21,200</u>	<u>21,200</u>	<u>0</u>
EXPENDITURES:				
Public safety	17,202	17,202	13,201	4,001
Capital outlay	17,261	17,261	20,000	(2,739)
Total expenditures	<u>34,463</u>	<u>34,463</u>	<u>33,201</u>	<u>1,262</u>
Excess (deficiency) of revenues over expenditures	(13,263)	(13,263)	(12,001)	1,262
Budgeted cash carryover	<u>13,263</u>	<u>13,263</u>	<u>12,001</u>	<u>0</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 1,262</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ (12,001)
Adjustments for revenue accruals	0
Adjustment for expenditures accruals	<u>(1,223)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ (13,224)</u>

State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
Correctional Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 2,500	\$ 2,500	\$ 5,124	\$ 2,624
Investment earnings	0	0	0	0
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>5,124</u>	<u>2,624</u>
EXPENDITURES:				
Public safety	3,220	3,220	1,554	1,666
Total expenditures	<u>3,220</u>	<u>3,220</u>	<u>1,554</u>	<u>1,666</u>
Excess (deficiency) of revenues over expenditures	(720)	(720)	3,570	4,290
Budgeted cash carryover	720	720	0	0
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,570</u>	<u>\$ 4,290</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 3,570
Adjustments for revenue accruals	0
Adjustment for expenditures accruals	<u>0</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ 3,570</u>

State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
Library Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental revenue and grants	\$ 15,000	\$ 15,000	\$ 8,629	\$ (6,371)
Other	100	100	30	(70)
Total revenues	15,100	15,100	8,659	(6,441)
EXPENDITURES:				
Culture and recreation	26,662	26,662	22,354	4,308
Capital outlay	15,000	15,000	10,975	4,025
Total expenditures	41,662	41,662	33,329	8,333
Excess (deficiency) of revenues over expenditures	(26,562)	(26,562)	(24,670)	(14,774)
OTHER FINANCING SOURCES (USES):				
Transfers in	26,400	26,400	26,400	0
Total other financing sources (uses)	26,400	26,400	26,400	0
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(162)	(162)	1,730	1,892
Budgeted cash carryover	162	162	0	0
	\$ -	\$ -	\$ 1,730	\$ 1,892

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 1,730
Adjustments for revenue accruals	0
Adjustment for expenditures accruals	380
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$ 2,110

**State of New Mexico
Village of Magdalena
June 30, 2006**

Capital Projects Funds

Non-Major Funds

Capital Projects Fund - To account for construction costs of capital improvements made by the Village.

State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
Capital Projects Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
State grants	\$ 13,200	\$ 13,200	\$ 13,182	\$ (18)
Legislative appropriations	100,000	100,000	0	(100,000)
Intergovernmental revenue and grants	0	0	0	0
Investment earnings	0	0	0	0
Total revenues	113,200	113,200	13,182	(100,018)
EXPENDITURES:				
General government	0	0	0	0
Public safety	0	0	0	0
Public works	0	0	0	0
Culture and recreation	0	0	0	0
Capital outlay	113,200	113,200	13,182	100,018
Total expenditures	113,200	113,200	13,182	100,018
Excess (deficiency) of revenues over expenditures	0	0	0	0
OTHER FINANCING SOURCES (USES):				
Transfers in	0	0	0	0
Total other financing sources (uses)	0	0	0	0
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	0	0	(0)	0
Budgeted cash carryover	0	0	0	0
	\$ 0	\$ 0	\$ 0	\$ 0

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 0
Adjustments for revenue accruals	0
Adjustment for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$ 0

**State of New Mexico
Village of Magdalena
June 30, 2006**

Proprietary Fund Types

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges.

State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
Utility Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 267,535	\$ 267,535	\$ 265,525	\$ (2,010)
Total revenues	<u>267,535</u>	<u>267,535</u>	<u>265,525</u>	<u>(2,010)</u>
EXPENDITURES:				
Repairs and maintenance	264,208	264,208	234,875	29,333
Depreciation	0	0	0	0
Total expenditures	<u>264,208</u>	<u>264,208</u>	<u>234,875</u>	<u>29,333</u>
Excess (deficiency) of revenues over expenditures	3,327	3,327	30,650	27,323
OTHER FINANCING SOURCES (USES):				
Transfers out	12,000	12,000	12,000	0
Total other financing sources (uses)	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(8,673)	(8,673)	18,650	27,323
Budgeted cash carryover	<u>8,673</u>	<u>8,673</u>	<u>0</u>	<u>0</u>
	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 18,650</u>	<u>\$ 27,323</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 18,650
Adjustments for revenue accruals	10,764
Adjustment for expenditures accruals	<u>(133,826)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ (104,412)</u>

**State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
RUS/NMFA Water Project Fund
For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental - federal	\$ 1,115	\$ 1,115	\$ 0	\$ (1,115)
Intergovernmental - state	0	0	0	0
Total revenues	1,115	1,115	0	(1,115)
EXPENDITURES:				
Capital outlay	1,115	1,115	0	1,115
Total expenditures	1,115	1,115	0	1,115
Excess (deficiency) of revenues over expenditures	0	0	0	0
OTHER FINANCING SOURCES (USES):				
Transfers in	0	0	0	0
Total other financing sources (uses)	0	0	0	0
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	0	0	0	0
Budgeted cash carryover	0	0	0	0
	\$ 0	\$ 0	\$ 0	\$ 0

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 0
Adjustments for revenue accruals	0
Adjustment for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$ 0

**State of New Mexico
Village of Magdalena
Statement of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual (Cash Basis)
CDBG Sewer Lagoon Project Fund
For the Fiscal Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental - federal	\$ 8,994	\$ 8,994	\$ 8,994	\$ 0
Intergovernmental - state	<u>0</u>	<u>0</u>	<u>0</u>	<u>(0)</u>
Total revenues	<u>8,994</u>	<u>8,994</u>	<u>8,994</u>	<u>0</u>
EXPENDITURES:				
Capital outlay	<u>20,994</u>	<u>20,994</u>	<u>20,839</u>	<u>155</u>
Total expenditures	<u>20,994</u>	<u>20,994</u>	<u>20,839</u>	<u>155</u>
Excess (deficiency) of revenues over expenditures	(12,000)	(12,000)	(11,845)	155
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>0</u>
Total other financing sources (uses)	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	0	0	155	155
Budgeted cash carryover	<u>0</u>	<u>0</u>	<u>0</u>	<u>-</u>
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 155</u>	<u>\$ 155</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 155
Adjustments for revenue accruals	-
Adjustment for expenditures accruals	<u>20,839</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ 20,994</u>

State of New Mexico
Village of Magdalena
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds - Utility Departments
Year Ended June 30, 2006

	Utility Departments		
	Water & Sewer	Solid Waste	Total
Operating revenues:			
Charges for services	\$ 204,814	\$ 64,516	\$ 269,330
Other revenues	6,057	0	6,057
Total operating revenues	210,871	64,516	275,387
Operating expenses:			
Salaries	74,138	17,937	92,075
Benefits	21,746	2,101	23,847
Other operating expenses	81,536	31,419	112,471
Depreciation	109,734	22,479	132,213
Total operating expenses	287,154	73,936	360,606
Operating income	(76,283)	(9,419)	(85,219)
<u>Nonoperating revenues (expenses):</u>			
Interest expense	(8,235)	0	(8,094)
Interest income	565	0	901
Transfers in (out)	(12,000)	0	(12,000)
Total nonoperating revenues (expenses)	(19,670)	0	(19,193)
Changes in net assets	(95,953)	(9,419)	(104,412)
Total net assets, beginning of year			1,100,164
Total net assets, end of year			\$ 995,752

OTHER SUPPLEMENTAL INFORMATION

State of New Mexico
Village of Magdalena
Schedule of Changes in Capital Assets
Used in the Operations of Governmental Funds
For the Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Governmental Fund Capital Assets				
Infrastructure	\$ 0	\$ 0	\$ 0	\$ 0
Building and Improvements	1,100,907	13,182	0	1,114,089
Land	248,971	0	0	248,971
Vehicles, furniture and equipment	966,867	25,345	0	992,212
Total Governmental Fund Capital Assets	<u>2,316,745</u>	<u>38,527</u>	<u>0</u>	<u>2,355,272</u>
Investment in Capital Assets				
General Fund	1,530,888	0	0	1,530,888
Fire Fund	558,650	0	0	558,650
Juvenile Recreation Fund	6,137	0	0	6,137
Lodgers Tax Fund	0	0	0	0
Street Fund	17,951	0	0	17,951
EMS Fund	26,064	0	0	26,064
Law Enforcement Fund	165,609	20,000	0	185,609
Corrections Fund	0	0	0	0
Environmental Fund	0	0	0	0
Library	11,446	5,345	0	16,791
Capital Projects Fund	0	13,182	0	13,182
Total Investment in Capital Assets	<u>\$ 2,316,745</u>	<u>\$ 38,527</u>	<u>\$ 0</u>	<u>\$ 2,355,272</u>

ADDITIONAL FEDERAL INFORMATION

**State of New Mexico
Village of Magdalena
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2006**

Federal Grantor/Program title	Federal CFDA Number or Agency Prefix	Project Number	Award Amount	Accrued or (Deferred) Revenue June 30, 2005	Receipts	Expenditures	Accrued or (Deferred) Revenue June 30, 2006
<u>U.S. Department of Housing and Urban Development</u>							
Passed the New Mexico Department of Finance and Administration Community Development Bock Grant							
Waste Water Treatment Improvements	14.219	04-C-RS-I-1-G-34	\$499,499	\$0	\$8,994	\$8,994	\$0
Total U.S. Department of Housing and urban Development			\$499,499	\$0	\$8,994	\$8,994	\$0

Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of the Village of Magdalena and is presented on the accrual basis of accounting.

This information in this schedule is presented in accordance with the requirements of OMB-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Garcia and Associates, CPA, LLC
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**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With Government
Auditing Standards**

Mr. Hector H. Balderas
New Mexico State Auditor, and
Village Council
Village of Magdalena
Magdalena, New Mexico 87825

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and respective budgetary comparison, and the aggregate remaining fund information of the Village of Magdalena (the Village), as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated November 13, 2009. We have also audited the financial statements of each of the Village's non-major governmental funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2006 as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing the audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures 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 Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis.

Mr. Hector H. Balderas, State Auditor and
The Mayor and City Council
Village of Magdalena
Magdalena, New Mexico
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A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2004-01, 2004-02 and 2004-05 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2004-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 tests disclosed no instances of non compliance or other matters that are required to be reported under *Government Auditing Standards*.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the Village, the audit committee, the State Auditor, the New Mexico Legislature, New Mexico Department of Finance Administration and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



Garcia and Associates, CPA, LLC
Los Lunas, New Mexico
November 13, 2009

Garcia and Associates, CPA, LLC
Certified Public Accountant and Business Consultants

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mr. Hector H. Balderas, State Auditor and
The Mayor and City Council
Village of Magdalena
Magdalena, New Mexico 87825

Compliance

We have audited the compliance of the Village of Magdalena with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Village of Magdalena's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village of Magdalena's management. Our responsibility is to express an opinion on the Village of Magdalena's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Magdalena's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Magdalena's compliance with those requirements. In our opinion, the Village of Magdalena complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Village of Magdalena is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

Mr. Hector H. Balderas, State Auditor and
The Mayor and City Council
Village of Magdalena
Magdalena, New Mexico
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In planning and performing our audit, we considered the Village of Magdalena's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Village Council, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Garcia and Associates, CPA, LLC

Garcia and Associates, CPA, LLC
November 13, 2009

**State of New Mexico
Village of Magdalena
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2006**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of Auditor’s Report issued: **Qualified**

Internal Control Over Financial Reporting:

Material weakness(es) identified? X Yes No

Significant deficiencies identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal Control Over Major Programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X No

Type of Auditor’s Report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
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14.219	CDBG Grant Award
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Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000.00

Auditee qualified as low-risk auditee? Yes X No

**State of New Mexico
Village of Magdalena
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2006**

SECTION II – FINANCIAL STATEMENT FINDINGS

Summary Schedule of Prior Year Audit Findings

<u>Findings for Fiscal Year 2006</u>	<u>Current Status</u>
2004-1 Capital Asset Inventory	Repeated in current year
2004-2 Timely Submission of Audit Report	Repeated in current year
2004-5 Recording Interest Income	Repeated in current year

**State of New Mexico
Village of Magdalena
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2006**

Current Year Audit Findings

2004-1 Capital Assets Inventory

Statement of Condition:

Detailed records of capital assets of the Village have not been maintained in prior years. A property inventory control listing for the last few years' additions has been prepared by the Village. The inventory listing, however, does not include all the land and building and the older equipment and therefore has not been reconciled with the accounting records to assure that the listing includes all property of the Village, valued at historical costs, and that property no longer held by the Village has been excluded from the accounting records.

Criteria:

An effective system on internal control provides for the proper safeguarding of the entity's assets. Such control is established through the inventory listing and the reconciliation with control accounts along with an annual physical inventory inspection.

Cause:

Accounting records for the capital assets of the Village over the past years has reflected additions acquired and only some deletions. There previously had been no inventory of the capital assets to establish control after acquisitions. Accordingly, the financial records include the cumulative cost of capital assets acquired, with only some of the disposition removed. The balance of the capital asset accounts does not necessarily reflect the appropriate cost of the Village's capital asset inventory. Therefore, the depreciation calculations based on the asset control amounts may not reflect the appropriate accumulated and current depreciation of the Village's capital assets.

Effect:

Historical records for the capital assets were not maintained, and procedures and policies for appropriate accounting of capital assets had not been in operation for many prior years.

Recommendation:

The detailed capital asset inventory listing should be completed and verified, then reconciled to the control accounts in the financial records. The detailed capital asset inventory should continue to be adjusted periodically to reflect the additions of new equipment, deletions of equipment and other changes. The land buildings and older equipment not currently on the detail property inventory should be identified and included at their historical cost.

Management's Response:

The Village of Magdalena agrees with the auditors' comment and will continue to update the detail capital asset inventory control listing for current additions and deletions. However, the Village does not have the historical information needed to include the land, buildings and older equipment in the inventory.

**State of New Mexico
Village of Magdalena
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2006**

SECTION II – FINANCIAL STATEMENT FINDINGS

Current Year Audit Findings

2004-2 Timely Submission of Audit Report:

Statement of Condition:

The audit report was submitted to the State Auditor on November 27, 2009, which was after the due date of December 1, 2006.

Criteria:

Section 2.2.2.9.A of the State Auditor Rule establishes the audit due dates.

Cause:

The contract to conduct the 2006 audit was not awarded until July 2009.

Effect:

Noncompliance with section 2.2.2.9.A of the State Auditor Rule.

Recommendation:

The contract to conduct the annual audit should be entered into prior to end of the fiscal year. This will allow sufficient time to meet the criteria of the State Auditor Rule.

Management's Response:

The Village advertised and solicited proposals to conduct the audit but did not receive any responses. The Village will enter into an audit contract to complete the remaining fiscal years.

**State of New Mexico
Village of Magdalena
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2006**

SECTION II – FINANCIAL STATEMENT FINDINGS

Current Year Audit Findings

2004-05 Recording Interest Income

Statement of Condition:

The Village earns interest income on their certificates of deposit. When the interest income is added to the CD's, the Village was not recording the interest income. The unrecorded interest income amounted to \$97 during the fiscal year.

Criteria:

Generally accepted accounting principals require all financial transactions be recorded in the financial records.

Cause:

The Village normally records transactions that flow through their bank accounts and did not realize they needed to record the interest income as it was added to the certificates of deposit.

Effect:

The financial transactions had to be recorded during the course of the audit.

Recommendation:

The Village should record all financial transactions and properly monitor and reconcile all of their bank accounts, including their certificates of deposit.

Management's Response:

The Village will comply with the auditors' recommendation.

**State of New Mexico
Village of Magdalena
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2006**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**CURRENT YEAR FINDINGS AND QUESTIONED COSTS –
MAJOR FEDERAL AWARD PROGRAM AUDIT:**

None.

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
MAJOR FEDERAL AWARD PROGRAM AUDIT:**

None.

**State of New Mexico
Village of Magdalena
Exit Conference
For The Year Ended June 30, 2006**

Exit Conference

This report was discussed with the following individuals at an exit conference held on November 13, 2009.

Village of Magdalena

James Wolfe, Mayor
Rita Broaddus, Clerk/Treasurer
Carleen Gomez, Deputy Clerk/Treasurer

Audit Firm

Raymond J. Garcia, CPA
Garcia and Associates, CPA, LLC

Financial Statement Audit

Preparation of the Financial Statements

The basic financial statements and notes to the financial statements for the year ended June 30, 2006, were substantially prepared by the independent certified public accountant performing the audit; however, maintaining the audited entity's books and records is the responsibility of its management. Accordingly, management is responsible for ensuring that these books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance.