

State of New Mexico
Village of Magdalena

Annual Financial Report
For The Year Ended June 30, 2007

(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, 2007**

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, 2007, 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, 2007 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, 2007, 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, 2007 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, 2007, 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
Los Lunas, New Mexico
February 24, 2011

**State of New Mexico
Village of Magdalena
Statement of Net Assets
June 30, 2007**

	Primary Government		Total
	Governmental Activities	Business Type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 498,684	\$ 157,278	\$ 655,962
Taxes receivable	7,154	-	7,154
Intergovernmental receivable	17,210	-	17,210
Other receivable	238	-	238
Accounts receivable (net)	-	31,292	31,292
Inventories	-	2,172	2,172
Total current assets	<u>523,286</u>	<u>190,742</u>	<u>714,028</u>
Restricted assets:			
Cash and cash equivalents	-	56,412	56,412
Total restricted assets	<u>-</u>	<u>56,412</u>	<u>56,412</u>
Capital assets:			
Capital assets not being depreciated:			
Land	274,989	1,523,606	1,798,595
Capital assets being depreciated:			
Distribution system	-	1,985,638	1,985,638
Buildings and improvements	1,114,089	26,097	1,140,186
Furniture, fixtures and equipment	992,211	290,451	1,282,662
Less accumulated depreciation	(1,513,895)	(1,493,722)	(3,007,617)
Total capital assets	<u>867,394</u>	<u>2,332,070</u>	<u>3,199,464</u>
Total assets	<u>1,390,680</u>	<u>2,579,224</u>	<u>3,969,904</u>
LIABILITIES			
Accounts payable	6,384	4,388	10,772
Accrued interest payable	-	1,996	1,996
Wages and benefits payable	2,707	1,906	4,613
Compensated absences payable	17,054	5,685	22,739
Long term note payable:			
Due within one year	12,188	4,000	16,188
Due in more than one year	48,649	169,000	217,649
Deposits held for others	-	27,616	27,616
Total liabilities	<u>86,982</u>	<u>214,591</u>	<u>301,573</u>
NET ASSETS			
Invested in capital assets, net of related debt	806,557	2,159,069	2,965,626
Restricted for:			
Debt service	-	21,440	21,440
Customer meter deposits	-	27,616	27,616
Landfill closure and post closure	-	10,000	10,000
Unrestricted	<u>497,141</u>	<u>146,508</u>	<u>643,649</u>
Total net assets	<u>\$ 1,303,698</u>	<u>\$ 2,364,633</u>	<u>\$ 3,668,331</u>

**State of New Mexico
Village of Magdalena
Statement of Activities
June 30, 2007**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Fees, Fines and Charges for		Governmental Activities	Primary Government Business-type Activities		Total
		Services	Operating Grants and Contributions		Capital Grants and Contributions	Governmental Activities	
Primary Government							
Governmental activities:							
General government	\$ 119,248	\$ 7,459	\$ 120,075	\$ -	\$ 8,286	\$ -	8,286
Public safety	351,917	32,191	102,491	-	(217,236)	-	(217,236)
Public works	16,973	-	-	-	(16,973)	-	(16,973)
Public health	7,887	2,438	6,617	-	1,168	-	1,168
Culture and recreation	39,697	3,101	1,445	-	(35,151)	-	(35,151)
Interest and fiscal charges on long-term debt	-	-	-	-	-	-	-
Total governmental activities	535,722	45,188	230,628	-	(259,906)	-	(259,906)
Business-type activities:							
Water and sewer	325,806	195,728	-	-	-	(130,078)	(130,078)
Solid Waste	84,577	72,924	-	-	-	(11,653)	(11,653)
Interest on longterm obligations	7,974	-	-	-	-	(7,974)	(7,974)
Total business-type activities	418,357	268,652	-	-	-	(149,705)	(149,705)
Total primary government	\$ 954,079	\$ 313,840	\$ 230,628	\$ -	\$ (259,906)	\$ (149,705)	\$ (409,611)
General revenues:							
Taxes							
Property taxes, levied for general purposes				4,988	-	-	4,988
Gross receipts taxes				283,787	-	-	283,787
Franchise taxes				15,191	-	-	15,191
Other taxes				57,557	-	-	57,557
Grants and contributions unrestricted				-	26,745	-	26,745
Investment income				1,070	816	-	1,886
Transfers				-	-	-	-
Total general revenues				362,593	27,561	-	390,154
Changes in net assets				102,687	(122,144)	-	(19,457)
Net assets, beginning of year				1,201,011	2,486,780	(3)	3,687,791
Restatement				-	-	(3)	(3)
Net assets, beginning of year (restated)				1,201,011	2,486,777	-	3,687,788
Net assets, end of year				\$ 1,303,698	\$ 2,364,633	\$ -	\$ 3,668,331

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

**State of New Mexico
Village of Magdalena
Balance Sheet
Governmental Funds
June 30, 2007**

	General Fund	Fire Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 329,533	\$ 13,905	\$ 155,246	\$ 498,684
Taxes receivable	4,216	-	2,938	7,154
Intergovernmental receivables	17,163	-	47	17,210
Interest receivable	-	-	-	-
Other receivable	238	-	-	238
Inventories	-	-	-	-
Total assets	<u>\$ 351,150</u>	<u>\$ 13,905</u>	<u>\$ 158,231</u>	<u>\$ 523,286</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,309	\$ 561	\$ 514	\$ 6,384
Accrued payroll	2,707	-	-	2,707
Accrued interest payable	-	-	-	-
Note Payable	-	-	-	-
Total liabilities	<u>8,016</u>	<u>561</u>	<u>514</u>	<u>9,091</u>
Fund balances:				
Unreserved:				
Undesignated, reported in:				
General fund	343,133	-	-	343,133
Special revenue funds	-	13,344	157,717	171,061
Total fund balances	<u>343,133</u>	<u>13,344</u>	<u>157,717</u>	<u>514,194</u>
Total liabilities and fund balances	<u>\$ 351,150</u>	<u>\$ 13,905</u>	<u>\$ 158,231</u>	<u>\$ 523,286</u>

**State of New Mexico
Village of Magdalena
Reconciliation of the Governmental Fund Balance Sheet to the
Statement of Net Assets
June 30, 2007**

Total Fund balance for governmental funds	\$	514,194
<p>Total net assets reported for governmental activities in the statement of net assets is different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:</p>		
Governmental capital assets	\$	2,381,289
Less accumulated depreciation	<u>(1,513,895)</u>	867,394
<p>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</p>		
Compensated absences payable	\$	(17,054)
Long-term note payable	<u>(60,837)</u>	<u>(77,891)</u>
Total net assets of governmental activities	<u>\$</u>	<u>1,303,698</u>

State of New Mexico
Village of Magdalena
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	General Fund	Fire Fund	Other Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 4,988	\$ -	\$ -	\$ 4,988
Gross receipts tax	141,984	-	-	141,984
Franchise tax	15,191	-	-	15,191
Other taxes	-	-	54,034	54,034
Licenses and permits	2,004	-	-	2,004
Intergovernmental revenue and grants	268,779	57,938	30,804	357,521
Charges for service	730	-	10,403	11,133
Fines	22,903	-	-	22,903
Investment earnings	393	677	-	1,070
Other revenues	22,418	600	4,563	27,581
	<u>479,390</u>	<u>59,215</u>	<u>99,804</u>	<u>638,409</u>
EXPENDITURES:				
Current -				
General government	125,267	-	-	125,267
Public safety	238,295	41,035	23,018	302,349
Public works	-	-	16,973	16,973
Public health	-	-	5,484	5,484
Culture and recreation	-	-	37,214	37,214
Capital outlay	-	-	-	-
Debt service -				
Principal	-	12,157	-	12,157
Interest and fiscal charges	-	192	-	192
	<u>363,562</u>	<u>53,384</u>	<u>82,689</u>	<u>499,636</u>
Excess (deficiency) of revenues over expenditures	<u>115,827</u>	<u>5,831</u>	<u>17,115</u>	<u>138,773</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	28,000	28,000
Transfers out	(28,000)	-	-	(28,000)
Total other financing sources (uses)	<u>(28,000)</u>	<u>-</u>	<u>28,000</u>	<u>-</u>
Net changes in fund balances	<u>87,827</u>	<u>5,831</u>	<u>45,115</u>	<u>138,773</u>
Fund balances - July 1 (Beginning)	<u>255,306</u>	<u>7,513</u>	<u>112,603</u>	<u>375,422</u>
Fund balances, end of year	<u>\$ 343,133</u>	<u>\$ 13,344</u>	<u>\$ 157,717</u>	<u>\$ 514,194</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, 2007

Net changes in fund balances - total governmental funds \$ 138,773

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	26,018	
Less current year depreciation	<u>(70,236)</u>	(44,218)

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>(4,025)</u>	(4,025)
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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>12,157</u>	12,157
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Change in net assets of governmental activities		<u><u>\$ 102,687</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, 2007

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Property taxes	\$ 6,082	\$ 6,082	\$ 4,982	\$ (1,100)
Gross receipts taxes	107,000	107,000	142,089	35,089
Franchise taxes	10,500	10,500	15,117	4,617
Licenses and permits	2,300	2,300	2,004	(296)
Intergovernmental revenue and grants	212,000	212,000	270,135	58,135
Charges for services	11,600	11,600	730	(10,870)
Investment earnings	-	-	390	390
Fines	-	-	22,903	22,903
Other revenues	-	-	22,418	22,418
Total revenues	<u>349,482</u>	<u>349,482</u>	<u>480,767</u>	<u>131,285</u>
EXPENDITURES:				
General government	128,890	128,890	121,979	6,911
Public safety	239,416	239,416	235,838	3,578
Capital outlay	-	-	-	-
Total expenditures	<u>368,306</u>	<u>368,306</u>	<u>357,816</u>	<u>10,490</u>
Excess (deficiency) of revenues over expenditures	(18,824)	(18,824)	122,951	141,775
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(28,000)	(28,000)	(28,000)	0
Total other financing sources (uses)	<u>(28,000)</u>	<u>(28,000)</u>	<u>(28,000)</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(46,824)	(46,824)	94,951	141,775
Budgeted cash carryover	-	-	-	0
	<u>\$ (46,824)</u>	<u>\$ (46,824)</u>	<u>\$ 94,951</u>	<u>\$ 141,775</u>
Budgetary - GAAP Reporting Reconciliation:				
Excess (deficiency) of revenues over expenditures and other financing sources (uses)			\$ 94,951	
Adjustments for revenue accruals			(1,378)	
Adjustment for expenditures accruals			<u>(5,746)</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)			<u>\$ 87,827</u>	

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, 2007

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes:				
Intergovernmental revenue and grants	\$ 57,938	\$ 57,938	\$ 57,938	\$ -
Other	-	-	600	600
Investment earnings	-	-	629	629
Total revenues	<u>57,938</u>	<u>57,938</u>	<u>59,167</u>	<u>1,229</u>
EXPENDITURES:				
Public safety	54,333	54,333	43,640	10,693
Debt service	12,349	12,349	12,349	-
Capital outlay	-	-	-	-
Total expenditures	<u>66,682</u>	<u>66,682</u>	<u>55,989</u>	<u>10,693</u>
Excess (deficiency) of revenues over expenditures	(8,744)	(8,744)	3,178	11,922
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(8,744)	(8,744)	3,178	11,922
Budgeted cash carryover	-	-	-	0
	<u>\$ (8,744)</u>	<u>\$ (8,744)</u>	<u>\$ 3,178</u>	<u>\$ 11,922</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 3,178
Adjustments for revenue accruals	48
Adjustment for expenditures accruals	<u>2,605</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ 5,831</u>

**State of New Mexico
Village of Magdalena
Statement of Net Assets
Proprietary Funds
June 30, 2007**

	Enterprise Funds			Total
	Water, Sewer & Solid Waste Utilities	RUS/NMFA Water Project	CDBG Sewer Lagon Project	
ASSETS				
Current assets:				
Cash and investments	\$ 156,622	\$ 468	\$ 189	\$ 157,278
Accounts receivable	31,292	-	-	31,292
Interest receivable	-	-	-	-
Inventory	2,172	-	-	2,172
Intergovernmental receivable	-	-	-	-
Total current assets	<u>190,086</u>	<u>468</u>	<u>189</u>	<u>190,743</u>
Noncurrent assets:				
Customer meter deposits	27,593	-	-	27,593
Revenue bond reserve	18,819	-	-	18,819
Landfill closure and post closure costs	10,000	-	-	10,000
Land	6,025	-	-	6,025
Distribution system	1,985,638	474,492	1,043,089	3,503,219
Buildings and improvements	26,097	-	-	26,097
Vehicles, furniture and equipment	290,451	-	-	290,451
Accumulated depreciation	(1,493,722)	-	-	(1,493,722)
Total noncurrent assets	<u>870,900</u>	<u>474,492</u>	<u>1,043,089</u>	<u>2,388,482</u>
Total assets	<u>1,060,986</u>	<u>474,960</u>	<u>1,043,278</u>	<u>2,579,224</u>
LIABILITIES				
Current liabilities:				
Accounts payable	4,388	-	-	4,388
Accrued payroll	1,906	-	-	1,906
Accrued interest payable	1,996	-	-	1,996
Compensated absences payable	5,685	-	-	5,685
Revenue bonds payable	4,000	-	-	4,000
Deposits held for others	27,616	-	-	27,616
Total current liabilities	<u>45,592</u>	<u>-</u>	<u>-</u>	<u>45,592</u>
Noncurrent liabilities:				
Revenue bonds payable	169,000	-	-	169,000
Total non-current liabilities	<u>169,000</u>	<u>-</u>	<u>-</u>	<u>169,000</u>
Total liabilities	<u>214,592</u>	<u>-</u>	<u>-</u>	<u>214,592</u>
NET ASSETS				
Invested in capital assets, net of related debt	641,488	474,492	1,043,089	2,159,069
Restricted for:				
Customer meter deposits	27,616	-	-	27,616
Landfill closure and post closure	10,000	-	-	10,000
Debt service	21,440	-	-	21,440
Unrestricted	145,851	468	189	146,508
Total net assets	<u>\$ 846,395</u>	<u>\$ 474,960</u>	<u>\$ 1,043,278</u>	<u>\$ 2,364,633</u>

State of New Mexico
Village of Magdalena
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2007

	Enterprise Funds			Total
	Water, Sewer & Solid Waste Utilities	RUS/NMFA Water Project	CDBG Sewer Lagon Project	
Operating revenues:				
Charges for services	\$ 268,652	\$ -	\$ -	\$ 268,652
Total operating revenues	<u>268,652</u>	<u>-</u>	<u>-</u>	<u>268,652</u>
Operating expenses:				
Salaries	109,041	-	-	109,041
Benefits	17,415	-	-	17,415
Other operating expenses	150,912	-	-	150,912
Depreciation	133,015	-	-	133,015
Total operating expenses	<u>410,383</u>	<u>-</u>	<u>-</u>	<u>410,383</u>
Operating income	<u>(141,731)</u>	<u>-</u>	<u>-</u>	<u>(141,731)</u>
<u>Nonoperating revenues (expenses):</u>				
Interest expense	(7,974)	-	-	(7,974)
Interest income	816	-	-	816
Intergovernmental - federal	-	-	26,745	26,745
Total nonoperating revenues (expenses)	<u>(7,158)</u>	<u>-</u>	<u>26,745</u>	<u>19,587</u>
Changes in net assets	<u>(148,889)</u>	<u>-</u>	<u>26,745</u>	<u>(122,143)</u>
Net assets, beginning of year	995,752	474,495	1,016,533	2,486,780
Restatement	(468)	465	-	(3)
Net assets, beginning of year as restated	<u>995,284</u>	<u>474,960</u>	<u>1,016,533</u>	<u>2,486,776</u>
Total net assets, end of year	<u>\$ 846,395</u>	<u>\$ 474,960</u>	<u>\$ 1,043,278</u>	<u>\$ 2,364,633</u>

**State of New Mexico
Village of Magdalena
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2007**

	Enterprise Funds			Total
	Utilities	RUS/NMFA Water Project	CDBG Sewer Lagoon Project	
<u>Increase (Decrease) In Cash and Cash Equivalents</u>				
Cash flows from operating activities:				
Cash received from customers	\$ 277,024	\$ -	\$ -	\$ 277,024
Other receipts	-	-	-	-
Cash payments to employees	(279,240)	-	-	(279,240)
Cash payments to suppliers for goods and services	-	-	-	-
Net cash provided by (used for) operating activities	<u>(2,216)</u>	<u>-</u>	<u>-</u>	<u>(2,216)</u>
Cash flows from noncapital financing activities:				
Subsidy from state	-	-	-	-
Net cash provided by (used for) noncapital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Net acquisition of capital assets	-	-	(26,745)	(26,745)
Payment of principal on long-term debt	(4,000)	-	-	(4,000)
Interest paid on bonds	(8,045)	-	-	(8,045)
Proceeds from federal grant	-	-	26,745	26,745
Net cash provided by (used for) capital and related financing activities	<u>(12,045)</u>	<u>-</u>	<u>-</u>	<u>(12,045)</u>
Cash flows from investing activities:				
Investment income	718	-	-	718
Net cash provided by investing Activities	<u>718</u>	<u>-</u>	<u>-</u>	<u>718</u>
Net increase (decrease) in cash and cash equivalents	(13,543)	-	-	(13,543)
Cash and cash equivalents, beginning of year	<u>226,577</u>	<u>468</u>	<u>189</u>	<u>227,234</u>
Cash and cash equivalents, end of year	<u>\$ 213,034</u>	<u>\$ 468</u>	<u>\$ 189</u>	<u>\$ 213,690</u>

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

**State of New Mexico
Village of Magdalena
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2007**

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

Operating income	\$ (141,731)	\$ -	\$ -	\$ (141,731)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	133,015	-	-	133,015
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable - utilities	8,312	-	-	8,312
(Increase) decrease in interest receivable	30	-	-	30
Increase (decrease) in accrued payroll	(555)	-	-	(555)
Increase (decrease) in accounts payable - operations	(875)	-	-	(875)
Increase (decrease) in accounts payable - others	(70)	-	-	(70)
Increase (decrease) in accrued liabilities	(1,399)	-	-	(1,399)
Increase (decrease) in deposits held for others	1,057	-	-	1,057
Total adjustments	<u>139,515</u>	<u>-</u>	<u>-</u>	<u>139,515</u>
Net cash provided by (used for) operating activities	<u>\$ (2,216)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,216)</u>

State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2007

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, 2007

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.

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, 2007

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, 2007

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, 2007

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, 2007**

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, 2007 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, 2007 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, 2007**

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 in not subject to federal or state income taxes.

Account Payable

Accounts payable represent expenditures for goods and services prior to June 30, 2007.

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 at 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, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As of June 30, 2007, the liability for accrued compensated absences is \$22,739. The amount applicable to the Enterprise Funds Utility is \$5,685 and to Government Activities is \$17,054. 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, 2007 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, 2007.

Governmental Activities:	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 28,000
Library Fund	28,000	-
	<u>\$ 28,000</u>	<u>\$ 28,000</u>

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.

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, 2007**

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 any institution must be collateralized, with higher requirements up to 100% for financially troubled institutions.

Cash and certificates of deposit at June 30, 2007 consisted of the following:

Wells Fargo Bank	Village of Magdalena	Checking	Yes	\$ 503,656	\$ (11,034)	\$ 492,622
Wells Fargo Bank	Village of Magdalena	Checking	Yes	148,335	(1,813)	146,522
Wells Fargo Bank	Village of Magdalena	Checking	Yes	28,207	(614)	27,593
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	3,451	0	3,451
Wells Fargo Bank	Village of Magdalena	Certificate of Deposit	Yes	18,819	0	18,819
NMFA	Village of Magdalena	Escrow	Yes	<u>2,611</u>	0	<u>2,611</u>
	Balance per bank			725,736		
	Outstanding item			<u>(13,461)</u>	<u>(13,461)</u>	
	Village of Magdalena Petty Cash			100		100
	Cash balances as of June 30, 2007			<u>\$ 712,374</u>		<u>\$ 712,374</u>
	Cash reconciliation to Fund type:					
	Total cash for Government Funds					498,684
	Total cash for Utility Fund					213,690
	Total cash for Agency Fund					-
	Cash balances as of June 30, 2007					<u>\$ 712,374</u>

**State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2007**

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, 2007 \$40,812 of the government's bank balance of \$725,736 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	353,730
Uninsured and uncollateralized	<u>272,006</u>
Total deposits as of June 30, 2007	<u><u>\$ 725,736</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>\$ 725,736</u>
Balance per bank	<u>\$ 725,736</u>
Demmand deposits and Certificates of deposits	\$ 725,736
Total deposits	<u>725,736</u>
Less: FDIC coverage	<u>(100,000)</u>
Uninsured public funds	<u>625,736</u>
Collateral held by Wells Fargo Trust in the Name of Village of Magdalena	353,730
Total pledged held by the pledging financial institution Uninsured and uncollateralized	<u>353,730</u> <u>\$ 272,006</u>
50% pledged collateral requirement per Section 6-10-17, NMSA, 1978	\$ 312,868
Total pledged collateral	<u>353,730</u>
Pledged collateral (over) under the requirement	<u>\$ (40,862)</u>

**State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2007**

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	770	771	AAA	01/01/09
31368H3S0	FNCI 190809	50,000	270	271	AAA	05/01/09
31409UUZ6	FNCL 895632	210,000	187,325	185,540	AAA	05/10/36
31410SA98	FNCL 895632	145,000	130,082	128,842	AAA	05/10/36
36225BG36	GNSF 781118	27,000	1,742	1,770	AAA	10/15/29
36225BG69	GNSF 781121	75,000	3,530	3,668	AAA	12/15/29
3622BG85	GNSF 781123	55,000	2,357	2,448	AAA	12/15/29
36225BKX5	GNSF 781210	250,000	15,737	15,989	AAA	09/15/29
36225BL30	GNSF 781246	100,000	14,446	14,431	AAA	02/15/31
				<u>\$ 353,730</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, 2007

NOTE 4. CAPITAL ASSETS

Capital asset activity for the Village's primary government for the year ended June 30, 2007 was as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Governmental Activities:				
Capital Assets:				
Non Depreciable:				
Land	\$ 248,971	\$ 26,018	\$ -	\$ 274,989
Depreciable:				
Building and Improvements	1,114,089	-	-	1,114,089
Machinery and Equipment	992,212	-	-	992,212
Total	<u>2,355,272</u>	<u>26,018</u>	<u>-</u>	<u>2,381,290</u>
Less accumulated depreciation				
Building and Improvements	(600,578)	(23,425)	-	(624,003)
Machinery and Equipment	(843,080)	(46,811)	-	(889,891)
Total accumulated depreciation	<u>(1,443,658)</u>	<u>(70,236)</u>	<u>-</u>	<u>(1,513,894)</u>
Net capital assets	<u>\$ 911,614</u>	<u>\$ (44,218)</u>	<u>\$ -</u>	<u>\$ 867,395</u>

Depreciation expense for governmental activities is \$ 70,236 for the year.

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Business - Type Activities				
Capital Assets:				
Non Depreciable:				
Land	\$ 6,025	\$ 0	\$ 0	\$ 6,025
Depreciable:				
Distribution System	3,476,474	26,745	0	3,503,219
Building and Improvements	26,097	0	0	26,097
Furniture, fixtures & equipment	290,451	-	0	290,451
Total	<u>3,799,047</u>	<u>26,746</u>	<u>0</u>	<u>3,825,792</u>
Less accumulated depreciation				
Distribution System	(1,133,420)	(103,320)	0	(1,236,740)
Building and Improvements	(9,120)	(652)	0	(9,772)
Furniture, fixtures & equipment	(218,168)	(29,043)	0	(247,211)
Total accumulated depreciation	<u>(1,360,708)</u>	<u>(133,015)</u>	<u>0</u>	<u>(1,493,723)</u>
Net capital assets	<u>\$ 2,438,339</u>	<u>\$ (106,269)</u>	<u>\$ 0</u>	<u>\$ 2,332,071</u>

Depreciation expense for bUsiness - type activities is \$ 133,015 for the year.

**State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2007**

NOTE 4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

	Governmental Activities	Business - Type Activities
General Government	\$ 17,574	\$ 0
Public Safety	49,300	0
Public Works	879	0
Culture and Recreation	2,483	0
Water & Sewer	0	110,539
Solid Waste	0	22,476
	<u>\$ 70,236</u>	<u>\$ 133,015</u>

NOTE 5. CHANGES IN LONG-TERM DEBT

The following summarizes the changes in the long-term debt for government activities during 2007:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007	Amounts Due in One Year
Note payable:					
NMFA Loan A	24,875	-	6,195	18,680	6,211
NMFA Loan B	48,119	-	5,962	42,157	5,977
NMFA Loan C	-	-	-	-	-
Accrued Compensated Absences	13,029	7,233	3,208	17,054	17,054
	<u>\$ 86,023</u>	<u>\$ 7,233</u>	<u>\$ 15,365</u>	<u>\$ 77,891</u>	<u>\$ 29,242</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, 2007**

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

Cash Requirements for NMFA Loan Payable A

Year ending	Principal Amount	Interest Amount	Admin. Fee	Total
2008	6,211	-	47	6,258
2009	6,227	-	31	6,258
2010	6,242	-	15	6,257
	-	-		
	\$ 18,680	\$ -	\$ 93	\$ 18,773

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

Year ending	Principal Amount	Interest Amount	Admin. Fee	Total
2007	\$ 5,977	\$ -	\$ 106	\$ 6,083
2008	5,992	-	90	6,082
2009	6,007	-	76	6,083
2010	6,022	-	60	6,082
2011-2014	18,159	-	91	18,250
	\$ 42,157	\$ -	\$ 423	\$ 42,580

**State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2007**

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

The following summarizes the changes in the Business-Type Activities Long-Term Debt during 2007:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007	Amounts Due in One Year
Revenue Bonds Series 1974	16,000	-	2,000	14,000	2,000
Revenue Bonds Series 1999	161,000	-	2,000	159,000	2,000
Accrued Compensated Absences	6,786	5,406	6,507	5,685	5,685
Totals	\$ 183,786	\$ 5,406	\$ 10,507	\$ 178,685	\$ 9,685

Interest expense in the Proprietary Fund for 2007 was \$7,974.

Bonds outstanding reported in the Proprietary Fund at June 30, 2007, 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
2008	\$ 2,000	\$ 700	\$ 2,700
2009	2,000	600	2,600
2010	2,000	500	2,500
2011	2,000	500	2,500
2012-2014	6,000	600	6,600
Totals	\$ 14,000	\$ 2,900	\$ 16,900

**State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2007**

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:

Fiscal Year Ending June 30,	Principal Amount	Interest Amount	Total
2008	\$ 2,000	\$ 7,155	\$ 9,155
2009	2,000	7,065	9,065
2010	2,000	6,975	8,975
2011	3,000	6,885	9,885
2012-2016	15,000	32,400	47,400
2017-2021	18,000	28,890	46,890
2022-2026	22,000	24,480	46,480
2027-2031	27,000	19,080	46,080
2032-2036	33,000	12,465	45,465
2037-2038	35,000	3,645	38,645
		-	
Totals	\$ 159,000	\$ 149,040	\$ 308,040

Reserve Requirement - Revenue Bonds - Proprietary Fund

Series	Reserve for Debt Service	Reserve for Repair and Replacement	Total
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, 2007:

**State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2007**

<u>Fiscal Year Ending June 30,</u>	<u>Principal Amount</u>
2008	4,000
2009	4,000
2010	4,000
2011	5,000
2012-2039	156,000
Totals	\$ 173,000

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, 2007, 2006 and 2005 are \$15,828, \$14,174 and \$13,403, 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 \$52,515 for the year ended June 30, 2007.

NOTE 9. PRIOR PERIOD ADJUSTMENT

During the current year, it was determined that \$465 held in the Water, Sewer & Solid Waste Utilities Fund belong to the RUS/NMFA Water Project Fund with the remaining amount of \$3 as a net restatement to net assets to prior periods. To correct this error, the beginning net assets of the Water, Sewer & Solid Waste Utilities Fund of \$995,752, as originally reported, has been decreased to \$995,284 and beginning net assets of the RUS/NMFA Water Project Fund of \$474,495, as originally reported, has been increased to \$474,960. In addition, beginning net assets for business type activities of \$3,687,791 as originally reported has been decreased to \$3,687,788.

**State of New Mexico
Village of Magdalena
Notes to The Financial Statements
June 30, 2007**

NOTE 10. COMMITMENTS AND CONTINGENCIES

The Village has no significant commitments or contingencies.

SUPPLEMENTAL INFORMATION

**State of New Mexico
Village of Magdalena
June 30, 2007**

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.

Non-Major Funds

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.

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, 2007**

	Special Revenue Funds										Capital Projects Funds	
	Environmental Fund	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	\$ 40,349	\$ 6,230	\$ 27,826	\$ 43,474	\$ 6,321	\$ 10,804	\$ 8,493	\$ 11,749	\$ 155,246	\$ -	\$ -	\$ 155,246
Taxes receivable	418	-	533	1,987	-	-	-	-	2,938	-	-	2,938
Intergovernmental receivables	-	47	-	-	-	-	-	-	47	-	-	47
Total assets	\$ 40,767	\$ 6,277	\$ 28,359	\$ 45,461	\$ 6,321	\$ 10,804	\$ 8,493	\$ 11,749	\$ 158,232	\$ -	\$ -	\$ 158,232
LIABILITIES AND FUND BALANCES												
Accounts payable	\$ -	\$ -	\$ 100	\$ 301	\$ 88	\$ -	\$ -	\$ 25	\$ 514	\$ -	\$ -	\$ 514
Accrued payroll	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	100	301	88	-	-	25	514	-	-	514
Fund balances:												
Designated for subsequent year	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved, undesignated	40,767	6,277	28,259	45,160	6,233	10,804	8,493	11,724	157,717	-	-	157,717
Total fund balances	40,767	6,277	28,259	45,160	6,233	10,804	8,493	11,724	157,717	-	-	157,717
Total liabilities and fund balances	\$ 40,767	\$ 6,277	\$ 28,359	\$ 45,461	\$ 6,321	\$ 10,804	\$ 8,493	\$ 11,749	\$ 158,232	\$ -	\$ -	\$ 158,232

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, 2007**

	Environmental Fund	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	\$ 7,021	\$ -	\$ 6,567	\$ 40,446	\$ -	\$ -	\$ -	\$ -	\$ 54,034	\$ -	\$ 54,034
Intergovernmental revenue and grants	-	486	-	-	6,617	20,600	-	3,101	30,804	-	30,804
Charges for services	-	-	-	-	-	-	8,958	1,445	10,403	-	10,403
Other revenues	-	-	-	-	2,438	2,125	-	-	4,563	-	4,563
Total revenues	7,021	486	6,567	40,446	9,055	22,725	8,958	4,546	99,804	-	99,804
EXPENDITURES:											
Public safety	-	-	-	-	-	11,960	11,058	-	23,018	-	23,018
Public works	-	-	-	16,973	-	-	-	-	16,973	-	16,973
Health	-	-	-	-	5,484	-	-	-	5,484	-	5,484
Culture and recreation	-	-	6,422	-	-	-	-	30,792	37,214	-	37,214
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	6,422	16,973	5,484	11,960	11,058	30,792	82,689	-	82,689
Excess (deficiency) of revenues over expenditures	7,021	486	144	23,472	3,571	10,765	(2,100)	(26,246)	17,114	-	17,114
OTHER FINANCING SOURCES (USES):											
Transfers in	-	-	-	-	-	-	-	28,000	28,000	-	28,000
Total other financing sources (uses)	-	-	-	-	-	-	-	28,000	28,000	-	28,000
Net changes in fund balances	7,021	486	144	23,472	3,571	10,765	(2,100)	1,754	45,114	-	45,114
Fund balances - July 1 (Beginning)	33,746	5,790	28,114	21,688	2,662	39	10,593	9,970	112,603	-	112,603
Fund balances - June 30 (Ending)	\$ 40,767	\$ 6,277	\$ 28,259	\$ 45,160	\$ 6,233	\$ 10,804	\$ 8,493	\$ 11,724	\$ 157,717	\$ -	\$ 157,717

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, 2007

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes:				
Intergovernmental revenue and grants	\$ 5,400	\$ 5,400	\$ 7,026	\$ 1,626
Total revenues	5,400	5,400	7,026	1,626
EXPENDITURES:				
Public safety	32,000	32,000	-	32,000
Capital outlay	-	-	-	-
Total expenditures	32,000	32,000	-	32,000
Excess (deficiency) of revenues over expenditures	(26,600)	(26,600)	7,026	33,626
OTHER FINANCING SOURCES (USES):				
Reimbursement proceeds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(26,600)	(26,600)	7,026	33,626
Budgeted cash carryover	26,600	26,600	-	-
	\$ -	\$ -	\$ 7,026	\$ 33,626

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 7,026
Adjustments for revenue accruals	(5)
Adjustment for expenditures accruals	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$ 7,021

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, 2007

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental revenue and grants	\$ 600	\$ 600	\$ 482	\$ (118)
Total revenues	<u>600</u>	<u>600</u>	<u>482</u>	<u>(118)</u>
EXPENDITURES:				
Recreation	300	300	-	300
Capital outlay	-	-	-	-
Total expenditures	<u>300</u>	<u>300</u>	<u>-</u>	<u>300</u>
Excess (deficiency) of revenues over expenditures	300	300	482	182
Budgeted cash carryover	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 482</u>	<u>\$ 182</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 482
Adjustments for revenue accruals	4
Adjustment for expenditures accruals	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ 486</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 9,000	\$ 9,000	\$ 6,343	\$ (2,657)
Total revenues	<u>9,000</u>	<u>9,000</u>	<u>6,343</u>	<u>(2,657)</u>
EXPENDITURES:				
Culture and recreation	14,000	14,000	6,322	7,678
Total expenditures	<u>14,000</u>	<u>14,000</u>	<u>6,322</u>	<u>7,678</u>
Excess (deficiency) of revenues over expenditures	(5,000)	(5,000)	21	5,021
Budgeted cash carryover	5,000	5,000	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ 5,021</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 21
Adjustments for revenue accruals	223
Adjustment for expenditures accruals	<u>(100)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ 144</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenue and grants	\$ 50,000	\$ 50,000	\$ 40,067	\$ (9,933)
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>40,067</u>	<u>(9,933)</u>
EXPENDITURES:				
Public Works	50,268	50,268	16,757	33,511
Total expenditures	<u>50,268</u>	<u>50,268</u>	<u>16,757</u>	<u>33,511</u>
Excess (deficiency) of revenues over expenditures	(268)	(268)	23,310	23,578
Budgeted cash carryover	<u>268</u>	<u>268</u>	<u>-</u>	<u>-</u>
	<u>\$ 268</u>	<u>\$ 268</u>	<u>\$ 23,310</u>	<u>\$ 23,578</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 23,310
Adjustments for revenue accruals	379
Adjustment for expenditures accruals	<u>(216)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ 23,473</u>

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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenue and grants	\$ 6,605	\$ 6,605	\$ 6,617	\$ -
Other revenue	-	-	2,438	-
Total revenues	<u>6,605</u>	<u>6,605</u>	<u>9,055</u>	<u>-</u>
EXPENDITURES:				
Health	9,267	10,485	5,396	5,089
Capital Outlay	-	-	-	-
Total expenditures	<u>9,267</u>	<u>10,485</u>	<u>5,396</u>	<u>5,089</u>
Excess (deficiency) of revenues over expenditures	(2,662)	(3,880)	3,659	5,089
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(2,662)	(3,880)	3,659	5,089
Budgeted cash carryover	<u>2,662</u>	<u>3,880</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,659</u>	<u>\$ 5,089</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 3,659
Adjustments for revenue accruals	-
Adjustment for expenditures accruals	<u>(88)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ 3,571</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenue and grants	\$ 20,600	\$ 20,600	\$ 20,600	\$ -
Other revenues	-	-	2,125	2,125
Total revenues	<u>20,600</u>	<u>20,600</u>	<u>22,725</u>	<u>2,125</u>
EXPENDITURES:				
Public safety	21,862	21,862	13,183	8,679
Capital outlay	-	-	-	-
Total expenditures	<u>21,862</u>	<u>21,862</u>	<u>13,183</u>	<u>8,679</u>
Excess (deficiency) of revenues over expenditures	(1,262)	(1,262)	9,542	10,804
Budgeted cash carryover	<u>1,262</u>	<u>1,262</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,542</u>	<u>\$ 10,804</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 9,542
Adjustments for revenue accruals	-
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>\$ 10,765</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 5,500	\$ 8,000	\$ 8,958	\$ 958
Investment earnings	-	-	-	0
Total revenues	<u>5,500</u>	<u>8,000</u>	<u>8,958</u>	<u>958</u>
EXPENDITURES:				
Public safety	4,420	11,400	11,058	342
Total expenditures	<u>4,420</u>	<u>11,400</u>	<u>11,058</u>	<u>342</u>
Excess (deficiency) of revenues over expenditures	1,080	(3,400)	(2,100)	1,300
Budgeted cash carryover	-	-	-	0
	<u>\$ 1,080</u>	<u>\$ (3,400)</u>	<u>\$ (2,100)</u>	<u>\$ 1,300</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ (2,100)
Adjustments for revenue accruals	-
Adjustment for expenditures accruals	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ (2,100)</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, 2007

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental revenue and grants	\$ 10,824	\$ 10,824	\$ 4,546	\$ (6,278)
Other	-	-	-	-
Total revenues	10,824	10,824	4,546	(6,278)
 EXPENDITURES:				
Culture and recreation	38,984	38,984	30,859	8,125
Capital outlay	-	-	-	-
Total expenditures	38,984	38,984	30,859	8,125
Excess (deficiency) of revenues over expenditures	(28,160)	(28,160)	(26,314)	(14,403)
 OTHER FINANCING SOURCES (USES):				
Transfers in	28,000	28,000	28,000	-
Total other financing sources (uses)	28,000	28,000	28,000	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(160)	(160)	1,686	1,846
Budgeted cash carryover	160	160	-	0
	\$ -	\$ -	\$ 1,686	\$ 1,846

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 1,686
Adjustments for revenue accruals	-
Adjustment for expenditures accruals	68
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$ 1,754

**State of New Mexico
Village of Magdalena
June 30, 2007**

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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State grants	\$ 300,000	\$ 300,000	\$ -	\$ (300,000)
Legislative appropriations	-	-	-	-
Intergovernmental revenue and grants	-	-	-	-
Investment earnings	-	-	-	-
Total revenues	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>
EXPENDITURES:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	300,000	300,000	-	300,000
Total expenditures	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	-	-
Budgeted cash carryover	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ -</u>

Budgetary - GAAP Reporting Reconciliation:

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

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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 274,914	\$ 274,914	\$ 277,742	\$ 2,828
Total revenues	<u>274,914</u>	<u>274,914</u>	<u>277,742</u>	<u>2,828</u>
EXPENDITURES:				
Repairs and maintenance	281,239	298,339	291,942	6,397
Depreciation	-	-	-	-
Total expenditures	<u>281,239</u>	<u>298,339</u>	<u>291,942</u>	<u>6,397</u>
Excess (deficiency) of revenues over expenditures	(6,325)	(23,425)	(14,201)	9,224
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(6,325)	(23,425)	(14,201)	9,224
Budgeted cash carryover	<u>6,325</u>	<u>23,425</u>	<u>14,201</u>	<u>0</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 9,224</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ (14,201)
Adjustments for revenue accruals	(8,273)
Adjustment for expenditures accruals	<u>(126,416)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ (148,889)</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, 2007

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

Budgetary - GAAP Reporting Reconciliation:

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

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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental - federal	\$ 400,000	\$ 400,000	\$ 26,745	\$ (373,255)
Intergovernmental - state	-	-	-	-
Total revenues	<u>400,000</u>	<u>400,000</u>	<u>26,745</u>	<u>(373,255)</u>
EXPENDITURES:				
Capital outlay	430,000	430,000	26,745	403,255
Total expenditures	<u>430,000</u>	<u>430,000</u>	<u>26,745</u>	<u>403,255</u>
Excess (deficiency) of revenues over expenditures	(30,000)	(30,000)	0	30,000
OTHER FINANCING SOURCES (USES):				
Transfers in	30,000	30,000	-	(30,000)
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	0	0
Budgeted cash carryover	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 0</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 0
Adjustments for revenue accruals	-
Adjustment for expenditures accruals	<u>26,745</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$ 26,746</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, 2007

	Utility Departments		
	Water & Sewer	Solid Waste	Total
Operating revenues:			
Charges for services	\$ 201,915	\$ 66,737	\$ 268,652
Other revenues	-	-	-
Total operating revenues	201,915	66,737	268,652
Operating expenses:			
Salaries	89,133	19,908	109,041
Benefits	15,076	2,339	17,415
Other operating expenses	88,591	62,321	150,912
Depreciation	133,015	-	133,015
Total operating expenses	325,816	84,567	410,383
Operating income	(123,901)	(17,830)	(141,731)
<u>Nonoperating revenues (expenses):</u>			
Interest expense	(7,974)	-	(7,974)
Interest income	816	-	816
Transfers in (out)	-	-	-
Total nonoperating revenues (expenses)	(7,158)	-	(7,158)
Changes in net assets	(131,059)	(17,830)	(148,889)
Total net assets, beginning of year			-
Total net assets, end of year			\$ (148,889)

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, 2007

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Governmental Fund Capital Assets				
Infrastructure	\$ 0	\$ -	\$ -	\$ 0
Building and Improvements	1,114,089	-	-	1,114,089
Land	248,971	26,018	-	274,989
Vehicles, furniture and equipment	992,212	-	-	992,212
Total Governmental Fund Capital Assets	<u>2,355,272</u>	<u>26,018</u>	<u>-</u>	<u>2,381,290</u>
 Investment in Capital Assets				
General Fund	1,530,888	26,018	-	1,556,906
Fire Fund	558,650	-	-	558,650
Juvenile Recreation Fund	6,137	-	-	6,137
Lodgers Tax Fund	-	-	-	-
Street Fund	17,951	-	-	17,951
EMS Fund	26,064	-	-	26,064
Law Enforcement Fund	185,609	-	-	185,609
Corrections Fund	-	-	-	-
Environmental Fund	-	-	-	-
Library	16,791	-	-	16,791
Capital Projects Fund	13,182	-	-	13,182
Total Investment in Capital Assets	<u>\$ 2,355,272</u>	<u>\$ 26,018</u>	<u>\$ -</u>	<u>\$ 2,381,290</u>

Garcia and Associates, CPA, LLC

Certified Public Accountant and Business Consultants

Raymond J. Garcia, CPA
Partner

Paul Lucero, MBA
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Phone: (505) 865-7001
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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, 2007, 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, 2007 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
Page Two

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
February 24, 2011

State of New Mexico
Village of Magdalena
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2007

2004-1 Capital Assets Inventory – (Revised and repeated)

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, 2007**

2004-2 Timely Submission of Audit Report - (Revised and repeated)

Statement of Condition:

The audit report was submitted to the State Auditor on February 12, 2011, which was after the due date of December 1, 2007.

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 February 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, 2007**

2004-05 Recording Interest Income - (Revised and repeated)

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 \$128 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, 2007**

Exit Conference

This report was discussed with the following individuals at an exit conference held on February 24, 2011.

Village of Magdalena

Sandy Julian, 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.