

STATE OF NEW MEXICO
TOWN OF SPRINGER
ANNUAL FINANCIAL REPORT
JUNE 30, 2009

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INTRODUCTORY SECTION

STATE OF NEW MEXICO

Town of Springer

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Town of Springer

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STATE OF NEW MEXICO

Town of Springer

Official Roster

June 30, 2009

<u>Name</u>		<u>Title</u>
	<u>Town Council</u>	
Johnny Chavez		Mayor
Charles J. Garcia		Town Trustee
David Balizan		Town Trustee
Albert Romero		Town Trustee
Arthur Martinez		Town Trustee
	<u>Administrative Officials</u>	
Marilyn Nolan		Clerk Treasurer
Teresa Montoya		Deputy Clerk
Brianna Gonzales		Billings Clerk

FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
To the Honorable Mayor and Town Trustee's
Town of Springer
Springer, New Mexico

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison for the general fund and the aggregate remaining fund information of the Town of Springer (Town) as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements of each of the Town's nonmajor governmental funds, nonmajor proprietary 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, 2009, as listed in the table of contents. These financial statements are the responsibility of the Town of Springer's management. We did not audit the financial statements of the Town of Springer Housing Authority, a discretely presented component unit, which statements reflect total assets of \$807,342 as of June 30, 2009, and total revenues of \$331,795 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Town of Springer's Housing Authority, is based solely on the reports of the other auditors.

The Town has not maintained adequate accounting records. As explained further in FS 06-09, the Town lacks internal controls over its cash and general ledger transactions. The accounting system of the Town is insufficient to accurately maintain fund financial statement reporting. Cash was unable to be reconciled at year end June 30, 2009. As explained in Finding FS 06-07, payroll, disbursements, and the receipting processes have insufficient segregation of duties. With regards to management overrides, there is no internal controls to mitigate this risk. Also, receipt books are not sequentially numbered and in effect, there was no way to determine if there is a gap in sequences from one book to another. Furthermore, revenues and expenses for the year cannot be traced back to the cash balance per their bank statements, and there is not sufficient evidence to support the budget adjustments made through out the fiscal year. As explained in Finding FS 06-06, monitoring of the payroll reporting system is inadequate, the Town did not have pay rate schedules to support the amount they are paying their employees, and there were no timesheets found for employees tested to verify hours worked by employees. As explained in Finding FS 09-02, the Town does not reconcile the CDBG, Cemetery, and both Veterans bank accounts, and for the bank accounts that are reconciled, there is no review of these reconciliations from appropriate management. As explained in Finding FS 09-05, there is no documentation to support manual journal entries made through out the year, and there is no internal controls to mitigate the risks of manual journal entries. The delinquent accounts receivable cannot be stratified by age to facilitate the determination of allowances for doubtful accounts.

As a result of these internal control problems the Town has inadequate documentation to show that: all its revenue transactions and events that should have been recorded are recorded; that revenue amounts and related data were recorded appropriately; that revenue transactions and events that occurred have been recorded in the correct accounting period; or that revenue transactions and events have been recorded in the proper accounts. As a result of these internal control problems the

Town has inadequate documentation to show that: all its expenditure transactions and events that should have been recorded are recorded; that expenditure amounts and related data were recorded appropriately; that expenditure transactions and events that occurred have been recorded in the correct accounting period; or that expenditure transactions and events have been recorded in the proper accounts. As a result of these internal control problems the Town does not have adequate evidence that all cash that should be recorded is recorded in its various funds. The Town's records do not permit the application of other auditing procedures to its revenues, expenditures and cash.

As further explained in FS 03-08 the Town lacks information about its capital assets. The Town could not provide the auditors with lists of its capital assets at historical cost, showing when each item was purchased, for the governmental activities or for the business-type activities. The Town does not have depreciation schedules for its capital assets. The Town does not have a system of internal controls in place to safeguard its assets or to ensure that the capital assets are not misstated in the Town's financial statements. As a result of these problems with its capital assets the Town's management cannot assert the existence of its capital assets, its right to those assets, that all assets that should be included are included, or the proper valuation of its capital assets. The Town's records do not permit the application of other auditing procedures to the Town's capital assets.

Because we were unable to obtain adequate supporting documentation for the Town's revenues, expenditures, cash, and capital assets, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the governmental activities, the business-type activities, each major fund, the budgetary comparisons of the general fund or the major special revenue funds or the aggregate remaining fund information of the Town. Also, because we were unable to obtain adequate supporting documentation for the Town's revenues, expenditures, cash, and capital assets, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the Town's nonmajor governmental funds, or the budgetary comparisons presented as supplementary information.

In our opinion, based on the report of other auditors, the financial statements of the Town of Springer Housing Authority referred to above, present fairly, in all material respects, the financial position and the results of the operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2010 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Town has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. We were engaged for the purpose of forming opinions on the Town's basic financial statements, combining and individual fund financial statements, and budgetary comparisons. Schedule I through III are also presented for purposes of additional analysis and are not a required part of the basic financial statements. Due to the Town's deficiencies in internal controls over the information presented in these schedules and the resulting lack of adequate documentation, the scope of our work was not sufficient to enable us to express, and we do not express an opinion regarding whether they are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introduction section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Certified Public Accountants
Albuquerque, New Mexico
February 28, 2010

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

Town of Springer
Statement of Net Assets
June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing Authority
Assets				
Current assets				
Cash and cash equivalents	\$ 238,428	\$ 229,962	\$ 468,390	\$ 153,545
Investments	-	-	-	70,764
Receivables:				
Property taxes receivable	24,225	-	24,225	-
Gross receipts taxes	42,247	987	43,234	-
Gasoline and oil taxes	1,303	-	1,303	-
State intergovernmental grants	39,207	-	39,207	-
Utilities receivables, net of allowance	-	254,748	254,748	-
Tenant receivables, net of allowance	-	-	-	1,626
Interest receivables	-	-	-	1,282
Miscellaneous	211	-	211	-
Due from HUD	-	-	-	41
Prepays	-	-	-	8,076
Inventory	-	66,146	66,146	10,581
Internal balances	(511,912)	332,832	(179,080)	-
Total current assets	<u>(166,291)</u>	<u>884,675</u>	<u>718,384</u>	<u>245,915</u>
Noncurrent assets				
Restricted cash and cash equivalents	-	-	-	12,835
Unamortized bond issuance costs	-	6,373	6,373	-
Capital assets	2,901,449	6,639,555	9,541,004	2,611,151
Less: accumulated depreciation	(1,201,747)	(3,703,981)	(4,905,728)	(2,062,559)
Total noncurrent assets	<u>1,699,702</u>	<u>2,941,947</u>	<u>4,641,649</u>	<u>561,427</u>
Total assets	<u>\$ 1,533,411</u>	<u>\$ 3,826,622</u>	<u>\$ 5,360,033</u>	<u>\$ 807,342</u>

The accompanying notes are an integral part of these financial statements

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing Authority
Liabilities				
Current liabilities				
Accounts payable	\$ 83,526	\$ 67,162	\$ 150,688	\$ 9,440
Accrued payroll expenses	25,887	8,197	34,084	-
Accrued compensated absences	1,654	7,942	9,596	-
Accrued interest payable	187	30,474	30,661	-
Deferred revenue	-	-	-	954
Prepaid rent	-	-	-	1,284
Current portion of bonds payable	-	13,855	13,855	-
Current portion of notes payable and capital leases	13,179	-	13,179	-
Total current liabilities	124,433	127,630	252,063	11,678
Noncurrent liabilities				
Accrued compensated absences	10,675	-	10,675	2,027
Meter and other refundable deposits	-	-	-	10,028
Bonds payable	-	1,032,946	1,032,946	-
Notes payable and capital leases	7,327	-	7,327	-
Total noncurrent liabilities	18,002	1,032,946	1,050,948	12,055
Total liabilities	142,435	1,160,576	1,303,011	23,733
Net Assets				
Invested in capital assets, net of related debt	1,679,196	1,888,773	3,567,969	548,592
Restricted for: (Note 14)				
Debt service (Note 15)	-	795,999	795,999	-
Capital projects and improvements	-	-	-	-
Other purposes	-	-	-	12,835
Unrestricted (Note 14)	(288,220)	(18,726)	(306,946)	222,182
Total net assets	1,390,976	2,666,046	4,057,022	783,609
Total liabilities and net assets	\$ 1,533,411	\$ 3,826,622	\$ 5,360,033	\$ 807,342

STATE OF NEW MEXICO
Town of Springer
Statement of Activities
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
General government	\$ 630,823	\$ 50,012	\$ 232,565	\$ 102,357
Public safety	221,703	3,644	20,067	-
Public works	1,973	-	-	-
Culture and recreation	69,674	2,462	18,974	-
Interest on long-term debt	1,753	-	-	-
<i>Total governmental activities</i>	<u>925,926</u>	<u>56,118</u>	<u>271,606</u>	<u>102,357</u>
Business-type Activities:				
Joint Utilities	1,918,179	1,249,862	-	-
Cemetery	406	2,650	-	-
Museum	15,878	3,239	-	-
<i>Total business type activities</i>	<u>1,934,463</u>	<u>1,255,751</u>	<u>-</u>	<u>-</u>
<i>Total Primary Government</i>	<u>\$ 2,860,389</u>	<u>\$ 1,311,869</u>	<u>\$ 271,606</u>	<u>\$ 102,357</u>
Component Unit:				
Housing Authority	<u>\$ 419,887</u>	<u>\$ 114,340</u>	<u>\$ 217,455</u>	<u>\$ -</u>
General Revenues:				
Taxes				
Property taxes, levied for general purposes				
Gross receipts taxes				
Gasoline and motor vehicle taxes				
Franchise taxes				
Investment income				
Miscellaneous income				
Special item- Gain on sale of capital assets				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning				
Net assets, ending				

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Housing Authority
\$ (245,889)	\$ -	\$ (245,889)	\$ -
(197,992)	-	(197,992)	-
(1,973)	-	(1,973)	-
(48,238)	-	(48,238)	-
(1,753)	-	(1,753)	-
<u>(495,845)</u>	<u>-</u>	<u>(494,092)</u>	<u>-</u>
-	(668,317)	(668,317)	-
-	2,244	2,244	-
-	(12,639)	(12,639)	-
-	(678,712)	(678,712)	-
<u>(495,845)</u>	<u>(678,712)</u>	<u>(1,172,804)</u>	<u>-</u>
-	-	-	(88,092)
66,269	-	66,269	-
20,163	-	20,163	-
141,286	-	141,286	-
146,581	-	146,581	-
-	-	-	1,713
633	-	633	-
3,710	-	3,710	-
<u>378,642</u>	<u>-</u>	<u>378,642</u>	<u>1,713</u>
(117,203)	(678,712)	(795,915)	(86,379)
<u>1,508,179</u>	<u>3,344,758</u>	<u>4,852,937</u>	<u>869,988</u>
<u>\$ 1,390,976</u>	<u>\$ 2,666,046</u>	<u>\$ 4,057,022</u>	<u>\$ 783,609</u>

STATE OF NEW MEXICO

Town of Springer
Balance Sheet
Governmental Funds
June 30, 2009

	<u>General Fund</u>	<u>Legislative Appropriation Water</u>	<u>Airport Improvements</u>
<i>Assets</i>			
Cash and cash equivalents	\$ 103,071	\$ 6,791	\$ -
Receivables:			
Property taxes	24,225	-	-
Gross receipts taxes	42,207	-	-
Gasoline and oil taxes	652	-	-
Intergovernmental	-	-	-
Other receivables	-	-	-
Due from other funds	102,070	-	-
	<u>102,070</u>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>\$ 272,225</u>	<u>\$ 6,791</u>	<u>\$ -</u>
<i>Liabilities and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 851	\$ -	\$ 56,310
Accrued payroll expenses	13,155	-	-
Deferred property tax revenue	22,567	-	-
Due to other funds	376,304	152,063	1,345
	<u>376,304</u>	<u>152,063</u>	<u>1,345</u>
<i>Total liabilities</i>	<u>412,877</u>	<u>152,063</u>	<u>57,655</u>
<i>Fund balances</i>			
Unreserved, reported in:			
General	(140,652)	(145,272)	(57,655)
Special revenue	-	-	-
Capital projects	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total fund balances</i>	<u>(140,652)</u>	<u>(145,272)</u>	<u>(57,655)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 272,225</u>	<u>\$ 6,791</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ 128,566	\$ 238,428
-	24,225
40	42,247
651	1,303
39,207	39,207
211	211
<u>172,268</u>	<u>274,338</u>
<u>\$ 340,943</u>	<u>\$ 619,959</u>
\$ 26,365	\$ 83,526
12,732	25,887
-	22,567
<u>256,538</u>	<u>786,250</u>
<u>295,635</u>	<u>918,230</u>
-	(343,579)
(55,887)	(55,887)
<u>101,195</u>	<u>101,195</u>
<u>45,308</u>	<u>(298,271)</u>
<u>\$ 340,943</u>	<u>\$ 619,959</u>

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State of New Mexico

Town of Springer

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2009

Exhibit B-1

Page 2 of 2

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - total governmental funds \$ (298,271)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 1,699,702

Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds:

Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities 22,567

Certain liabilities, including bonds payable and current and long-term portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable (20,506)
Accrued interest (187)
Current portion of accrued compensated absences (1,654)
Long-term portion of accrued compensated absences (10,675)

Net assets of governmental activities \$ 1,390,976

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Springer
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	General Fund	Legislative Appropriations Water	Airport Improvements
<i>Revenues:</i>			
Taxes:			
Property	\$ 48,386	\$ -	\$ -
Gross receipts	20,163	-	-
Gasoline and motor vehicle	134,497	-	-
Other	145,324	-	-
Intergovernmental:			
State operating grants	232,565	-	-
State capital grants	-	6,900	52,457
Charges for services	20,662	-	-
Fines, forfeitures, and penalties	15,140	-	-
Licenses and fees	14,210	-	-
Miscellaneous	608	-	-
<i>Total revenues</i>	<u>631,555</u>	<u>6,900</u>	<u>52,457</u>
<i>Expenditures:</i>			
Current:			
General government	387,142	-	-
Public safety	128,317	-	-
Public works	-	109	-
Culture and recreation	-	-	-
Capital outlay	17,646	-	110,112
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>533,105</u>	<u>109</u>	<u>110,112</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>98,450</u>	<u>6,791</u>	<u>(57,655)</u>
<i>Other financing sources (uses)</i>			
Gain on sale of assets	<u>3,710</u>	<u>-</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>3,710</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	102,160	6,791	(57,655)
<i>Fund balance - beginning of year</i>	<u>(242,812)</u>	<u>(152,063)</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ (140,652)</u>	<u>\$ (145,272)</u>	<u>\$ (57,655)</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ -	\$ 48,386
-	20,163
6,789	141,286
1,257	146,581
39,041	271,606
44,617	103,974
1,945	22,607
-	15,140
4,161	18,371
25	633
<u>97,835</u>	<u>788,747</u>
-	387,142
105,673	233,990
3,481	3,590
75,117	75,117
104,844	232,602
-	-
1,566	1,566
<u>290,681</u>	<u>934,007</u>
<u>(192,846)</u>	<u>(145,260)</u>
-	3,710
-	3,710
(192,846)	(141,550)
<u>238,154</u>	<u>(156,721)</u>
<u>\$ 45,308</u>	<u>\$ (298,271)</u>

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STATE OF NEW MEXICO

Town of Springer

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds	(141,550)
--	-----------

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 and reported as depreciation expense:

Depreciation expense	(237,485)
Capital expenditures recorded in capital outlay	232,602

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenue in the governmental funds:

Increase in deferred revenue	17,883
------------------------------	--------

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial
resources to governmental funds, while the repayment of the principal of long-term
debt consumes the current financial resources of governmental funds. Neither
transaction, however, has any effect on net assets. Also, governmental funds
report the effect of premiums and similar items when debt is first issued, whereas
these amounts are deferred and amortized in the statement of activities:

Principal payments of long-term debt	12,449
Increase in accrued interest	(187)
Increase in noncurrent and current accrued compensated absences	(915)
	(117,203)

Change in net assets of governmental activities	\$ (117,203)
---	--------------

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-1

Town of Springer

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ 44,000	\$ 44,000	\$ 51,300	\$ 7,300
Gross receipts	13,000	13,000	19,168	6,168
Gasoline and motor vehicle	138,800	138,800	137,912	(888)
Other	140,000	140,000	146,065	6,065
Intergovernmental income:				
State operating grants	129,277	129,277	232,384	103,107
Charges for services	56,700	65,200	22,443	(42,757)
Licenses and fees	16,141	34,900	15,210	(19,690)
Fines, forfeitures and penalties	-	-	15,140	15,140
Miscellaneous	500	500	571	71
<i>Total revenues</i>	<u>538,418</u>	<u>565,677</u>	<u>640,193</u>	<u>74,516</u>
<i>Expenditures:</i>				
Current:				
General government	322,125	323,405	385,878	(62,473)
Public safety	193,644	192,664	130,939	61,725
Capital outlay	-	-	17,646	(17,646)
<i>Total expenditures</i>	<u>515,769</u>	<u>516,069</u>	<u>534,463</u>	<u>(18,394)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>22,649</u>	<u>49,608</u>	<u>105,730</u>	<u>56,122</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(149,866)	(176,108)	-	176,108
Proceeds from sale of fixed assets	2,500	-	3,710	3,710
<i>Total other financing sources (uses)</i>	<u>(20,149)</u>	<u>(49,608)</u>	<u>3,710</u>	<u>53,318</u>
<i>Net change in fund balance</i>	2,500	-	109,440	109,440
<i>Fund balance - beginning of year</i>	-	-	(280,603)	(280,603)
<i>Fund balance - end of year</i>	<u>\$ 2,500</u>	<u>\$ -</u>	<u>\$ (171,163)</u>	<u>\$ (171,163)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ 109,440
Adjustments to revenues for taxes and state flowthrough grants				(8,638)
Adjustments to expenditures for general government expenditures				1,358
Net change in fund balance (GAAP basis)				<u>\$ 102,160</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit D-1

Town of Springer
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Joint Utilities Fund	Other Enterprise Funds	Total
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 224,448	\$ 5,514	\$ 229,962
Receivables:			
Gross receipts taxes	987	-	987
Utility receivables, net of allowance	254,748	-	254,748
Inventory	66,146	-	66,146
Due from other funds	356,734	-	356,734
<i>Total current assets</i>	<u>903,063</u>	<u>5,514</u>	<u>908,577</u>
<i>Noncurrent assets</i>			
Unamortized bond issuance cost	6,373	-	6,373
Capital assets	6,532,059	107,496	6,639,555
Less: accumulated depreciation	<u>(3,679,727)</u>	<u>(24,254)</u>	<u>(3,703,981)</u>
<i>Total noncurrent assets</i>	<u>2,858,705</u>	<u>83,242</u>	<u>2,941,947</u>
<i>Total Assets</i>	<u>\$ 3,761,768</u>	<u>\$ 88,756</u>	<u>\$ 3,850,524</u>
<i>Liabilities and Net Assets</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 67,103	\$ 59	\$ 67,162
Accrued payroll expenses	7,843	354	8,197
Accrued compensated absences	7,942	-	7,942
Accrued interest payable	30,474	-	30,474
Current portion of bonds payable	13,855	-	13,855
Due to other funds	75	23,827	23,902
<i>Total current liabilities</i>	<u>127,292</u>	<u>24,240</u>	<u>151,532</u>
<i>Noncurrent liabilities</i>			
Bonds payable	1,032,946	-	1,032,946
<i>Total noncurrent liabilities</i>	<u>1,032,946</u>	<u>-</u>	<u>1,032,946</u>
<i>Total liabilities</i>	<u>1,160,238</u>	<u>24,240</u>	<u>1,184,478</u>
<i>Net Assets:</i>			
Invested in capital assets, net of related debt	1,805,531	83,242	1,888,773
Restricted net assets - debt service	795,999	-	795,999
Unrestricted net assets	<u>-</u>	<u>(18,726)</u>	<u>(18,726)</u>
<i>Total net assets</i>	<u>2,601,530</u>	<u>64,516</u>	<u>2,666,046</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 3,761,768</u>	<u>\$ 88,756</u>	<u>\$ 3,850,524</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit D-2

Town of Springer
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Joint Utilities Fund	Other Enterprise Funds	Total
<i>Operating revenues:</i>			
Charges for services	\$ 1,177,420	\$ 5,889	\$ 1,183,309
<i>Total operating revenues</i>	<u>1,177,420</u>	<u>5,889</u>	<u>1,183,309</u>
<i>Operating expenses:</i>			
General and administrative	804,552	500	805,052
Personnel services	198,885	9,183	208,068
Contractual services	11,342	-	11,342
Supplies and purchased power	21,554	593	22,147
Maintenance and materials	18,696	498	19,194
Utilities	52,668	5,510	58,178
Depreciation	761,521	-	761,521
Miscellaneous	204	-	204
<i>Total operating expenses</i>	<u>1,869,422</u>	<u>16,284</u>	<u>1,885,706</u>
<i>Operating income (loss)</i>	<u>(692,002)</u>	<u>(10,395)</u>	<u>(702,397)</u>
<i>Non-operating revenues (expenses):</i>			
Environmental taxes	987	-	987
Interest expense	(48,569)	-	(48,569)
Bond issuance cost	(188)	-	(188)
Miscellaneous	71,455	-	71,455
<i>Total non-operating revenues (expenses)</i>	<u>23,685</u>	<u>-</u>	<u>23,685</u>
Transfers in	34,001	-	34,001
Transfers out	(34,001)	-	(34,001)
<i>Capital grants and net transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in net assets</i>	<u>(668,317)</u>	<u>(10,395)</u>	<u>(678,712)</u>
<i>Net assets, beginning of year</i>	<u>3,269,847</u>	<u>74,911</u>	<u>3,344,758</u>
<i>Net assets, end of year</i>	<u>\$ 2,601,530</u>	<u>\$ 64,516</u>	<u>\$ 2,666,046</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Springer
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

Exhibit D-3

	Joint Utilities Fund	Other Proprietary Funds	Total
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 1,135,269	\$ 5,889	\$ 1,141,158
Cash payments to employees for services	(220,504)	(12,463)	(232,967)
Cash payments to suppliers for goods and services	(984,742)	8,818	(975,924)
	<u>(69,977)</u>	<u>2,244</u>	<u>(67,733)</u>
<i>Net cash provided (used) by operating activities</i>			
<i>Cash flows from noncapital financing activities:</i>			
Principal payments on bonds payable	(13,000)	-	(13,000)
Change in accrued interest payable	(945)	-	(945)
Miscellaneous income	71,455	-	71,455
	<u>8,941</u>	<u>-</u>	<u>8,941</u>
	<i>Net cash provided (used) by noncapital financing activities:</i>		
	(60,049)	2,244	(57,805)
<i>Net increase (decrease) in cash and cash equivalents</i>			
<i>Cash and cash equivalents - beginning of year</i>	<u>284,497</u>	<u>3,270</u>	<u>287,767</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 224,448</u>	<u>\$ 5,514</u>	<u>\$ 229,962</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ (692,002)	\$ (10,395)	\$ (702,397)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	761,521	-	761,521
Changes in assets and liabilities:			
Due to (from) other funds	(114,934)	12,814	(102,120)
Accounts receivable	(42,151)	-	(42,151)
Inventories	12,863	-	12,863
Accounts payable	8,394	(94)	8,300
Current accrued compensated absences	(2,973)	-	(2,973)
Accrued payroll	(695)	(81)	(776)
	<u>(69,977)</u>	<u>2,244</u>	<u>(67,733)</u>
<i>Net cash provided (used) by operating activities</i>	<u>\$ (69,977)</u>	<u>\$ 2,244</u>	<u>\$ (67,733)</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
Town of Springer
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2009

Exhibit E-1

<i>Assets</i>	
Cash	<u>\$ 10,060</u>
<i>Total assets</i>	<u><u>\$ 10,060</u></u>
<i>Liabilities</i>	
Due to other entities	<u>\$ 10,060</u>
<i>Total liabilities</i>	<u><u>\$ 10,060</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies

The Town of Springer (Town) is incorporated as a municipality in the State of New Mexico. The Town operates under an elected Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, water supply, airport operations, general government administrative services and public housing and improvements.

This summary of significant accounting policies of the Town is presented to assist in the understanding of the Town's financial statements. The financial statements and notes are the representation of the Town's management who is responsible for their integrity and objectivity. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their government-wide financial statements and proprietary funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance. The more significant of the government's accounting policies are described below.

A. *Financial Reporting Entity*

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No.'s 14 and 39.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Town of Springer and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town of Springer and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the following is a brief review of the potential component unit addressed in defining the government's reporting entity. The Town has one discretely presented component unit, the Town of Springer Housing Authority. This component unit has separate elected and/or appointed boards and provides services to residents, generally within the geographic boundaries of the government. The Agency will be reported as a proprietary type discretely presented component unit.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

A. *Financial Reporting Entity (continued)*

The Housing Authority was audited by another auditor, and has issues separately audited financial statements. Additional information regarding the Housing Authority may be obtained directly from their administrative office as follows: The Springer Housing Authority at 601 El Paso Ave, #A, Springer, NM 87747.

B. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. *Measurement focus, basis of accounting, and financial statement presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

C Measurement focus, basis of accounting, and financial statement presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met subject to the availability criterion.

Governmental funds are used to account for the Town's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and the servicing of general long-term debt.

Under the requirements of GASB No. 34, the Town is required to present certain of its governmental funds as major based upon specific criteria.

The Town reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Legislative Appropriation Water Capital Projects Fund* is to account for state appropriations used for water system improvements.

The *Airport Improvements Capital Projects Fund* is to account for the rehabilitation to the Town Airport for restriping and resurfacing.

The Town reports the following major proprietary funds:

The *Joint Utilities Fund* accounts for the Town's water, sewer, solid waste, and electric services and all activities necessary to provide such services are accounted for in this fund.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

C Measurement focus, basis of accounting, and financial statement presentation (continued)

The Town reports the following fiduciary funds:

The *Municipal Court Escrow Fund* records all the revenues and expenses for the court fines and costs that the Town takes in.

The *Economic Development Fund* accounts for the monies that the town receives as a pass-through entity for the Economic Development Corporation.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Town's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of Town services, facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources are to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Fund Equity

Deposits and Investments: The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Receivables and Payables: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

D. *Assets, Liabilities and Net Assets or Fund Equity (continued)*

market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded as revenue when levied, net of estimated refunds and uncollectable amounts.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after May 10th are considered delinquent. The taxes attach as an enforceable lien on property as of January 1st.

Inventories and Prepaid Items: Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Town was a Phase III government for the purpose of implementing GASB 34 and therefore did not have to capitalize its infrastructure retroactively to 1979. However, effective July 1, 2003 the Town was required to capitalize and depreciate its infrastructure prospectively. Information Technology Equipment including software is being capitalized and included in equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

D. *Assets, Liabilities and Net Assets or Fund Equity (continued)*

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	39
Improvements other than buildings	39
Public domain infrastructure	30
Equipment	7
Vehicles	7

Accrued Expenses: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2009, along with applicable PERA and Retiree Health Care.

Deferred Revenues: Accounting principles generally accepted in the United States of America require that grant revenue (voluntary nonexchange transactions) be recognized as revenue in the government-wide financial statements when all eligibility requirements have been met and recognized as revenue in the governmental fund financial statements based on the same factors subject to the availability criterion. Amounts received from reimbursement basis grants are recorded as deferred revenue in the governmental fund financial statements when received more than 60 days after year end.

Compensated Absences: Town employees are entitled to certain compensated absences based on their employment classification and length of employment. With minor exceptions, the Town allows 40 hour week employees to accumulate unused sick leave to a maximum of 1,000 hours. Earned vacation, up to the amount the employees accrue each year, is allowed to be carried over from one calendar year to the next up to 240 hours. Upon termination, employees shall receive payment for unused, accrued vacation up to 240 hours. Employees with service to the Town will also be paid for 60 hours of sick pay at half the hourly rate. Applicable accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is reported in the governmental funds only if it is current, for example, as a result of employee resignation or retirement prior to the end of the fiscal year.

Long-term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds Payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums, discounts as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Fund Equity: In the fund financial statements, governmental funds report reservation of fund balances that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt:

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

D. *Assets, Liabilities and Net Assets or Fund Equity (continued)*

Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted Net Assets:

Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted Net Assets:

All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

The Town Charter establishes the Town’s fiscal year as the twelve-month period beginning July 1 and ending June 30. Prior to June 1 the Budget Director submits to management a proposed operating budget of estimated revenues, expenditures, and transfers for the ensuing fiscal year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Fund and Enterprise Funds. Management subsequently submits the budget (1) to the New Mexico Department of Finance and Administration for review and approval; and (2) to the Town Council for review and enactment of a resolution legally adopting the budget. Once approved, the Town Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Additionally, the New Mexico Department of Finance and Administration must approve any amendments to the budget.

Each fund’s appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by department and general ledger account. Expenditures are budgeted by department and general ledger account. Expenditures may not exceed appropriations at the fund level. All budget revisions at this level are subject to final review and approval by the Town Trustees and the Department of Finance and Administration. Revisions to the budget were made throughout the year. These budgets are prepared on a non-GAAP cash budgetary basis.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures. These amendments resulted in the following changes:

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 2. Stewardship, Compliance and Accountability (continued)

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
	Budgeted Funds:	
General Fund	\$ 22,649	\$ 49,608
Legislative Appropriations- Water Capital Projects Fund	-	-
Airport Improvements Capital Projects Fund	-	-
	-	-
Nonmajor Funds	\$ (89,774)	\$ (91,224)

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2009 is presented. Reconciliations between the budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

NOTE 3. Deposits and Investments

Section 6-10-10, NMSA 1978 authorizes municipalities to deposit money in banks, savings and loan associations or credit unions located in their respective counties. Treasurers of smaller municipalities, with the advice and consent of their respective boards of finance, may invest in:

- Bonds or negotiable securities of the United States, the state or a county, municipality or school district that meets specified requirements; or
- Securities issued by the United States government or by its agencies or instrumentalities and that are direct obligations of the United States, the federal home loan mortgage association, the federal national mortgage association, the federal farm credit bank, federal home loan banks or the student loan marketing association or that are backed by the full faith of the United States government.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. New Mexico State Statutes require collateral pledged for at least 50% of deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Town. At June 30, 2009, \$427,695 of the Town’s bank balance of \$735,980 was exposed to custodial credit risk. \$365,108 was collateralized with collateral held by the pledging bank’s trust department, not in the Town’s name. \$62,587 was uninsured and uncollateralized deposits at year end June 30, 2009.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 3. Deposits and Investments (continued)

	<u>Wells Fargo</u>	<u>International Bank</u>	<u>Total Deposits</u>
Amount of deposits	\$ 677,695	\$ 58,285	\$ 735,980
FDIC coverage	<u>250,000</u>	<u>58,285</u>	<u>308,285</u>
Total uninsured public funds	<u>427,695</u>	<u>-</u>	<u>427,695</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Town's name	<u>365,108</u>	<u>-</u>	<u>365,108</u>
Uninsured and uncollateralized	<u>\$ 62,587</u>	<u>\$ -</u>	<u>\$ 62,587</u>
Collateral requirement (50%)	\$ 213,848	\$ -	\$ 213,848
Pledged securities	<u>365,108</u>	<u>-</u>	<u>365,108</u>
Over (under) collateralized	<u>\$ 151,261</u>	<u>\$ -</u>	<u>\$ 151,261</u>

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, city or political subdivision of the State of New Mexico.

Reconciliation to the Statement of Net Assets

The carrying amounts of deposits shown above are included in the Town's statement of net assets as follows:

Primary Government

Reconciliation to Statement of Net Assets

Cash and cash equivalents per Exhibit A-1	\$ 468,390
Cash and cash equivalents per Exhibit E-1	10,060
Add: Unreconciled difference	<u>172,284</u>
Total cash and cash equivalents	<u>650,734</u>
Plus: Reconciling items	85,246
Less: petty cash	<u>-</u>
Bank balance of deposits	<u>\$ 735,980</u>

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 4. Receivables

Receivables as of June 30, 2009 are as follows:

Primary Government:

	General Fund	Nonmajor Funds	Total Governmental
Governmental Activities:			
Receivables:			
Property taxes	\$ 24,225	\$ -	\$ 24,225
Other taxes:			
Gross receipts taxes	42,207	40	42,247
Gasoline and oil taxes	652	651	1,303
Intergovernmental grants:			
State	-	39,207	39,207
Miscellaneous	-	211	211
Total receivables	<u>\$ 67,084</u>	<u>\$ 40,109</u>	<u>\$ 107,193</u>

Business-type Activities:

	Joint Utilities Fund	Total	Housing Authority
Customer receivables	\$ 289,322	\$ 289,322	\$ 2,322
Other receivables:			
Gross receipts taxes	987	987	-
Interest	-	-	1,282
Total gross receivables	290,309	290,309	3,604
Less: allowance for doubtful accounts	34,574	34,574	696
Total net receivables	<u>\$ 255,735</u>	<u>\$ 255,735</u>	<u>\$ 2,908</u>

NOTE 5. Interfund Receivables, Payables, and Transfers

The Town recorded interfund transfers to reflect transfers of cash in accordance with the budget. The composition of interfund transfers during the year ended June 30, 2009 is as follows:

Due from other funds	Amount	Due to other funds	Amount
General Fund	\$ 102,070	General Fund	\$ 376,304
Corrections Fund	18,395	EMS Fund	67,133
Fire Protection Fund	93,525	Fire Protection	38,928
Law Enforcement Protection Fund	24,521	LEPF	6,173
Lodger's Tax Fund	10,237	Library	21,054
RUS Water Improvements Fund	25,590	Lodger's Tax	2,368
Joint Utilities Fund	356,734	Streets	40,360
Total	<u>\$ 631,072</u>	Juvenile Recreation Fund	61,514
		CDBG Sewer System Improvements	1,160
		Rehab of Dams 1 and 2	15,417
		Legislative Appropriation Water	152,063
		Scenic Byways Fund	2,431
		Airport Improvements	1,345
		Joint Utilities Fund	75
		Museum	23,827
		Total	<u>\$ 810,152</u>

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 5. Interfund Receivables, Payables, and Transfers (continued)

The Town recorded interfund receivable/payable to reflect temporary loans between funds. The purpose of the loans was to cover cash shortages until grant reimbursements could be obtained. The Town's due to/due from's do not balance in the amount of \$179,080 for the year ended June 30, 2009.

All interfund receivables/payables are expected to repaid within one year.

The Town was unable to provide us with a listing of transfers for the year ended June 30, 2009. However, the Transfer that was posted was for \$34,001 which was an internal transfer in the Joint Utilities Fund.

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2009 follows. Land and construction in progress are not subject to depreciation.

Governmental Activities

Primary Government	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets, not depreciated:				
Land	\$ 51,133	\$ 17,396	\$ -	\$ 68,529
Construction in progress	24,212	-	-	24,212
Total capital assets, not depreciated	<u>75,345</u>	<u>17,396</u>	<u>-</u>	<u>92,741</u>
Capital assets, depreciated:				
Buildings and improvements	1,431,800	26,350	-	1,458,150
Vehicles	544,482	-	19,454	525,028
Equipment	585,452	-	-	585,452
Infrastructure	51,222	188,856	-	240,078
Total capital assets, depreciated	<u>2,612,956</u>	<u>215,206</u>	<u>19,454</u>	<u>2,808,708</u>
Total capital assets	<u>2,688,301</u>	<u>232,602</u>	<u>19,454</u>	<u>2,901,449</u>
Less accumulated depreciation:				
Buildings and improvements	183,424	37,388	-	220,812
Vehicles	366,667	75,004	-	441,671
Equipment	425,090	117,090	19,454	522,726
Infrastructure	8,535	8,003	-	16,538
Total accumulated depreciation	<u>983,716</u>	<u>237,485</u>	<u>19,454</u>	<u>1,201,747</u>
Total capital assets, net of depreciation	<u>\$ 1,704,585</u>	<u>\$ (4,883)</u>	<u>\$ -</u>	<u>\$ 1,699,702</u>

For the year ended June 30, 2009, depreciation expense of \$ 237,485 was charged to the function of general government.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 6. Capital Assets (continued)

Business-type Activities

Proprietary Funds	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets, not depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	167,500	-	-	167,500
Total capital assets, not depreciated	167,500	-	-	167,500
Capital assets, depreciated:				
Buildings and improvements	279,978	-	-	279,978
Vehicles	28,148	-	-	28,148
Equipment	2,792,546	-	-	2,792,546
Infrastructure	3,371,383	-	-	3,371,383
Total capital assets, depreciated	6,472,055	-	-	6,472,055
Total capital assets	6,639,555	-	-	6,639,555
Less accumulated depreciation:				
Buildings and improvements	97,380	66,860	-	164,240
Vehicles	20,419	4,020	-	24,439
Equipment	2,477,034	572,512	-	3,049,546
Infrastructure	347,627	118,129	-	465,756
Total accumulated depreciation	2,942,460	761,521	-	3,703,981
Total capital assets, net of depreciation	\$ 3,697,095	\$ (761,521)	\$ -	\$ 2,935,574

For the year ended June 30, 2009, depreciation expense of \$761,521 was charged to the fund Joint Utilities.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 7. Long-term Debt

The following is a schedule of changes in long-term debt:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Due Within One Year
Governmental Activities:					
NMFA Loans	\$ 32,955	\$ -	\$ 12,449	\$ 20,506	\$ 13,179
Compensated Absences	11,414	2,569	1,654	12,329	1,654
Total long-term debt	<u>\$ 44,369</u>	<u>\$ 2,569</u>	<u>\$ 14,103</u>	<u>\$ 32,835</u>	<u>\$ 14,833</u>

Business- Type Activities:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Due Within One Year
USDA Revenue Bonds	\$ 1,059,801	\$ -	\$ 13,000	\$ 1,046,801	\$ 13,855
Compensated Absences	15,763	-	7,821	7,942	7,942
Total long-term debt	<u>\$ 1,075,564</u>	<u>\$ -</u>	<u>\$ 20,821</u>	<u>\$ 1,054,743</u>	<u>\$ 21,797</u>

The General Fund usually pays the compensated absences liability.

Revenue Bonds (USDA)

Bonds outstanding at June 30, 2009 consisted of the following bonds:

1997A Joint Electric, Water and Sewer 92-11– 1/01/03 issue
Original issue \$339,800
Interest due January 1
Principal due January 1
Maturity Date January 1, 2037
Interest rate 5%

2003 Joint Electric, Water and Sewer #15– 1/01/03 issue
Original issue \$612,500
Interest due September 1
Principal due September 1
Maturity Date September 18, 2043
Interest rate 4.75%

2007 Joint Electric, Water and Sewer #17– 1/01/07 issue
Original issue \$167,500
Interest due May 1
Principal due May 1
Maturity Date May 7, 2047
Interest rate 4.125%

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the Revenue Bonds Payable as of June 30, 2009, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2010	\$ 13,855	\$ 49,555	\$ 63,410
2011	13,932	48,829	62,761
2012	14,012	48,199	62,211
2013	16,095	47,566	63,661
2014	16,181	46,780	62,961
2015-2019	91,332	198,322	289,654
2020-2024	118,094	197,510	315,604
2025-2029	147,474	166,629	314,103
2030-2034	186,611	128,041	314,652
2035-2039	212,476	79,386	291,862
2040-2044	193,376	33,929	227,305
2045-2049	23,363	1,995	25,358
	<u>\$ 1,046,801</u>	<u>\$ 1,046,741</u>	<u>\$ 2,093,542</u>

NMFA Loans

The Town has entered into several loan agreements with the New Mexico Finance Authority. This revenue is subject to intercept agreements. NMFA loans are as follows:

NMFA Loan:

Description	Date of Issue	Interest Rate	Original Amount of Issue	Balance June 30, 2009
NMFA Loan	1/1/2007	3.00%	21,000	\$ 6,066
NMFA Loan	1/12/2007	2.99%	17,500	<u>14,440</u>
Total NMFA Loans				<u>\$ 20,506</u>

The annual requirements to amortize the Loans as of June 30, 2009, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2010	\$ 13,179	\$ 564	\$ 13,743
2011	<u>7,327</u>	<u>202</u>	<u>7,529</u>
	<u>\$ 20,506</u>	<u>\$ 766</u>	<u>\$ 21,272</u>

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 8. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has obtained health insurance through the New Mexico Insurance Fund. The Town of Springer has obtained health insurance, general liability, auto, crime, buildings and contents, equipment, law enforcement officers, and public official's liability, workers compensation through New Mexico Self Insurers Fund. The fire and EMS accident insurance is provided by Volunteer Fire Insurance Services.

The New Mexico Self Insurance Fund (the Fund) determines annually how to charge participating New Mexico municipalities for employee health care coverage. All participating municipalities pay the same cost per employee each year, as determined by the Fund. The municipalities retain no risk of having to pay extra for an employee's claim. Therefore, the Town's health insurance settlements did not exceed the insurance coverage in any of the previous years. Also, there were no significant reductions in employee health coverage provided by the Fund in the fiscal year ended June 30, 2009, compared to the previous year.

NOTE 9. PERA Pension Plan

Plan Description: Substantially all of the Town of Springer'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 Employee 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 for the plan. That report may be obtained by writing to PERA, at P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy: Plan members are required to contribute the following percentages of their gross salary: 17% for law enforcement employees; and 18.3% for municipal employees. The Town was required to contribute the following percentages of the gross covered salary: 10% for law enforcement plan members; and 9.15% for municipal plan members. The contribution requirements of plan members and the Town of Springer are established in State Statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Town of Springer's contributions to PERA for the years ending June 30 2009, 2008 and 2007 were approximately \$33,598, \$36,015 and \$36,078, respectively, which did not equal the amount of the required contributions for all years. See finding for PERA.

NOTE 10. Post Employment Benefits

Plan Description. The Town of Springer contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 10. Post Employment Benefits (continued)

retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

For the fiscal years ended June 30, 2009, 2008, and 2007, Town of Springer remitted \$4,194, \$5,051 and \$7,672 respectively, to the Retiree Health Care Authority.

NOTE 11. Contingencies

The Town of Springer participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Town of Springer may be required to reimburse the grantor government. As of June 30, 2009, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Town of Springer.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 12. Deficit Fund Balances and Excess of Expenditures Over Appropriations

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Excess of expenditures over appropriations. To address this noncompliance issue the Town plans to correct their budgeting process and utilize budget adjustments to avoid having expenditures in excess of appropriations.

Fund	Amount
General Fund	\$ (18,394)
EMS Special Revenue Fund	(2,436)
Fire Protection Special Revenue Fund	(4,090)
Law Enforcement Special Revenue Fund	(14,145)
Lodger's Tax Special Revenue Fund	(775)
Juvenile Recreation Special Revenue Fund	(3,046)
Co-op Grant Capital Projects Fund	(5,391)

- B. Deficit fund balances of individual funds.

Fund	Amount
General Fund	\$ (140,652)
Legislative Appropriation Water Capital Projects Fund	(145,272)
Airport Improvements Capital Projects Fund	(57,655)
EMS Special Revenue Fund	(69,038)
Library Special Revenue Fund	(19,813)
Streets Special Revenue Fund	(39,709)
Juvenile Recreation Special Revenue Fund	(61,134)
CDBG Sewer System Improvements Capital Projects Fund	(1,160)
Rehab of Dams 1 and 2 Capital Projects Fund	(13,800)
Scenic Byways Capital Projects Fund	(2,431)

NOTE 13. Restricted Net Assets

The government wide statement of net assets did not report any restricted net assets at year end, however did reports (\$288,220) of unrestricted net assets for the year end June 30, 2009.

NOTE 14. Non-Compliance with Debt Covenant

The Town has not set up debt-related reserve accounts as required by the debt covenant. Also, the Town is required to follow the audit requirements stipulated by United States Department of Agriculture Rural Utilities Services RUS Bulletin 1780-30 when maintaining an outstanding Rural Development loan balance of \$1,000,000 or more. Those requirements stipulate that as a condition of receiving Federal awards, non-Federal entities agree to comply with applicable laws, regulations, and the provisions of contract and grant agreements, and to maintain internal control to provide reasonable assurance of compliance with these requirements. Also, The Water and Waste Loan and Grant Program Compliance Supplement reporting requirements states that the Town must submit annual audited financials within 150 days of the entity's fiscal year end or Form RD 442- 2 Statement of Budget, Income, and Equity and Form RD 442-3 Balance Sheet. As of the date of the report, these three requirements have not been met. To address these issues of noncompliance, the Town plans to establish "reserve accounts" for specific bond accounts and fund them with one-tenth of one year's payment.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 15. Utility Revenues Pledged

The Town of Springer has pledged future revenues from the joint electric, water and sewer system, net of specified operating expenses, to repay \$299,800 in Joint Electric, Water and Sewer System Revenue Bonds, Series 1997A Bonds, issued in 1998. The bonds are payable solely from utility customer net revenues and are payable through January 2038. The pledged revenues for the fiscal year immediately preceding the date of issuance of the Series 1997A bonds had to be sufficient to pay 120% of the combined average annual principal and interest requirements of the outstanding prior lien bonds (Series 1970 and Series 1981 Bonds), the outstanding parity bonds (Series 1988 Bonds, Series 1996A Bonds, and Series 1996B Bonds), and other parity obligations (Series 1997A Bonds) of the Town, payable from and constituting a lien upon the pledged revenues and the Parity Bonds or other parity obligations proposed to be issued (excluding any reserves thereof). During the fiscal year ended June 30, 2007, all of these old bonds were paid off with proceeds from the sale of the Town's gas utilities, except for the Series 1997A Bonds. Regarding the Series 1997A bonds, the total principal and interest remaining to be paid on the bonds is \$573,660.

The Town of Springer has pledged future revenues from the joint electric, water and sewer system, net of specified operating expenses, to repay \$583,500 in Joint Electric, Water and Sewer System Revenue Bonds, Series 2003 Bonds, issued in September 2003. The bonds are payable solely from utility customer net revenues and are payable through 2043. The pledged revenues for the fiscal year immediately preceding the date of issuance of the Series 2003 bonds had to be sufficient to pay 120% of the combined average annual principal and interest requirements of all the outstanding prior bonds (listed in the preceding paragraph) plus the proposed Series 2003 Bonds. As disclosed in the previous paragraph, all of the old bonds were paid off during the fiscal year ended June 30, 2006 except for the Series 1996B Bonds, the Series 1997A Bonds, and the Series 2003 Bonds. Regarding the Series 2003 Bonds, the total principal and interest remaining to be paid on the bonds is \$1,192,800.

Also, the Town of Springer has pledged future revenues from the joint electric, water and sewer system, net of specified operating expenses, to repay \$163,501 in Joint Electric, Water and Sewer System Revenue Bonds, Series 2007 Bonds, issued in January 2007. The bonds are payable solely from utility customer net revenues and are payable through 2043. The pledged revenues for the fiscal year immediately preceding the date of issuance of the Series 2007 bonds had to be sufficient to pay 120% of the combined average annual principal and interest requirements of all the outstanding prior bonds (listed in the preceding paragraph) plus the proposed Series 2007 Bonds. Regarding the Series 2007 Bonds, the total principal and interest remaining to be paid on the bonds is \$327,082.

NOTE 16. SUBSEQUENT PRONOUNCEMENTS

In July 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which is effective for periods beginning after June 15, 2009. For governments that were classified as phase 1 or phase 2 governments, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated. Retroactive reporting of these intangible assets by phase 3 governments is encouraged but not required. Retroactive reporting is not required but is permitted for intangible assets considered to have indefinite useful lives as of the effective date of this Statement and those considered to be internally generated. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The Town is analyzing the effect that this standard will have on the financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2009

NOTE 16. SUBSEQUENT PRONOUNCEMENTS (continued)

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for financial statements for periods beginning after June 15, 2010 with earlier implementation encouraged. GASB Statement No. 54 distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purpose for which specific amounts can be spent. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The Town is analyzing the effect that this standard will have on the financial statements.

NOTE 17. LEGISLATIVE GRANTS

The Town of Springer received six capital outlay appropriations from the State Legislature during fiscal year 2008. The conditions of these appropriations were subject to reversion if not spent by June 30, 2012. Also, due to the economic climate of the State of New Mexico, \$87,704 of these grants were reverted back to the State during the current fiscal year 2009. The capital outlay appropriations are as follows:

Project	Expiration Date	Grant Amount	Expenditures To Date	Funds Reverted	Remaining Grant Balance
Severance Tax Bond Projects					
Roll-off truck	6/30/2012	125,000	85,871	39,129	-
Water system improvements	6/30/2012	300,000	-	-	300,000
State General Fund Capital Projects					
Renovation of community center	6/30/2012	15,000	14,527	473	-
Springer little league baseball field	6/30/2012	15,000	6,900	8,100	-
Veterans' Memorial	6/30/2012	10,000	9,998	2	-
Water Tender	6/30/2012	40,000	-	40,000	-

The Town recognizes the expenditures and related revenues for the capital outlay projects on a reimbursement basis in accordance with GASB 33. Therefore, the remaining grant balance does not appear in the Town's financials statements.

SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO

Town of Springer

June 30, 2009

SPECIAL REVENUE FUNDS

Corrections Fund – To account for the provisions of a local correction fee collected with local fines. (Authority: NMSA 35-14-11)

Emergency Medical Services (EMS) Fund – To account for the operations of emergency services. Financing is provided from the State, pursuant to the Emergency Medical Services Act. (Authority: NMSA 24-10A-1). The Town also bills for EMS services. Funds are used solely to operate EMS services

Fire Protection Fund – To account for the operations and maintenance of the Fire Department, financed by a specific allotment from the State Fire Marshall's Office (Authority: NMSA 59A-53-1)

Law Enforcement Protection Fund (LEPF) – To account for the receipts and expenditures of a Special State grant for the police department. The grant may be used only for the operations of the police department.

Library Fund – To account for the operations and maintenance of the Town's library. Financing is provided by an intergovernmental grant. (Authority: NMSA 3-18-14)

Lodger's Tax Fund– To account for the operations of a special fund to promote tourist operations in the Town. Financing is provided by a special Lodger's tax charged on all transient lodging in the Town. (Authority: NMSA 3-38-13)

Streets Fund – To account for the receipts and expenditures of cooperative grant agreement projects to include the Town of Springer's match of 15%.

Juvenile Recreation Fund– To account for the operation and maintenance of recreational facilities in the Town. Financing is provided by a specific annual cigarette tax levy. (Authority: NMSA 7-12-15)

Fire Discretionary Fund – To account for the expenditures of the Fire Department that were not covered under the Fire Protection Act. This is Board designated; funded by transfer from Town of Springer General Fund.

CAPITAL PROJECTS FUNDS

CDBG Sewer System Improvements Fund – To account for a federal grant for sewer system improvements.

RUS – Water Improvements Fund – To account for federal grants and bond proceeds used for water system improvements.

Rehab of Dams 1 and 2 Fund – To account for state appropriations used to rehab dams.

Co-op Grant Fund - To account for state appropriations received from the State Co-op grant.

Sewer Lagoon Fund – To account for the revenues and expenditures of the waste/wastewater sewer lagoon project.

Scenic Byways – To account for the revenues and expenditures related to the scenic byway project.

STATE OF NEW MEXICO
Town of Springer
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2009

	Special Revenue			
	Corrections	EMS	Fire Protection	LEPF
<i>Assets</i>				
Cash and cash equivalents	\$ 24,768	\$ -	\$ -	\$ -
Receivables:				
Property taxes	-	-	-	-
Gross receipts taxes	-	-	-	-
Gasoline and oil taxes	-	-	-	-
Intergovernmental	-	-	-	-
Other receivables	-	211	-	-
Due from other funds	18,395	-	93,525	24,521
	<u>\$ 43,163</u>	<u>\$ 211</u>	<u>\$ 93,525</u>	<u>\$ 24,521</u>
<i>Total assets</i>				
	<u>\$ 43,163</u>	<u>\$ 211</u>	<u>\$ 93,525</u>	<u>\$ 24,521</u>
<i>Liabilities and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 947	\$ 228	\$ -
Accrued payroll expenses	-	1,169	744	-
Due to other funds	-	67,133	38,928	6,173
	<u>-</u>	<u>69,249</u>	<u>39,900</u>	<u>6,173</u>
<i>Total liabilities</i>				
	<u>-</u>	<u>69,249</u>	<u>39,900</u>	<u>6,173</u>
<i>Fund balances</i>				
Unreserved, reported in:				
Special revenue	43,163	(69,038)	53,625	18,348
Capital projects	-	-	-	-
	<u>43,163</u>	<u>(69,038)</u>	<u>53,625</u>	<u>18,348</u>
<i>Total fund balances</i>				
	<u>43,163</u>	<u>(69,038)</u>	<u>53,625</u>	<u>18,348</u>
<i>Total liabilities and fund balances</i>				
	<u>\$ 43,163</u>	<u>\$ 211</u>	<u>\$ 93,525</u>	<u>\$ 24,521</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

<u>Library</u>	<u>Lodger's Tax</u>	<u>Streets</u>	<u>Juvenile Recreation</u>	<u>Fire Discretionary</u>
\$ -	\$ -	\$ -	\$ -	\$ 10,802
-	-	-	-	-
-	-	-	40	-
-	-	651	-	-
2,526	-	-	14,364	-
-	-	-	-	-
-	10,237	-	-	-
<u>\$ 2,526</u>	<u>\$ 10,237</u>	<u>\$ 651</u>	<u>\$ 14,404</u>	<u>\$ 10,802</u>
\$ 211	\$ -	\$ -	\$ 4,279	\$ -
1,074	-	-	9,745	-
<u>21,054</u>	<u>2,368</u>	<u>40,360</u>	<u>61,514</u>	<u>-</u>
<u>22,339</u>	<u>2,368</u>	<u>40,360</u>	<u>75,538</u>	<u>-</u>
(19,813)	7,869	(39,709)	(61,134)	10,802
-	-	-	-	-
<u>(19,813)</u>	<u>7,869</u>	<u>(39,709)</u>	<u>(61,134)</u>	<u>10,802</u>
<u>\$ 2,526</u>	<u>\$ 10,237</u>	<u>\$ 651</u>	<u>\$ 14,404</u>	<u>\$ 10,802</u>

STATE OF NEW MEXICO
Town of Springer
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2009

	Capital Projects			
	CDBG Sewer System Improvements	RUS Water Improvements	Rehab of Dams 1 and 2	Co-op Grant
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 6,739	\$ -	\$ 37,609
Receivables:				
Property taxes	-	-	-	-
Gross receipts taxes	-	-	-	-
Gasoline and oil taxes	-	-	-	-
Intergovernmental	-	-	22,317	-
Other receivables	-	-	-	-
Due from other funds	-	25,590	-	-
	-	25,590	-	-
<i>Total assets</i>	\$ -	\$ 32,329	\$ 22,317	\$ 37,609
<i>Liabilities and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ 20,700	\$ -
Accrued payroll expenses	-	-	-	-
Due to other funds	1,160	-	15,417	-
	1,160	-	15,417	-
<i>Total liabilities</i>	1,160	-	36,117	-
<i>Fund balances</i>				
Unreserved, reported in:				
Special revenue	-	-	-	-
Capital projects	(1,160)	32,329	(13,800)	37,609
	(1,160)	32,329	(13,800)	37,609
<i>Total fund balances</i>	(1,160)	32,329	(13,800)	37,609
<i>Total liabilities and fund balances</i>	\$ -	\$ 32,329	\$ 22,317	\$ 37,609

The accompanying notes are an integral part of these financial statements

<u>Capital Projects</u>		
<u>Sewer Lagoon Fund</u>	<u>Scenic Byways</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 48,648	\$ -	\$ 128,566
-	-	-
-	-	40
-	-	651
-	-	39,207
-	-	211
-	-	172,268
<u>\$ 48,648</u>	<u>\$ -</u>	<u>\$ 340,943</u>
\$ -	\$ -	\$ 26,365
-	-	12,732
-	2,431	256,538
-	2,431	295,635
-	-	(55,887)
48,648	(2,431)	101,195
48,648	(2,431)	45,308
<u>\$ 48,648</u>	<u>\$ -</u>	<u>\$ 340,943</u>

STATE OF NEW MEXICO
Town of Springer
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2009

	Special Revenue			
	Corrections	EMS	Fire Protection	LEPF
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
State operating grants	-	8,588	7,433	4,046
State capital grants	-	-	-	-
Charges for services	-	970	-	-
Licenses and fees	2,674	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	2,674	9,558	7,433	4,046
<i>Expenditures:</i>				
Current:				
Public safety	325	59,362	33,407	12,579
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	20,845	8,018
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	1,566
<i>Total expenditures</i>	325	59,362	54,252	22,163
<i>Excess (deficiency) of revenues over expenditures</i>	2,349	(49,804)	(46,819)	(18,117)
<i>Other financing sources (uses)</i>				
Transfers in/(out)	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	2,349	(49,804)	(46,819)	(18,117)
<i>Fund balances - beginning of year</i>	40,814	(19,234)	100,444	36,465
<i>Fund balances - end of year</i>	\$ 43,163	\$ (69,038)	\$ 53,625	\$ 18,348

The accompanying notes are an integral part of these financial statements

Special Revenue

<u>Library</u>	<u>Lodger's Tax</u>	<u>Streets</u>	<u>Juvenile Recreation</u>	<u>Fire Discretionary</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	6,789	-	-
-	1,257	-	-	-
3,561	-	-	15,413	-
-	-	-	-	-
875	-	-	100	-
-	-	-	1,487	-
25	-	-	-	-
<u>4,461</u>	<u>1,257</u>	<u>6,789</u>	<u>17,000</u>	<u>-</u>
-	-	-	-	-
-	-	3,481	-	-
40,006	3,625	-	31,486	-
-	-	56,013	19,968	-
-	-	-	-	-
-	-	-	-	-
<u>40,006</u>	<u>3,625</u>	<u>59,494</u>	<u>51,454</u>	<u>-</u>
<u>(35,545)</u>	<u>(2,368)</u>	<u>(52,705)</u>	<u>(34,454)</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
<u>(35,545)</u>	<u>(2,368)</u>	<u>(52,705)</u>	<u>(34,454)</u>	<u>-</u>
<u>15,732</u>	<u>10,237</u>	<u>12,996</u>	<u>(26,680)</u>	<u>10,802</u>
<u>\$ (19,813)</u>	<u>\$ 7,869</u>	<u>\$ (39,709)</u>	<u>\$ (61,134)</u>	<u>\$ 10,802</u>

STATE OF NEW MEXICO
Town of Springer
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2009

	Capital Projects			
	CDBG Sewer System Improvements	RUS Water Improvements	Rehab of Dams 1 and 2	Co-op Grant
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
State operating grants	-	-	-	-
State capital grants	-	-	1,617	43,000
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>1,617</u>	<u>43,000</u>
<i>Expenditures:</i>				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>1,617</u>	<u>43,000</u>
<i>Other financing sources (uses)</i>				
Transfers in/(out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	1,617	43,000
<i>Fund balances - beginning of year</i>	<u>(1,160)</u>	<u>32,329</u>	<u>(15,417)</u>	<u>(5,391)</u>
<i>Fund balances - end of year</i>	<u>\$ (1,160)</u>	<u>\$ 32,329</u>	<u>\$ (13,800)</u>	<u>\$ 37,609</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Projects</u>		
<u>Sewer Lagoon Project</u>	<u>Scenic Byways</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -
-	-	6,789
-	-	1,257
-	-	39,041
-	-	44,617
-	-	1,945
-	-	4,161
-	-	25
-	-	<u>97,835</u>
-	-	105,673
-	-	3,481
-	-	75,117
-	-	104,844
-	-	-
-	-	<u>1,566</u>
-	-	<u>290,681</u>
-	-	<u>(192,846)</u>
-	-	-
-	-	-
-	-	<u>(192,846)</u>
<u>48,648</u>	<u>(2,431)</u>	<u>238,154</u>
<u>\$ 48,648</u>	<u>\$ (2,431)</u>	<u>\$ 45,308</u>

STATE OF NEW MEXICO

Statement B-1

Town of Springer

Corrections Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	13,700	13,700	2,674	(11,026)
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>13,700</u>	<u>13,700</u>	<u>2,674</u>	<u>(11,026)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	1,650	1,650	325	1,325
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>1,650</u>	<u>1,650</u>	<u>325</u>	<u>1,325</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>12,050</u>	<u>12,050</u>	<u>2,349</u>	<u>(9,701)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(12,050)	(12,050)	-	12,050
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(12,050)</u>	<u>(12,050)</u>	<u>-</u>	<u>12,050</u>
<i>Net change in fund balance</i>	-	-	2,349	2,349
<i>Fund balance - beginning of year</i>	-	-	40,814	40,814
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,163</u>	<u>\$ 43,163</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ 2,349
No Adjustment				-
No Adjustment				-
Net change in fund balance (GAAP basis)				<u>\$ 2,349</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-2

Town of Springer

EMS Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary	(Unfavorable)
			Basis)	Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	10,100	10,100	8,588	(1,512)
State capital grants	-	-	-	-
Charges for services	40,000	40,000	1,894	(38,106)
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>50,100</u>	<u>50,100</u>	<u>10,482</u>	<u>(39,618)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	56,784	56,784	59,220	(2,436)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>56,784</u>	<u>56,784</u>	<u>59,220</u>	<u>(2,436)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(6,684)</u>	<u>(6,684)</u>	<u>(48,738)</u>	<u>(42,054)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(816)	(816)	-	816
Transfers in	7,500	7,500	-	(7,500)
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>6,684</u>	<u>6,684</u>	<u>-</u>	<u>(6,684)</u>
<i>Net change in fund balance</i>	-	-	(48,738)	(48,738)
<i>Fund balance - beginning of year</i>	-	-	(18,395)	(18,395)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (67,133)</u>	<u>\$ (67,133)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (48,738)
Adjustments to revenues for charges for services				(924)
Adjustments to expenditures for public safety expenditures				(142)
Net change in fund balance (GAAP basis)				<u>\$ (49,804)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-3

Town of Springer

Fire Protection Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	58,584	58,584	7,433	(51,151)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>58,584</u>	<u>58,584</u>	<u>7,433</u>	<u>(51,151)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	47,204	47,204	50,449	(3,245)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	2,500	2,500	3,345	(845)
<i>Total expenditures</i>	<u>49,704</u>	<u>49,704</u>	<u>53,794</u>	<u>(4,090)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>8,880</u>	<u>8,880</u>	<u>(46,361)</u>	<u>(55,241)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(8,880)	(8,880)	-	8,880
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(8,880)</u>	<u>(8,880)</u>	<u>-</u>	<u>8,880</u>
<i>Net change in fund balance</i>	-	-	(46,361)	(46,361)
<i>Fund balance - beginning of year</i>	-	-	100,958	100,958
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,597</u>	<u>\$ 54,597</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (46,361)
No Adjustment				-
Adjustments to expenditures for public safety expenditures				(458)
Net change in fund balance (GAAP basis)				<u>\$ (46,819)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-4

Town of Springer

Law Enforcement Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	8,018	8,018	12,064	4,046
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>8,018</u>	<u>8,018</u>	<u>12,064</u>	<u>4,046</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	3,018	3,018	14,145	(11,127)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	5,000	5,000	8,018	(3,018)
<i>Total expenditures</i>	<u>8,018</u>	<u>8,018</u>	<u>22,163</u>	<u>(14,145)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(10,099)</u>	<u>(10,099)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(10,099)	(10,099)
<i>Fund balance - beginning of year</i>	-	-	28,447	28,447
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,348</u>	<u>\$ 18,348</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (10,099)
Adjustments to revenues for taxes and state operating grants				(8,018)
No Adjustment				-
Net change in fund balance (GAAP basis)				<u>\$ (18,117)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-5

Town of Springer

Library Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	1,035	1,035
State capital grants	-	-	-	-
Charges for services	300	300	875	575
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	25	25
<i>Total revenues</i>	<u>300</u>	<u>300</u>	<u>1,935</u>	<u>1,635</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	40,944	40,944	40,198	746
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>40,944</u>	<u>40,944</u>	<u>40,198</u>	<u>746</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(40,644)</u>	<u>(40,644)</u>	<u>(38,263)</u>	<u>2,381</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	40,644	40,644	-	(40,644)
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>40,644</u>	<u>40,644</u>	<u>-</u>	<u>(40,644)</u>
<i>Net change in fund balance</i>	-	-	(38,263)	(38,263)
<i>Fund balance - beginning of year</i>	-	-	17,209	17,209
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,054)</u>	<u>\$ (21,054)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (38,263)
Adjustments to revenues for taxes and state operating grants				2,526
Adjustments to expenditures for culture and recreation expenditures				192
Net change in fund balance (GAAP basis)				<u>\$ (35,545)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-6

Town of Springer

Lodger's Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and oil	-	-	-	-
Other	3,600	3,600	1,257	(2,343)
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>3,600</u>	<u>3,600</u>	<u>1,257</u>	<u>(2,343)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	2,850	2,850	3,625	(775)
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>2,850</u>	<u>2,850</u>	<u>3,625</u>	<u>(775)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>750</u>	<u>750</u>	<u>(2,368)</u>	<u>(3,118)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(750)	(750)	-	750
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(750)</u>	<u>(750)</u>	<u>-</u>	<u>750</u>
<i>Net change in fund balance</i>	-	-	(2,368)	(2,368)
<i>Fund balance - beginning of year</i>	-	-	10,237	10,237
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,869</u>	<u>\$ 7,869</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (2,368)
No Adjustment				-
No Adjustment				-
Net change in fund balance (GAAP basis)				<u>\$ (2,368)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-7

Town of Springer

Streets Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and oil	7,800	7,800	6,138	(1,662)
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	103,000	103,000	-	(103,000)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>110,800</u>	<u>110,800</u>	<u>6,138</u>	<u>(104,662)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	10,200	10,200	15,847	(5,647)
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	132,333	132,333	48,647	83,686
<i>Total expenditures</i>	<u>142,533</u>	<u>142,533</u>	<u>64,494</u>	<u>78,039</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(31,733)</u>	<u>(31,733)</u>	<u>(58,356)</u>	<u>(26,623)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	31,733	31,733	-	(31,733)
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>31,733</u>	<u>31,733</u>	<u>-</u>	<u>(31,733)</u>
<i>Net change in fund balance</i>	-	-	(58,356)	(58,356)
<i>Fund balance - beginning of year</i>	-	-	17,996	17,996
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40,360)</u>	<u>\$ (40,360)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (58,356)
Adjustments to revenues for gasoline and oil taxes				651
Adjustments to expenditures for public works expenditures				5,000
Net change in fund balance (GAAP basis)				<u>\$ (52,705)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-8

Town of Springer

Juvenile Recreation Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	1,000	1,200	1,009	(191)
State capital grants	-	-	-	-
Charges for services	-	-	100	100
Licenses and fees	1,700	1,500	1,487	(13)
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,700</u>	<u>2,700</u>	<u>2,596</u>	<u>(104)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	36,543	36,543	39,589	(3,046)
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>36,543</u>	<u>36,543</u>	<u>39,589</u>	<u>(3,046)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(33,843)</u>	<u>(33,843)</u>	<u>(36,993)</u>	<u>(3,150)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	33,843	33,843	-	(33,843)
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>33,843</u>	<u>33,843</u>	<u>-</u>	<u>(33,843)</u>
<i>Net change in fund balance</i>	-	-	(36,993)	(36,993)
<i>Fund balance - beginning of year</i>	-	-	(24,521)	(24,521)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (61,514)</u>	<u>\$ (61,514)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (36,993)
Adjustments to revenues for state operating grants				14,404
Adjustments to expenditures for culture and recreation expenditures				(11,865)
Net change in fund balance (GAAP basis)				<u>\$ (34,454)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-9

Town of Springer

Fire Discretionary Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	4,950	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>4,950</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	3,500	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,450</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(1,450)	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(1,450)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	10,802	10,802
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,802</u>	<u>\$ 10,802</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ -
No Adjustment				-
No Adjustment				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-10

Town of Springer

CDBG Sewer System Improvements Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	(1,160)	(1,160)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,160)</u>	<u>\$ (1,160)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ -
No Adjustment				-
No Adjustment				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-11

Town of Springer

RUS Water Improvements Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	32,329	32,329
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,329</u>	<u>\$ 32,329</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ -
No Adjustment				-
No Adjustment				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-12

Town of Springer

Rehab of Dams 1 and 2 Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	(15,417)	(15,417)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,417)</u>	<u>\$ (15,417)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ -
No Adjustment				(1,617)
Adjustments to expenditures for public works expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (1,617)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-13

Town of Springer

Legislative Appropriations - Water Capital Projects Fund (Major)
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	80,000	80,000	6,900	(73,100)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>80,000</u>	<u>80,000</u>	<u>6,900</u>	<u>(73,100)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	80,000	80,000	109	79,891
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>80,000</u>	<u>80,000</u>	<u>109</u>	<u>79,891</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>6,791</u>	<u>6,791</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	6,791	6,791
<i>Fund balance - beginning of year</i>	-	-	(152,063)	(152,063)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (145,272)</u>	<u>\$ (145,272)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ 6,791
No Adjustment				-
No Adjustment				-
Net change in fund balance (GAAP basis)				<u>\$ 6,791</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Springer
CO-OP Grant Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2009

Statement B-14

	Budgeted Amounts		Actual (Non-GAAP Budgetary Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	43,000	43,000
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	43,000	43,000
<i>Expenditures:</i>				
Current:				
General government	-	-	5,391	(5,391)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	-	-	5,391	(5,391)
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	37,609	37,609
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	37,609	37,609
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 37,609	\$ 37,609
Net change in fund balance (Non-GAAP budgetary basis)				\$ 37,609
No Adjustment				-
Adjustments to expenditures for general government expenditures				5,391
Net change in fund balance (GAAP basis)				\$ 43,000

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-15

Town of Springer

Sewer Lagoon Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	17,258	17,258	-	(17,258)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>17,258</u>	<u>17,258</u>	<u>-</u>	<u>(17,258)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	17,258	17,258	-	17,258
<i>Total expenditures</i>	<u>17,258</u>	<u>17,258</u>	<u>-</u>	<u>17,258</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	48,648	48,648
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,648</u>	<u>\$ 48,648</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ -
No Adjustment				-
No Adjustment				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-16

Town of Springer

Scenic Byways Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	(2,431)	(2,431)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,431)</u>	<u>\$ (2,431)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ -
No Adjustment				-
No Adjustment				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-17

Town of Springer

Airport Improvements Capital Projects Fund (Major)
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	119,925	119,925	52,457	(67,468)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>119,925</u>	<u>119,925</u>	<u>52,457</u>	<u>(67,468)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	119,925	119,925	53,802	66,123
<i>Total expenditures</i>	<u>119,925</u>	<u>119,925</u>	<u>53,802</u>	<u>66,123</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(1,345)</u>	<u>(1,345)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(1,345)</u>	<u>(1,345)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,345)</u>	<u>\$ (1,345)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (1,345)
No Adjustment				-
Adjustments to expenditures for capital outlay expenditures				<u>(56,310)</u>
Net change in fund balance (GAAP basis)				<u>\$ (57,655)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-1

Town of Springer

Statement of Revenues, Expenses and Changes in Net Assets
 Budget (GAAP Budgetary Basis) and Actual
 Joint Utilities Proprietary Fund
 For the Year Ended June 30, 2009

Variances

	Budget Amounts		Actual	Favorable (Unfavorable)
	Original	Final	(GAAP Budgetary)	Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 1,156,770	\$ 801,400	\$ 1,177,420	\$ 376,020
<i>Total operating revenues</i>	<u>1,156,770</u>	<u>801,400</u>	<u>1,177,420</u>	<u>376,020</u>
<i>Operating expenditures:</i>				
Operating	-	-	-	-
General and administrative	858,726	710,290	804,552	(94,262)
Personnel services	212,107	449,557	198,885	250,672
Contractual services	25,000	6,000	11,342	(5,342)
Supplies	5,000	2,000	21,554	(19,554)
Maintenance and materials	32,900	2,200	18,696	(16,496)
Utilities	43,250	6,750	52,668	(45,918)
Equipment	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	48,569	(48,569)
Miscellaneous	-	-	204	(204)
<i>Total operating expenditures</i>	<u>1,176,983</u>	<u>1,176,797</u>	<u>1,156,470</u>	<u>20,327</u>
<i>Operating income (loss)</i>	<u>(20,213)</u>	<u>(375,397)</u>	<u>20,950</u>	<u>396,347</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(2,211)	(64,073)	-	64,073
Other taxes	3,700	387,470	987	(386,483)
Miscellaneous	80,400	52,000	71,455	19,455
Bond Issuance Costs	-	-	(188)	(188)
Transfers in	-	61,490	34,001	(27,489)
Transfers out	(61,676)	(61,490)	(34,001)	27,489
<i>Total other financing sources (uses)</i>	<u>20,213</u>	<u>375,397</u>	<u>72,254</u>	<u>(303,143)</u>
<i>Change in net assets</i>	-	-	93,204	93,204
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,269,847</u>	<u>3,269,847</u>
<i>Net assets- end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,363,051</u>	<u>\$ 3,363,051</u>
Change in net assets above			\$ 93,204	
Depreciation			(761,521)	
Change in net assets per Exhibit D-2			<u>\$ (668,317)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-2

Town of Springer

Statement of Revenues, Expenses and Changes in Net Assets
 Budget (GAAP Budgetary Basis) and Actual
 Cemetery Proprietary Fund
 For the Year Ended June 30, 2009

Variances

	Budget Amounts		Actual	Favorable (Unfavorable)
	Original	Final	(GAAP Budgetary)	Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 2,000	\$ 2,000	\$ 2,650	\$ 650
<i>Total operating revenues</i>	<u>2,000</u>	<u>2,000</u>	<u>2,650</u>	<u>650</u>
<i>Operating expenditures:</i>				
Operating	-	-	-	-
General and administrative	-	-	-	-
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Supplies	-	-	-	-
Maintenance and materials	1,500	1,500	406	1,094
Utilities	-	-	-	-
Equipment	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Depreciation	-	-	-	-
Gross receipts tax	-	-	-	-
Capital outlay	-	-	-	-
<i>Total operating expenditures</i>	<u>1,500</u>	<u>1,500</u>	<u>406</u>	<u>1,094</u>
<i>Operating income (loss)</i>	<u>500</u>	<u>500</u>	<u>2,244</u>	<u>1,744</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(500)	(500)	-	500
Other taxes	-	-	-	-
Miscellaneous	-	-	-	-
Bond Issuance Costs	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(500)</u>	<u>(500)</u>	<u>-</u>	<u>500</u>
<i>Change in net assets</i>	-	-	2,244	2,244
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,270</u>	<u>3,270</u>
<i>Net assets- end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,514</u>	<u>\$ 5,514</u>
Change in net assets above			\$ 2,244	
Depreciation			-	
Change in net assets per Statement D-2			<u>\$ 2,244</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-3

Town of Springer

Statement of Revenues, Expenses and Changes in Net Assets
 Budget (GAAP Budgetary Basis) and Actual
 Museum Proprietary Fund
 For the Year Ended June 30, 2009

Variances

	Budget Amounts		Actual	Favorable (Unfavorable)
	Original	Final	(GAAP Budgetary)	Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 3,500	\$ 3,500	\$ 3,239	\$ (261)
<i>Total operating revenues</i>	<u>3,500</u>	<u>3,500</u>	<u>3,239</u>	<u>(261)</u>
<i>Operating expenditures:</i>				
Operating	-	-	-	-
General and administrative	2,500	2,500	500	2,000
Personnel services	9,530	9,530	9,183	347
Contractual services	-	-	-	-
Supplies	350	350	593	(243)
Maintenance and materials	400	400	92	308
Utilities	3,500	3,500	5,510	(2,010)
Equipment	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Depreciation	-	-	-	-
Gross receipts tax	-	-	-	-
Capital outlay	-	-	-	-
<i>Total operating expenditures</i>	<u>16,280</u>	<u>16,280</u>	<u>15,878</u>	<u>402</u>
<i>Operating income (loss)</i>	<u>(12,780)</u>	<u>(12,780)</u>	<u>(12,639)</u>	<u>141</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Other taxes	-	-	-	-
Miscellaneous	-	-	-	-
Bond Issuance Costs	-	-	-	-
Transfers in	12,780	12,780	-	(12,780)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>12,780</u>	<u>12,780</u>	<u>-</u>	<u>(12,780)</u>
<i>Change in net assets</i>	-	-	(12,639)	(12,639)
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>71,641</u>	<u>71,641</u>
<i>Net assets- end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,002</u>	<u>\$ 59,002</u>
Change in net assets above			\$ (12,639)	
Depreciation			-	
Change in net assets per Statement D-2			<u>\$ (12,639)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Springer
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2009

Statement D-1

	Cemetery	Museum	Total
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 5,514	\$ -	\$ 5,514
Receivables:			
Gross receipts taxes	-	-	-
Utility receivables, net of allowance	-	-	-
Inventory	-	-	-
<i>Total current assets</i>	5,514	-	5,514
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	-	-	-
Capital assets	-	107,496	107,496
Less: accumulated depreciation	-	(24,254)	(24,254)
<i>Total noncurrent assets</i>	-	83,242	83,242
<i>Total Assets</i>	\$ 5,514	\$ 83,242	\$ 88,756
<i>Liabilities and Net Assets</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	\$ -	\$ 59	\$ 59
Accrued payroll expenses	-	354	354
Accrued compensated absences	-	-	-
Accrued interest payable	-	-	-
Due to other funds	-	23,827	23,827
Current portion of bonds payable	-	-	-
<i>Total current liabilities</i>	-	24,240	24,240
<i>Noncurrent liabilities</i>			
Bonds payable	-	-	-
<i>Total noncurrent liabilities</i>	-	-	-
<i>Total liabilities</i>	-	24,240	24,240
<i>Net Assets:</i>			
Invested in capital assets, net of related debt	-	83,242	83,242
Restricted net assets	-	-	-
Unrestricted net assets	5,514	(24,240)	(18,726)
<i>Total net assets</i>	5,514	59,002	64,516
<i>Total Liabilities and Net Assets</i>	\$ 5,514	\$ 83,242	\$ 88,756

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement D-2

Town of Springer

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Nonmajor Proprietary Funds

For the Year Ended June 30, 2009

	Cemetery	Museum	Total
<i>Operating revenues:</i>			
Charges for services	\$ 2,650	\$ 3,239	\$ 5,889
<i>Total operating revenues</i>	<u>2,650</u>	<u>3,239</u>	<u>5,889</u>
<i>Operating expenses:</i>			
General and administrative	-	500	500
Personnel services	-	9,183	9,183
Contractual services	-	-	-
Supplies and purchased power	-	593	593
Maintenance and materials	406	92	498
Utilities	-	5,510	5,510
Depreciation	-	-	-
Miscellaneous	-	-	-
<i>Total operating expenses</i>	<u>406</u>	<u>15,878</u>	<u>16,284</u>
<i>Operating income (loss)</i>	<u>2,244</u>	<u>(12,639)</u>	<u>(10,395)</u>
<i>Non-operating revenues (expenses):</i>			
Environmental taxes	-	-	-
Interest expense	-	-	-
Bond issuance cost	-	-	-
Miscellaneous	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers in	-	-	-
Transfers out	-	-	-
<i>Capital grants and net transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in net assets</i>	2,244	(12,639)	(10,395)
<i>Net assets, beginning of year</i>	<u>3,270</u>	<u>71,641</u>	<u>74,911</u>
<i>Net assets, end of year</i>	<u>\$ 5,514</u>	<u>\$ 59,002</u>	<u>\$ 64,516</u>

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
Town of Springer
Schedule of Collateral Pledged By Depository
For Public Funds
June 30, 2009

Schedule I

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2009	Location of Safekeeper
Wells Fargo Bank					
	FGIOHOHO0895	6/1/2037	3128KS7G9	\$ 176,230	Wells Fargo, San Francisco, CA
	FNCL 257004	12/1/2037	31371NNV3	<u>188,878</u>	Wells Fargo, San Francisco, CA
	Total Pledged Collateral			<u><u>\$ 365,108</u></u>	

See independent auditor's report

STATE OF NEW MEXICO
Town of Springer
Schedule of Deposits and Investments
by Depository
June 30, 2009

Schedule II
Page 1 of 2

General Government

Account	Account Type	Wells Fargo Bank	International Bank	Total
General Account	Checking	\$ 660,593	\$ -	\$ 660,593
Revenue Bond Account	Checking	14,259	-	14,259
Cemetery Memorial Fund	Checking	1,870	-	1,870
Construction Account	Checking	973	-	973
Springer CDBG	Checking	-	-	-
Payroll Account	Checking	-	20,908	20,908
Meter Deposit Account	Checking	-	36,713	36,713
Municipal Court Escrow Account	Checking	-	470	470
Municipal Court Bond Account	Checking	-	-	-
Veterans Memorial Fund	Checking	-	194	194
Total per bank		677,695	58,285	735,980
Reconciling Items		(72,109)	(13,137)	(85,246)
Reconciled balance - June 30, 2009		<u>\$ 605,586</u>	<u>\$ 45,148</u>	
Total deposits				<u>\$ 650,734</u>
Cash and cash equivalents and investments per financial statements:				
Governmental Activities - Exhibit A-1				\$ 238,428
Business-type Activities - Exhibit A-1				229,962
Agency funds - Exhibit E-1				10,060
Add: Unreconciled difference				<u>172,284</u>
Total cash and cash equivalents				<u>\$ 650,734</u>

See independent auditor's report

STATE OF NEW MEXICO
Town of Springer
Schedule of Deposits and Investments
by Depository
June 30, 2009

Component Unit-Housing Authority

Account	Account Type	Wells Fargo Bank
Public Fund- regular checking	Checking	160,625
Public Fund- Interest checking	Checking	12,835
CFP- regular checking	Checking	381
CFP- regular checking	Savings	567
CFP- regular checking	Checking	(7)
Certificate of deposit- investments	CD	38,334
Certificate of deposit- investments	CD	32,429
		245,164
Total per bank		245,164
Petty cash		100
Reconciling items		(8,120)
Reconciled balance - June 30, 2009		237,144
Cash and cash equivalents per discretely presented component unit financial statements:		
Cash and cash equivalents- Exhibit A-1		153,545
Investments- Exhibit A-1		70,764
Restricted cash and cash equivalents- Exhibit A-1		12,835
		237,144
Total cash and cash equivalents		\$ 237,144

See independent auditor's report

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STATE OF NEW MEXICO

Schedule III

Town of Springer

Schedule of Changes In Fiduciary Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2009

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
<i>Municipal Court Escrow Fund</i>				
Assets				
Cash and cash equivalents	\$ 109	\$ 15,185	\$ 14,534	\$ 760
<i>Total assets</i>	<u>\$ 109</u>	<u>\$ 15,185</u>	<u>\$ 14,534</u>	<u>\$ 760</u>
Liabilities				
Due to other entities	\$ 109	\$ 15,185	\$ 14,534	\$ 760
<i>Total liabilities</i>	<u>\$ 109</u>	<u>\$ 15,185</u>	<u>\$ 14,534</u>	<u>\$ 760</u>
<i>Economic Development Fund</i>				
Assets				
Cash and cash equivalents	\$ -	\$ 9,300	\$ -	\$ 9,300
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 9,300</u>	<u>\$ -</u>	<u>\$ 9,300</u>
Liabilities				
Due to other entities	\$ -	\$ 9,300	\$ -	\$ 9,300
<i>Total liabilities</i>	<u>\$ -</u>	<u>\$ 9,300</u>	<u>\$ -</u>	<u>\$ 9,300</u>
<i>Total Agency Funds</i>				
Assets				
Cash and cash equivalents	\$ 109	\$ 24,485	\$ 14,534	\$ 10,060
<i>Total assets</i>	<u>\$ 109</u>	<u>\$ 24,485</u>	<u>\$ 14,534</u>	<u>\$ 10,060</u>
Liabilities				
Due to other entities	\$ 109	\$ 24,485	\$ 14,534	\$ 10,060
<i>Total liabilities</i>	<u>\$ 109</u>	<u>\$ 24,485</u>	<u>\$ 14,534</u>	<u>\$ 10,060</u>

See independent auditor's report

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

**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***

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget
To the Honorable Mayor and Town Trustee's
Town of Springer
Springer, New Mexico

We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison for the general fund, and the aggregate remaining fund information of Town of Springer (Town), as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents and have issued our report thereon dated February 28, 2010. We were also engaged to audit the financial statements of each of the Town's nonmajor governmental funds, the budgetary comparisons for the proprietary funds, and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009 as listed in the table of contents. Other auditors audited the financial statements of the Town of Springer's Housing Authority, as described in our report on the Town's financial statements. Due to the Town's deficiencies in internal controls and the lack of adequate documentation, the scope of our work was not sufficient to enable us to express and we did not express opinions on these opinion units.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Springer'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 Town of Springer's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Springer'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. 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 Town of Springer's financial statements that is more than inconsequential will not be prevented or detected by the Town of Springer's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items FS 03-08, FS 06-05, FS 06-06, FS 06-07, FS 06-09, FS 09-01, FS 09-02, FS 09-03, FS 09-04, FS 09-05, FS 09-06, FS 09-08, and FS 06-02HA.

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 Town of Springer'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 items FS 03-08, FS 06-05, FS 06-06, FS 06-07, FS 06-09, FS 09-01, FS 09-02, FS 09-03, FS 09-04, FS 09-05, FS 09-06, and FS 09-08, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Springer's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 05-08, FS 05-09, FS 06-08, FS 06-11, and FS 09-07.

Town of Springer's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Town of Springer's responses and, accordingly, we express no opinion on them.

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

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
February 28, 2010



Accounting & Consulting Group, LLP
Certified Public Accountants

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

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
To the Honorable Mayor and Town Trustee's
Town of Springer
Springer, New Mexico

Compliance

We have audited the compliance of Town of Springer (Town) , with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Town of Springer's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Town of Springer 's management. Our responsibility is to express an opinion on Town of Springer's compliance based on our audit.

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

As described in item FA 09-01, in the accompanying schedule of findings and questioned costs, the Town did not comply with requirements regarding federal reporting, which is applicable to its Water and Wastewater Loan and Grant Program. Compliance with such requirements is necessary, in our opinion, for the Town to comply with the requirements applicable to that program.

Internal Control Over Compliance

The management of Town of Springer is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Town of Springer's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Towns internal control over compliance.

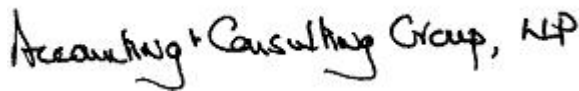
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency and a material weakness.

A *control deficiency* in Town of Springer's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects Town of Springer's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Town of Springer's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item FA 2007-11 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Town of Springer's internal control. Of the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item FA 2007-11 to be a material weakness.

The Town's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town's responses and, accordingly, we express no opinion on them.

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



Accounting & Consulting Group, LLP
Albuquerque, New Mexico
February 28, 2010

STATE OF NEW MEXICO
 Town of Springer
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2009

Schedule IV

Federal Grantor Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Water and Wastewater Loan Grant Program	10.760	\$ -
Total USDA Expenditures		<u>\$ -</u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented on the accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Loans Outstanding

The Town of Springer had the following loan balances outstanding at June 30, 2009. Loans made during the year are included in the federal expenditures presented in the schedule.

Cluster/ Program Title	Federal CFDA Number	Amount Outstanding
Water & Wastewater Loan Grant Program	10.760	<u>\$ 1,046,801</u>

3. Subrecipients

The Town did not provide any federal awards to sub-recipients during the year.

See independent auditor's report

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2009

A. SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Disclaimer |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | Yes |

Federal Awards:

- | | |
|---|-----------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditors' report issued on compliance for major programs | Qualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes |
| 4. Identification of major programs: | |

<u>CFDA</u> <u>Number</u> 10.760	<u>Federal Program</u> Water and Wastewater Loan and Grant Program
--	---

*Related to loan amount over \$1,000,000.

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 6. Auditee qualified as low-risk auditee? | No |

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT

FS 03-08 — Inadequate Capital Asset Records

Condition: The Town did not perform a physical inventory of movable chattels and equipment. The Town could not provide the auditors with a list of their capital assets at historical cost showing when each item was purchased. The Town does not have a depreciation schedule for its governmental capital assets or its proprietary funds. The Town does not know how depreciation on its capital assets was calculated in previous fiscal years. The Town does not have a system of internal controls in place to safeguard its assets or to ensure that capital assets are not misstated in the Town's financial statements.

Criteria: Section 12-6-10, NMSA 1978, requires the Town to conduct an annual physical inventory of movable chattels and equipment, certify the correctness of that inventory, and provide a copy of it to the Town's auditors.

GASB 34 requires that capital assets be reported at historical cost including ancillary charges directly attributable to asset acquisition—such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets should be reported at their estimated fair value at the time of acquisition. Capital assets includes land, improvements to land easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

Proprietary fund capital assets were required to be depreciated prior to GASB 34. With the implementation of GASB 34 in FY04 capital assets related to the Town's governmental activities must also be depreciated over their estimated useful lives unless they are inexhaustible assets, such as land and land improvements.

Section 2.20.1.8, FIXED ASSET ACCOUNTING SYSTEM, of New Mexico Administrative Code requires that:

A. Agencies should implement systematic and well-documented methods for accounting for their fixed assets. A computerized system is recommended, with appropriate controls on access and authorization of transactions.

B. The information to be recorded and maintained on its fixed assets, must include at a minimum the following:

- (1) agency name or commonly used initials used to identify the agency;
- (2) fixed asset number or fixed asset number plus component number;
- (3) a description using words meaningful for identification;
- (4) location, specifically a building and room number. If the asset is movable, the name and location of the fixed asset coordinator should be used;
- (5) manufacturer name (NOT the vendor's name, unless vendor is the manufacturer);
- (6) model number or model name;
- (7) serial number, or vehicle identification number (VIN) for vehicles in agency's use and possession. If the fixed asset has no serial number, e.g., a custom-built asset, absence should be acknowledged by coding this as "none";
- (8) estimated useful life or units expected to be produced;
- (9) date acquired (month and year);
- (10) cost (according to the valuation methods described in Section 10 [now 2.20.1.10 NMAC];
- (11) fund and organization that purchased the asset, or to which it was transferred.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 03-08 — Inadequate Capital Asset Records (continued)

C. The system must be capable of generating lists of fixed assets in sequences useful for managing them. It must track all transactions including acquisitions, depreciation (if needed), betterments and dispositions. It must generate all necessary accounting entries to the agency's general ledger.

Effect: The Town's financial statements may be materially misstated due to the Town's lack of information about its capital assets. The Town's capital assets are at risk for being misappropriated because they are not properly accounted for and inventoried each year.

Cause: The Town was unaware of how to properly account for its capital assets and does not have the appropriate software and procedures in place to capitalize and depreciate its capital assets. The Town has experienced turnover of key accounting personnel.

Auditors' Recommendations: We recommend that the Town obtain appropriate capital asset and depreciation accounting software. We recommend that the Town perform an annual physical inventory count. We recommend that the Town create the required capital asset records as described in the criteria section. If determining historical cost of some assets is not practical because of inadequate records, we recommend that estimated historical cost be used as described in GASB 34 paragraph 158 through 160. We recommend that the Town develop a current depreciation schedule for its capital assets. We recommend that the capital asset software be able to generate accurate reports that provide sufficient information to reconcile capital asset additions and deletions, current year depreciation expense and accumulated depreciation to facilitate roll forward schedules each fiscal year. We recommend that the Town contract with a consultant to obtain assistance if necessary, to accomplish this work.

Agency's Response: The Mayor has ordered physical inventories of each department due May 28, 2010 to the Clerk Treasurers office. The Clerk Treasurer will then develop a standardized inventory sheet as per Section 2.20.1.8 of the New Mexico Administrative code to be made available for next year's audit.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2009

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 05-08 – Actual Expenditures Exceed Budgeted Expenditures

Condition: The following funds had expenditures that exceeded the respective budget as of June 30, 2009:

Fund	Amount
General Fund	\$ (18,394)
EMS Special Revenue Fund	(2,436)
Fire Protection Special Revenue Fund	(4,090)
Law Enforcement Special Revenue Fund	(14,145)
Lodger's Tax Special Revenue Fund	(775)
Juvenile Recreation Special Revenue Fund	(3,046)
Co-op Grant Capital Projects Fund	(5,391)

Criteria: Section 6-6-6 of the New Mexico state statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 prohibits any payments in excess of the approved budget. Town officials and governing authorities have the obligation to follow applicable state statutes

Effect: Noncompliance with New Mexico state statutes could subject officials and employees to penalties and fines required by state statutes.

Cause: Inadequate monitoring of budget to actual on a line item basis within funds.

Auditors' Recommendation: We recommend that the Town increase monitoring of its budget to actual comparisons and use budget adjustments to avoid having expenditures exceed the budget.

Agency's Response: The Mayor & Clerk Treasurer have worked with the state Department of Finance and Administration (DFA) and corrected this deficiency. A Budget Adjustment Resolution was adopted and approved by DFA. The town will schedule quarterly Board of Finance budget workshops to monitor and prevent exceeding budget.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 05-09 — Late Filing of Audit Report

Condition: The Town did not issue its 2009 audit report by the December 1, 2009 deadline.

Criteria: The Town of Springer is required to submit their audit reports for the year ended June 30, 2009 on or before December 1, 2009 subsequent to the entities' fiscal year end in accordance with State Statute (Chapter 12, Section 6: NMSA 1978) and Section 2.2.2.9.A (1) of NMAC.

Effect: The Town could be affected by a late submission by not catching problems in a timely fashion to correct findings. The financial statements are not available for use by the Town in a timely fashion for purposes such as debt applications.

Cause: The Town was unable to submit the June 30, 2009 audit report on a timely basis because the prior year audit was late, and certain items held up the submission of the 2009 audit report.

Auditors' Recommendation: The Town must ensure that all future audit reports are filed in a timely manner. The Town should ensure this process is timely in the future through communication with the auditor and timely close out of accounting records at year end.

Agency's Response: The town will work, communicate more closely with the auditor to achieve a required timely filing and closeout.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 06-05 — Town Not Preparing Financial Statements

Condition: The financial statements and related disclosures are not being prepared by the Town. The Town does not have procedures in place to detect and correct material misstatements in the financial statements.

Criteria: According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems should be implemented and should include controls over financial statement preparation, footnote disclosure preparation, and should give the entity the ability to catch material errors that may effect the financial statements.

Effect: When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Cause: The Town personnel do not have the time to prepare the Town's financial statements, or have adequate training to understand the elements of external financial reporting including the preparation of financial statements, the preparation of the related footnote disclosures, or the ability to recognize material errors.

Auditors' Recommendation: We recommend the Town's management and personnel receive training on understanding the requirements of external financial reporting. The training should include, but not be limited to:

- Selection of appropriate accounting policies:
 - Governmental Accounting Standards Board (GASB)
 - Generally Accepted Accounting Principles (specifically as applied to governmental units)
 - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information, including Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the Town develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Agency's Response: The Town Clerk/Treasurer has been replaced with staff who understand this requirement, and have received training from equivalent to prevent this from re-occurring. In addition, the staff will be scheduled for the required training, as it becomes available.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS-06-06 — Internal Control Deficiencies – Payroll

Condition: During our walkthrough and review of the payroll transaction cycle, we noted the following deficiencies:

- The payroll clerk performs all the duties and functions that are required to process payroll with little or no supervision or review.
- Management does not review payroll reports for accuracy or irregularities.
- Tests performed on 5 randomly selected payroll disbursements totaling \$2,975 revealed that 3 payroll disbursements totaling \$510 did not have proper time sheets on file and the hours worked could not be verified.
- 5 out of the 5 randomly selected payroll disbursements did not have verification of the employees employment status or employee pay rate, or any approval by the Council.

Criteria: Segregation of duties in payroll, the existence of an appropriate pay rate schedule, a review of employee timesheets, a review of payroll reports, and proper authorization and approval for wages, as indicated in NMSA 1978 Section 6-6-3 are required to be maintained in order to have proper and sufficient internal controls to reduce the risk of fraudulent activities.

Effect: Internal controls over payroll are not monitored and maintained to prevent or detect intentional misappropriation of Town assets.

Cause: For the fiscal year 2009 management did not follow its own policies to ensure internal controls were in place and working properly.

Auditors' Recommendation: The Town should follow its internal controls over payroll that are in place and perform periodic reviews of the supporting documentation to ensure that they are operating effectively.

Agency's Response: As a result of the audit the town conducted a review of payroll back to January 2009 and corrected all identified deficiencies. DFA was informed of such deficiencies and authorized the corrections. A three-tier procedure is currently in place and a review will be conducted at quarterly Board of Finance budget workshops.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 06-07 — Deficiencies in Internal Control Structure Design, Operation, and Oversight

Condition: The Town does not have a comprehensive documented internal control structure. We noted the following areas in which the Town does not have sufficient key internal controls in place.

- Lack of segregation of duties in the receipting process.
- Lack of segregation of duties in the disbursements cycle.
- Lack of segregation of duties in the payroll cycle.
- Lack of documentation for budget adjustments.
- Lack of record retention.
- Lack of ability to show the age of delinquent accounts receivable.
- The Town did not budget for principal and interest bond payments.
- Lack of internal controls over inventory and inventory monitoring.
- Lack of internal controls over grant monitoring and compliance.

Criteria: NMAC 6.20.2.11 states:

A. Every Town shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP.

B. Each Town shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

(1) Town management must ensure that protection of the public trust is a major focus when granting the authorization to execute business of the Town.

(2) Employees handling significant amounts of cash must be adequately bonded. Access to assets is permitted only in accordance with Town authorization.

(3) Receipts, checks or warrants, purchase orders, and vouchers shall be sequentially pre-numbered.

(4) The Town shall have proper safeguards to protect unused checks and other pre-numbered forms, undeposited cash and other receipts, and facsimile signature plates.

(5) Transactions are to be recorded as necessary to permit preparation of financial statements in conformity with GAAP. In addition, Towns shall establish any other criteria applicable to such statements to maintain accountability for assets.

(6) Towns shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer generated reports.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 06-07 — Deficiencies in Internal Control Structure Design, Operation, and Oversight (continued)

C. An internal control structure is required to demonstrate the Town's ability to record, process, summarize and report financial data consistent with the following financial statement assertions:

- (1) rights and ownership;
- (2) existence and occurrence;
- (3) valuation and allocations;
- (4) completeness; and,
- (5) presentation and disclosure.

D. The internal control structure shall demonstrate that the Town identifies applicable laws and regulations, and that procedures are designed to provide reasonable assurance that the Town complies with those laws and regulations. Internal control procedures shall be established, implemented and documented through Town correspondence, manuals, training, and other additional methods. Appropriate internal control procedures shall be adopted by the local board within a Town to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all Town transactions.

[02-03-93, 11-01-97, 01-15-99; 6.20.2.11 NMAC - Rn, 6 NMAC 2.2.1.11, 05-31-01]

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Effect: Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow to properly safeguard assets. Adequate controls are not in place to safeguard assets and prevent or detect intentional or unintentional misstatements of accounting information.

Cause: For the fiscal year 2009 management did not have a documented internal control policy in place for employees to follow and for management and the board to monitor compliance with.

Auditors' Recommendation: The Town should update its documented comprehensive internal control structure and ensure that it is followed. Anytime the Town receives a new grant it should check with the grant contact person to determine whether the grant is federal or non federal funds. Management should maintain a comprehensive list of the Town's federal awards throughout the year. Revenues and expenditures of federal funds should be accounted for separately from those of non-federal funds. Management should follow and ensure that all staff follows the Town's documented internal control procedures. The body charged with governance should provide effective oversight of the internal control and financial reporting processes.

Agency's Response: The town has implemented segregation of duties in the areas of receipting, disbursements, and payroll. Budget Adjustments are now regulated through Board of Finance Resolution and approved through DFA. The Board is currently conducting budget workshops, which include budgeting for principal and interest bond payments and Grant monitoring. Inventories are being conducted and will be made available for next audit. Record retention and filing will conform to state statutes.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 06-08 — Non Compliance with Procurement Code

Condition: During our test work regarding compliance with the NM Procurement Code, we noted that the Town made purchases over \$5,000, but failed to maintain sufficient records to support the assertion that management complied with the requirement level of documentation for procurement. During our testwork over bids, 2 out of the only 2 bids the client maintained, we were not able to determine which vendor was awarded the contract, the total actual contract price, and other supporting information.

Criteria: The New Mexico Procurement Code, Section 13-1-125, NMSA 1978, was amended effective July 1, 2005 to increase the maximum value of small purchases from \$10,000 to \$20,000 in Subsection A; increase the maximum value of professional services from \$20,000 to \$30,000 in Subsection B; and increase the maximum value of purchases at best obtainable prices from \$1,500 to \$5,000 in Subsection C. Therefore, purchases over \$1,500 up to \$5,000 should have three oral quotes documented, and purchases over \$5,000 and up to \$20,000 should have three written quotes documented.

Effect: The Town did not comply with the Procurement Code requirement to document three quotes for purchases over \$5,000. The Town may have paid more than necessary in order to obtain the goods and services that the Town needed.

Cause: The Town did not have policies and procedures requiring the proper maintenance of procurement documentation.

Auditors' Recommendation: We recommend that the Town of Springer adopt procurement policies and procedures that are in compliance with the New Mexico Procurement Code and update them as the laws are amended.

Agency's Response: The town will adopt and abide by a Resolution in compliance with the State Procurement Code and provide a copy to the auditor.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 06-09 — Trial Balance and Cash Activity Not Recorded

Condition: During our procedures and review of the trial balance, we noted the following deficiencies:

- The Town was unable to create an accurate trial balance in a timely manner. Six months after year end, there were three versions created by the client before a final trial balance was given to us.
- Assets, liabilities, and fund balance accounts are not being segregated by fund and are being pooled in each class of accounts with no way to distinguish individual funds.
- Cash per the general ledger did not tie to cash per the bank reconciliations at the end of the fiscal year ended June 30, 2009, by a difference of \$172,284. Also, the accounting system's trial balance did not tie to the reconciled balance at June 30, 2009 by \$85,442.
- Bank reconciliations did not tie to the clients trial balance through out the year for eight out of the twelve months. These variances varied from \$(72,948) to \$21,464 through out the year.
- The Town did not record interfund loans in the general ledger as required by generally accepted accounting principles. The Town's "due to other funds" and "due from other funds" account balances did not balance by \$179,080.

Criteria: Per Section 6.20.2.13 of NMAC, all Towns shall establish and maintain a general ledger in accordance with GAAP. The general ledger will be comprised of individual funds and account groups using the Town's chart of accounts and shall be reconciled every fiscal year with department records. Towns shall use funds and account groups to report their financial position and operating results. Funds are classified into three broad categories: a) governmental funds, b) proprietary funds and c) fiduciary funds. There are two account groups: a) general fixed assets and b) general long-term debt. In accordance with GASB 34, Towns shall use a full accrual basis of accounting in preparation of annual financial statements and cash basis of accounting for budgeting and reporting. A governmental accounting system must make it possible to present fairly and with full disclosure the funds of the governmental unit in conformity with generally accepted accounting principles per NCGAS 1 paragraph 1. Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restriction, or limitation.

Good accounting practices and internal controls over cash require that the bank statements be reconciled on a timely basis to the Town's general ledger, at least monthly. Any transfers between bank accounts that are a reflection of transfers between funds in the general ledger should be recorded in the general ledger on a timely basis. Any bank fees or other activity not previously recorded should be recorded in the general ledger when the bank reconciliations are performed.

Government Accounting Standards Board (GASB) Statement No. 34 paragraph 112(a) describes interfund loans as amounts provided with a requirement for repayment. Interfund loans should be reported as interfund receivables in lender funds and interfund payables in borrower funds. If repayment is not expected within a reasonable time, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan.

Effect: We were unable to rely on the Town's trial balance as a whole, and were not able to reconcile cash balances at year end June 30, 2009. Being unable to reconcile cash and rely on the Town trial balance, increases the risk of a material misstatements, fraudulent activity, and irregularities occurring and not being detected or prevented.

Cause: Town of Springer received a disclaimer of opinion on its financial statements in the fiscal year ended June 30, 2008. The Town of Springer did not perform timely bank reconciliations and make the necessary correcting entries into its general ledger during the fiscal year ended June 30, 2009. The Town posted cross fund entries due to not distinguishing individual asset, liability, and fund balance accounts in there chart of accounts and prepared incorrect journal entries for several transactions. The Town was also unaware of the requirement to record interfund loans in the general ledger.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 06-09 — Trial Balance and Cash Activity Not Recorded (continued)

Auditors' Recommendation: We recommend that the Town perform extra research and work on each fund in order to determine the correct cash balance in each fund and make the necessary adjustments so that the actual cash balance is reflected in each fund. We recommend the Town implement procedures to review the Town trial balance and reconcile it timely to ensure accuracy. We also recommend that the Town initiate policies and procedures to ensure that bank reconciliations are performed timely and the related required adjustments are made to the general ledger on a timely basis.

Agency's Response: The town has received actual cash balances from the bank and the budget currently reflects such. Bank reconciliations will be conducted monthly by the Clerk/Treasurer and quarterly by the Board of Finance.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 06-11 Noncompliance with Debt Agreements

Condition:

- The Town has not established “reserve accounts” related to these bond issues.
- The Town has not accounted for the sewer system separately from the other utilities.
- The Town has used cash from the Joint Utility Fund, that was revenue pledged for the repayment of bonds, to pay expenditures of other funds. At June 30, 2009 the Joint Utility Fund was owed \$356,734 by various other funds of the Town.

Criteria: Bond Series 1997A, \$339,800 –

Per the U.S. Department of Agriculture, Rural Economic and Community Development, Rural Utilities Service (RUS) letter of conditions dated July 16, 1996, for the Series 1997A, \$339,800 Joint Electric, Water and Sewer System Improvement Revenue Bond, the Town is required to:

- Maintain reserves sufficient to assure that loan installments will be paid on time, for emergency maintenance, for extensions to facilities, and for replacement of short-lived assets which have a useful life significantly less than the repayment period of the loan;
- Maintain the sewer system accounting separate from all other accounts.

Per the December 17, 1997 letter to the Town from Modrall, Sperling, Roehl, Harris & Sisk, P.A., “the bonds are payable and collectible solely from the net revenues, after payment of operation and maintenance expenses, derived by the Issuer from the operation of the System (‘Pledged Revenues’).”

Bond Series 2003, \$612,500 -

Per the U.S. Department of Agriculture, Rural Development, Rural Utilities Service (RUS) letter of conditions dated January 28, 1999, for the Series 2003, \$612,500 Joint Electric, Water and Sewer System, Improvement Revenue Bonds, the Town is required to do the following.

- Establish an account designated as the Reserve Account, and each month set aside into that account an amount at least equal to one-tenth of one yearly payment. The reserves will be sufficient to assure that loan installments will be paid on time, for emergency maintenance, for extensions to facilities, and for replacement of short-lived assets which have a useful life significantly less than the repayment period of the loan. Borrowers issuing debt pledging facility revenues as security will plan their reserve to provide for at least an annual reserve equal to one-tenth of an average annual loan installment each year for the life of the loan.

Per the September 18, 2008 letter to the Town from Modrall Sperling Lawyers “the bonds are payable and collectible solely from the net revenues, after payment of operation and maintenance expenses, derived by the Issuer from the operation of the Joint Electric, Water and Sewer System (‘Pledged Revenues’).”

Effect: Noncompliance with debt covenant restrictions could result in the debt being called due, as well as future lending from the USDA could be limited or not given.

Cause: The Town has experienced significant turnover in finance personnel and does not have internal controls in place to ensure compliance with the bond requirements.

Auditors’ Recommendation: We recommend that the Town provide the U.S. Department of Agriculture, Rural Economic and Community Development, Rural Utilities Service (RUS) a copy of the audit report for the fiscal year ended June 30, 2009 as soon as it is released by the Office of the State Auditor as required by the bond agreements.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 06-11 Noncompliance with Debt Agreements (continued)

Agency's Response: The town will maintain adequate balances in the pledged Joint Utility Accounts for debt re-payment. The Clerk Treasurer will be primarily responsible for this oversight followed by quarterly reviews by the Board of Finance. A copy of the audit report will be provided to the USDA once approved and released by the State Auditor including a report of corrective actions.

FS 09-01 — Stale Dated Transactions Not Cancelled

Condition: The Town is in violation of state statutes regarding stale-dated checks. The Town maintained two checks in the payroll account, four checks in the general fund, and nine checks in the meter deposit account that were dated over one year old at June 30, 2009. These checks totaled \$65.95, \$620.94 and \$307.69 respectively.

Criteria: Section 7-8A, NMSA 1978, and related regulations require that the Town provide information about the payees and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for outstanding checks that were distributed but not cashed within one year.

Effect: Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Cause: The Town did not implement an internal control policy to account for stale dated outstanding checks and did not clear these checks on a timely basis.

Auditors' Recommendations: We recommend that the Town implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated checks. If checks on the outstanding check listings are greater than one year old we recommend these checks be voided. Also, we recommend that the Town provide the information to the Property Division of the New Mexico Taxation and Revenue Department as required.

Agency's Response: The town has since cancelled all stale dated checks and the Clerk Treasurer will be responsible to review monthly all bank accounts for stale dated checks and void as necessary. The Clerk will provide this information quarterly to the Board of Finance for budget review workshops and provide information to the New Mexico Taxation and Revenue Department as necessary.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 09-02 — Bank Reconciliation's Not Timely

Condition: During the performance of audit procedures relating to cash and bank reconciliations, the following items were noted on the June 2009 bank reconciliations:

- The CDBG, Cemetery, and both Veterans accounts are not being reconciled in a timely manner for the fiscal year 2009.
- There was no evidence of review from appropriate management personnel for all cash accounts including activity funds.

Criteria: NMAC 6.20.2.14 states that a Town shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting.

Effect: Reconciling cash accounts is essential to Town operational and management decisions. The lack of a review process has not allowed various items on the bank reconciliations to be addressed and resolved in a timely manner. Such items may be indicative of errors or possible fraudulent activity and result in unnecessary adjustments which are not properly supported.

Cause: The Town did not maintain an internal control process which allows for accurate and timely bank reconciliations as required by NMAC 6.20.2.14 and general accounting standards.

Auditors' Recommendations: We recommend that each bank statement be reconciled to the general ledger balances on a monthly basis and all supporting documentation be maintained. Items, such as those noted in the condition above, should be addressed monthly. A proper internal control structure, including a review process by the business manager or controller, will insure errors and irregularities are addressed.

Agency's Response: A bank reconciliation of all accounts has been conducted to the general ledger. A monthly reconciliation will be required to be performed by the Clerk/Treasurer and validated to the Mayor and Board of Finance.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 09-03 — DFA Cash Report Does not Reconcile to the Town's Accounting Records

Condition: For the year ended June 30, 2009, the Town's trial balance reported \$565,292 of cash, the cash reconciliations reported \$650,734 of cash, and the Department of Finance and Administration (DFA) report reported \$509,038 of cash.

Criteria: Per Section 6-6-3 NMSA 1978, every local public body shall:

- Keep all the books, records and accounts in their respective offices in the form prescribed by the local government division
- Make all reports as may be required by the local government division, and
- Conform to the rules and regulations adopted by the local government division.

Effect: The information that is reported to DFA is incomplete and could lead to inappropriate funding of the Town.

Cause: The Town was unable to reconcile cash accurately and report these correct amounts to DFA.

Auditors' Recommendation: We recommend the Town communicate with DFA regarding what the requirements are for reporting cash balances and report what is required by DFA.

Agency's Response: The town and DFA conducted a joint budget review and corrected this deficiency to match the actual cash balances to DFA's approval. A Budget Adjustment Resolution by the Board of Finance was completed and approved by DFA. DFA is now requiring monthly reports rather than quarterly town reports to monitor this area more closely.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 09-04 — Lack of Internal Controls Over Blank Checks

Condition: During our internal control evaluation over cash, we noted that blank checks are not adequately safeguarded and are accessible to unauthorized personnel. The checks are kept in two different areas, the Town Clerk's office, and a near by office closet and are locked at night, however throughout the day, the office and the closet are left open.

Criteria: NMAC 6.20.2.14 states that a Town shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting.

Effect: This results in an increase risk of theft of blank checks and potential for misappropriation of Town funds.

Cause: Management has not performed a risk assessment in the area of cash and has not implemented cash controls to safeguard blank checks held by the Town.

Auditors' Recommendation: We recommend that the Town review cash management procedures with the responsible individuals monthly to ensure that all areas of cash have sufficient internal controls, including safeguarding blank checks by restricting physical access.

Agency's Response: The town has centralized all blank checks to one area, which is secured and only allows limited and authorized access. The Clerk/Deputy Clerk Treasurer is responsible and accountable to maintain and oversee that this procedure is adhered to daily.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 09-05 — Inadequate Review of Manual Journal Entries

Condition: During the 2009 fiscal year, the Town did not have procedures in place for authorization and review of manual journal entries.

Criteria: Good accounting practice requires that manual adjusting entries be authorized and reviewed by someone other than the person initiating the adjusting entry.

Effect: Without proper review processes, there is a greater risk that improper adjustments could be made. Improper adjustments result in balances being materially misstated. Also, the risk of fraudulent acts increases without proper review.

Cause: The Town was unaware of the significance of internal controls needed for manual journal entries.

Auditors' Recommendation: We recommend that all journal entries require a second person's review prior to posting to the accounting records.

Agency's Response: The Clerk Treasurer is required to have all manual journal entries approved by the Mayor. A Memorandum for the Record of such change is required, as well as a comment on the Journal indicating why and what the change was. Likewise, any changes by the Deputy Clerk Treasurer are now required to have the same approval and documentation from the Clerk Treasurer.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 09-06— Inadequate Documentation for Travel and Per Diem Expenditures

Condition: The Town does not have adequate internal controls over travel and per diem expenditures. The Town did not have sufficient documentation for 3 out of 5 samples tested for a total of \$233.

Criteria: Per NMAC 6.20.2.19 Travel and Training: Each Town shall establish and implement written policies and procedures for travel and training. Travel policies and procedures shall be in compliance with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-8, NMSA 1978, and Department of Finance and Administration (DFA) regulations. NMAC 6.2.2.24 (c) Other Administrative Standards states that Town records shall be in accordance with the Public Records Act, Section 14-3-1, NMSA 1978 and should be available for review by auditors. In addition, NMAC 6.20.2.11 (c) states that internal control structure is required to demonstrate the Town's ability to record, process, summarize and report financial statement assertions of existence and occurrence.

Effect: Unauthorized travel and per diem expenditures may be processed and paid without proper approval and rate calculation. Noncompliance with statutes may subject officials and employees to punishment as defined by state statutes.

Cause: The Town did not maintain policies and procedures to ensure that documentation is properly reviewed to ensure compliance with State Statutes.

Auditors' Recommendation: We recommend the Town review all supporting documentation and retain all documents to ensure compliance with NMAC 6.20.2.24 (c) and 6.20.2.11 (c). The policy should be clear, written, and communicated to all to whom it applies and enforced uniformly.

Agency's Response: The town has developed a file for each employee/Board member receiving mileage and per diem to create adequate internal controls. The town also follows the state's established Mileage and Per Diem Act. The Clerk/Deputy Clerk Treasurer is responsible for abiding by and maintaining control and adequate records.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 09-07 – Budget Adjustment Requests

Condition: During our test work on the budget adjustment requests, we could not trace the budget adjustment requests from the original budget to the final budget because the client could not provide the final budget per line item in order for us to verify the adjustment to the final budget.

Criteria: Good budget management requires the Town to maintain the original and final approved budget documents for purposes of independent verification and audit of the Town's budget.

Effect: The effect of this condition is that we are unable to test the budget adjustments to make sure the Town is correctly changing the budget adjustment amounts from the original budget.

Cause: The Town's only final budget was the approved final budget by DFA and was in the DFA format of function level reporting.

Auditors' Recommendation: We recommend that the Town keep the original and final budget in a format in order for an independent auditor to review and test for compliance.

Agency's Response: The town will maintain original and final budget adjustments in a format that an auditor may review and test for compliance. The town recently completed corrective action Budget adjustments approved by DFA and reconciled from actual bank cash balances. A copy will be provided to the auditor.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 09-08 — Entity-Wide Control Deficiency

Condition: During our process of understanding the entity and its environment, we noted instances where elements of the framework of Committee of Sponsoring Organizations (COSO) were nonexistent or deficient. The control environment or “tone at the top” did not adequately display accountability and transparency. We noted that the risk assessment element and monitoring element were not documented or sufficiently designed. We also noted the following deficiencies:

- The Town does not have a good process for recording cash receipts. Sequential receipt books are not used.
- Material journal entries were required for cash, accounts receivable, accrued payroll, accounts payable, and long term debt.
- Prior year audit findings were not corrected on a timely basis.
- In the payroll, disbursements, and receipting processes, there is no internal control to prevent any type of management override.

Criteria: The (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring.

Effect: Without all of the five elements of the COSO framework present, the Town is exposing itself to the risk of misappropriation of assets and does not have set processes in place to maximize the resources of the Town.

Cause: Management was not aware the COSO internal control framework plays a key role in providing reasonable assurance regarding the achievement of effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

Auditors’ Recommendations: We recommend that the Town incorporate the five elements of the COSO internal control integrated framework in their organization. In particular, there must be a documented risk assessment process in place, there should be a mechanism in place to document the monitoring of the internal controls in place and the control environment must promote the highest ethical standards and efficient and effective path towards achieving the Town’s goals. We recommend that internal controls be addressed at both the entity level and activity level. We also recommend that key management personnel attend a training class on internal control.

Agency’s Response: The Mayor has implemented a four tier procedure of financial review which is ultimately reviewed quarterly or as needed by the Board of Finance. The Clerk Treasurer, Deputy, and Billing Clerk are being scheduled for the appropriate training and DFA has already provided several hands on preliminary reviews and training’s. Monthly reports vs. quarterly reports are now being provided to DFA.

C. FINANCIAL STATEMENT FINDINGS – COMPONENT UNIT

FS 06-02HA — Security Deposits Not Matching the Restricted Cash Accounts

Condition: The restricted tenant deposits accounts does not match the liability account balances for the respective deposit. The tenant deposits account is specifically set up for tenants' deposits that are owed to the individual upon cancelation of service.

Criteria: Good accounting practices require that security deposit liabilities should be reconciled to the related security deposit bank account.

Effect: The deposit liability balance for the Public Housing tenant account is understated by \$2,807.

Cause: The monies in the bank are not being reconciled to the deposit listing maintained by the Housing Authority.

Auditors' Recommendation: The tenant deposits liability account should be reconciled with the tenant deposits account throughout the year.

Agency's Response: The Springer Housing Authority's Executive Director and the Springer Housing Authority Board of Commissioners assures that the tenant deposit liability account will be reconciled with the tenant deposit account as soon as possible.

D. FEDERAL AWARD FINDINGS – PRIMARY GOVERNMENT

FA 2007-11 — Lack of Adequate Internal Controls over Compliance

Information on Federal Award:

Funding agency: U.S. Department of Housing and Urban Development
Title: Water and Wastewater Loan and Grant Program
CFDA Number: 10.760

Condition: The Town of Springer does not have a comprehensive documented internal control structure.

Criteria: The Town is required to follow the audit requirements stipulated by *United States Department of Agriculture Rural Utilities Services* RUS Bulletin 1780-30 when maintaining an outstanding Rural Development loan balance of \$1,000,000 or more. Those requirements stipulate that as a condition of receiving Federal awards, non-Federal entities agree to comply with applicable laws, regulations, and the provisions of contract and grant agreements, and to maintain internal control to provide reasonable assurance of compliance with these requirements.

Questioned Costs: None

Effect: Lack of adequate internal controls results in an inability to ensure compliance with applicable requirements of Federal programs and could result in reduced funding for programs.

Cause: The Town was unaware of the requirements noted above.

Auditors' Recommendation: Management should ensure that a comprehensive internal control structure is designed and implemented. The body charged with governance should provide effective oversight of the internal control.

Agency's Response: The town will maintain control and compliance over all Federal Awards programs. The Clerk Treasurer is primarily responsible to maintain adequate files and records, and must include all Federal Awards records reviews at each subsequent Board of Finance quarterly budget review workshop. This will be documented in meeting minutes and made part of the record keeping over Federal Awards.

D. FEDERAL AWARD FINDINGS – PRIMARY GOVERNMENT (continued)

FA 09-01— Noncompliance with Federal Reporting Requirements

Information on Federal Award:

Funding agency: U.S. Department of Housing and Urban Development
Title: Water and Wastewater Loan and Grant Program
CFDA Number: 10.760

Condition: During our audit performed in accordance with Water and Waste requirements, the Town did not submit annual audited financial statements within 150 days of the entity’s fiscal year-end or Form RD 442-2 Statement of Budget, Income, and Equity and Form RD 442-3 Balance Sheet to the USDA and also, did not included the separately reported water and sewer information as required by the USDA.

Criteria: The Water and Wastewater Loan and Grant Program Compliance Supplement reporting requirements states that the Town must submit annual audited financials within 150 days of the entity’s fiscal year end **or** Form RD 442- 2 Statement of Budget, Income, and Equity and Form RD 442-3 Balance Sheet.

Effect: The Town could lose future funding from the USDA.

Cause: Management was unaware of the requirement to submit the required audited financial statements or forms.

Auditors’ Recommendation: We recommend that the Town put in place a procedure to submit the required forms to the USDA in a timely manner, and thoroughly understand all requirements of the Water and Wastewater Loan and Grant Program Compliance Supplement.

Agency’s Response: The Clerk Treasurer will submit to USDA Housing and Urban Development a copy of the 2008 annual audited financial statements & findings, Form RD-442 Statement of Budget, Income, and Equity and Form RD 442-3 Balance Sheet, no later than June 30, 2010. The Clerk Treasurer will submit all the same for the 2009 audit year, no later then 150 days from fiscal year end. Copies will be provided to the internal auditor, Mayor & Board.

E. FEDERAL AWARD FINDINGS – COMPONENT UNIT

None

F. PRIOR YEAR AUDIT FINDINGS

Primary Government Financial Statements:

FS 03-08 — Inadequate Capital Asset Records – (Repeated)

FS 05-08 – Actual Expenditures Exceed Budgeted Expenditures (Repeated)

FS 05-09 – Late Filing of Audit Report (Repeated)

FS 05-13 – Expenditure and Proper Record Keeping– (Resolved)

FS 05-18 – Lack of PERA Reconciliation and Incorrect Calculations of Contributions- (Resolved)

FS 05-23 –Debt Covenant Compliance – (Resolved)

FS 06-05 — Town Not Preparing Financial Statements –(Repeated)

FS-06-06 — Internal Control Deficiencies – Payroll – (Repeat and Modified)

FS 06-07 — Deficiencies in Internal Control Structure Design, Operation, and Oversight – (Repeat and Modified)

FS 06-08 — Non Compliance with Procurement Code – (Repeat and Modified)

FS 06-09 — Trial Balance and Cash Activity Not Recorded– (Repeat and Modified)

FS 06-10 Security Deposits Not Matching the Restricted Cash Accounts – (Resolved)

FS 06-11 Noncompliance with Debt Agreements - (Repeated)

FS 06-12 Budgeted Cash From Prior Year Exceeds Cash Available to Budget –(Resolved)

Component Unit: Housing Authority

FS 05-07 – Lack of Oversight by Board (Resolved)

FS 05-08 – Actual Expenditures Exceed Budgeted Expenditures (Resolved)

FS 05-09 – Late Filing of Audit Report, repeated (Resolved)

FS 05-25 – Late Filing of Audit Information for REAC (Resolved)

FS 06-02 – Security Deposits Not Matching the Restricted Cash Accounts (Repeated)

FS 06-03 – Overdrawn Cash Balances, repeated (Resolved)

FS 06-05 - Agency Not Preparing Financial Statements (Resolved)

Primary Government Federal Award Findings:

FA 2007-11 Lack of Adequate Internal Controls over Compliance- (Repeated)

STATE OF NEW MEXICO

Town of Springer

Other Disclosures

Year Ended June 30, 2009

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Although it would be preferred and desirable for the Town to prepare its own GAAP-basis financial statements, it is felt that the Town's personnel have neither the time nor the expertise to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report. Town management is responsible for the financial statements.

B. EXIT CONFERENCE

The contents of the report for the Town of Springer were discussed on March 9, 2010. The following individuals were in attendance.

Town of Springer Officials

Danny J. Cruz, Mayor
Teresa Montoya, Deputy Treasurer
Charles Garcia, Town Trustee

Auditors

Jeff McWhorter, CPA