

STATE OF NEW MEXICO
TOWN OF SPRINGER
ANNUAL FINANCIAL REPORT
JUNE 30, 2010

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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, 2010

<u>Name</u>		<u>Title</u>
	<u>Town Council</u>	
Danny Cruz		Mayor
Charlie Garcia		Mayor Pro Tem
Stephanie Gillespie		Town Trustee
Art Martinez		Town Trustee
Mike Finkbone		Town Trustee
	<u>Administrative Officials</u>	
Leticia Torres		Clerk Treasurer
Aixa Arellano		Deputy Clerk
Gina Garcia		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, 2010, 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, 2010, 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 \$1,015,802 as of June 30, 2010, and total revenues of \$569,507 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 Finding 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, 2010. 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 April 29, 2011 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. The accompanying Schedule of Expenditures of federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying financial information listed as Supporting Schedules I through III in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. Because of the significance of the matters discussed in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express an opinion regarding whether schedules I through III or the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements, and the remaining nonmajor governmental fund financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on that information.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Certified Public Accountants
Albuquerque, New Mexico
April 29, 2011

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

Town of Springer
Statement of Net Assets
June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing Authority
Assets				
Current assets				
Cash and cash equivalents	\$ 191,381	\$ 13,173	\$ 204,554	\$ 221,571
Investments	-	-	-	72,300
Receivables:				
Property taxes receivable	4,750	-	4,750	-
Gross receipts taxes	54,996	-	54,996	-
Utilities receivables, net of allowance	-	192,845	192,845	-
Tenant receivables, net of allowance	-	-	-	1,283
Interest receivables	-	-	-	195
Prepays	-	-	-	7,320
Inventory	-	66,146	66,146	11,355
Internal balances	(590,002)	590,002	-	-
Total current assets	(338,875)	862,166	523,291	314,024
Noncurrent assets				
Restricted cash and cash equivalents	-	-	-	9,499
Unamortized bond issuance costs	-	6,185	6,185	-
Capital assets	3,038,978	6,639,555	9,678,533	2,849,516
Less: accumulated depreciation	(1,439,232)	(4,386,070)	(5,825,302)	(2,157,237)
Total noncurrent assets	1,599,746	2,259,670	3,859,416	701,778
Total assets	\$ 1,260,871	\$ 3,121,836	\$ 4,382,707	\$ 1,015,802

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	\$ -	\$ 50,224	\$ 50,224	\$ 5,275
Accrued payroll expenses	23,228	8,845	32,073	11,010
Accrued compensated absences	-	13,908	13,908	-
Accrued interest payable	67	30,203	30,270	-
Prepaid rent	-	-	-	463
Current portion of bonds payable	-	13,932	13,932	-
Current portion of notes payable and capital leases	7,327	-	7,327	-
Total current liabilities	<u>30,622</u>	<u>117,112</u>	<u>147,734</u>	<u>16,748</u>
Noncurrent liabilities				
Accrued compensated absences	19,195	-	19,195	3,992
Meter and other refundable deposits	-	-	-	9,499
Bonds payable		1,018,869	1,018,869	-
Total noncurrent liabilities	<u>19,195</u>	<u>1,018,869</u>	<u>1,038,064</u>	<u>13,491</u>
Total liabilities	<u>49,817</u>	<u>1,135,981</u>	<u>1,185,798</u>	<u>30,239</u>
Net Assets				
Invested in capital assets, net of related debt	1,592,419	1,220,684	2,813,103	692,279
Restricted for: (Note 14)				
Debt service (Note 15)	-	783,897	783,897	-
Unrestricted (Note 14)	<u>(381,365)</u>	<u>(18,726)</u>	<u>(400,091)</u>	<u>293,284</u>
Total net assets	<u>1,211,054</u>	<u>1,985,855</u>	<u>3,196,909</u>	<u>985,563</u>
Total liabilities and net assets	<u>\$ 1,260,871</u>	<u>\$ 3,121,836</u>	<u>\$ 4,382,707</u>	<u>\$ 1,015,802</u>

STATE OF NEW MEXICO
Town of Springer
Statement of Activities
For the Year Ended June 30, 2010

<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	\$ 575,803	\$ 11,358	\$ 149,210	\$ 71,607
Public safety	221,346	27,303	106,470	-
Public works	54,944	-	-	-
Culture and recreation	53,801	758	8,093	36,500
Interest on long-term debt	444	-	-	-
<i>Total governmental activities</i>	<u>906,338</u>	<u>39,419</u>	<u>263,773</u>	<u>108,107</u>
Business-type Activities:				
Joint Utilities	1,763,661	1,095,193	-	-
Cemetery	585	1,350	-	-
Museum	15,414	2,926	-	-
<i>Total business type activities</i>	<u>1,779,660</u>	<u>1,099,469</u>	<u>-</u>	<u>-</u>
<i>Total Primary Government</i>	<u>\$ 2,685,998</u>	<u>\$ 1,138,888</u>	<u>\$ 263,773</u>	<u>\$ 108,107</u>
Component Unit:				
Housing Authority	<u>\$ 367,553</u>	<u>\$ 114,001</u>	<u>\$ 163,544</u>	<u>\$ 287,013</u>
General Revenues:				
Taxes				
Property taxes, levied for general purposes				
Gross receipts taxes				
Gasoline and motor vehicle taxes				
Franchise taxes				
Licenses and fees				
Investment income				
Miscellaneous income				
Special item- Gain on disposal 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
\$ (343,628)	\$ -	\$ (343,628)	\$ -
(87,573)	-	(87,573)	-
(54,944)	-	(54,944)	-
(8,450)	-	(8,450)	-
(444)	-	(444)	-
(495,039)	-	(494,595)	-
-	(668,468)	(668,468)	-
-	765	765	-
-	(12,488)	(12,488)	-
-	(680,191)	(680,191)	-
(495,039)	(680,191)	(1,174,786)	-
-	-	-	197,005
28,852	-	28,852	-
18,159	-	18,159	-
120,223	-	120,223	-
(1,169)	-	(1,169)	-
19,765	-	19,765	-
-	-	-	449
129,287	-	129,287	-
-	-	-	4,500
315,117	-	315,117	4,949
(179,922)	(680,191)	(860,113)	201,954
1,390,976	2,666,046	4,057,022	783,609
<u>\$ 1,211,054</u>	<u>\$ 1,985,855</u>	<u>\$ 3,196,909</u>	<u>\$ 985,563</u>

STATE OF NEW MEXICO

Town of Springer
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Legislative Appropriation Water	Other Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
<i>Assets</i>			
Cash and cash equivalents	\$ -	\$ -	\$ 191,381
Receivables:			
Property taxes	4,750	-	-
Gross receipts taxes	54,996	-	-
Due from other funds	<u>90,299</u>	<u>-</u>	<u>100,680</u>
<i>Total assets</i>	<u>\$ 150,045</u>	<u>\$ -</u>	<u>\$ 292,061</u>
<i>Liabilities and fund balances</i>			
<i>Liabilities</i>			
Accrued payroll expenses	\$ 16,643	\$ -	\$ 6,585
Deferred property tax revenue	2,331	-	-
Due to other funds	<u>169,093</u>	<u>173,729</u>	<u>438,159</u>
<i>Total liabilities</i>	<u>188,067</u>	<u>173,729</u>	<u>444,744</u>
<i>Fund balances</i>			
Unreserved, reported in:			
General	(38,022)	(173,729)	-
Special revenue	-	-	(89,532)
Capital projects	<u>-</u>	<u>-</u>	<u>(63,151)</u>
<i>Total fund balances</i>	<u>(38,022)</u>	<u>(173,729)</u>	<u>(152,683)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 150,045</u>	<u>\$ -</u>	<u>\$ 292,061</u>

The accompanying notes are an integral part of these financial statements

<u>Total</u>	
\$	191,381
	4,750
	54,996
	<u>190,979</u>
\$	<u><u>442,106</u></u>

\$	23,228
	2,331
	<u>780,981</u>
	<u>806,540</u>

	(211,751)
	(89,532)
	<u>(63,151)</u>
	<u>(364,434)</u>
\$	<u><u>442,106</u></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, 2010

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 \$ (364,434)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 1,599,746

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 2,331

Certain liabilities, including bonds payable, capital leases 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:

Capital leases payable (7,327)
Accrued interest (67)
Long-term portion of accrued compensated absences (19,195)

Net assets of governmental activities \$ 1,211,054

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, 2010

	General Fund	Legislative Appropriations Water	Other Governmental Funds
<i>Revenues:</i>			
Taxes:			
Property	\$ 49,088	\$ -	\$ -
Gross receipts	16,952	-	1,207
Gasoline and motor vehicle	116,114	-	4,109
Other	(2,748)	-	1,579
Intergovernmental:			
State operating grants	149,210	-	114,563
State capital grants	-	49,290	58,817
Charges for services	11,358	-	28,061
Licenses and fees	14,767	-	4,998
Miscellaneous	129,277	-	10
<i>Total revenues</i>	<u>484,018</u>	<u>49,290</u>	<u>213,344</u>
<i>Expenditures:</i>			
Current:			
General government	254,715	77,747	2,442
Public safety	126,673	-	93,538
Public works	-	-	54,944
Culture and recreation	-	-	51,484
Capital outlay	-	-	137,529
Debt service:			
Principal	-	-	13,179
Interest	-	-	564
<i>Total expenditures</i>	<u>381,388</u>	<u>77,747</u>	<u>353,680</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>102,630</u>	<u>(28,457)</u>	<u>(140,336)</u>
<i>Other financing sources (uses)</i>			
Transfers in/(out)	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	102,630	(28,457)	(140,336)
<i>Fund balance - beginning of year</i>	<u>(140,652)</u>	<u>(145,272)</u>	<u>(12,347)</u>
<i>Fund balance - end of year</i>	<u>\$ (38,022)</u>	<u>\$ (173,729)</u>	<u>\$ (152,683)</u>

The accompanying notes are an integral part of these financial statements

<u>Total</u>	
\$	49,088
	18,159
	120,223
	(1,169)
	263,773
	108,107
	39,419
	19,765
	<u>129,287</u>
	<u>746,652</u>
	334,904
	220,211
	54,944
	51,484
	137,529
	13,179
	<u>564</u>
	<u>812,815</u>
	<u>(66,163)</u>
	<u>-</u>
	<u>-</u>
	(66,163)
	<u>(298,271)</u>
\$	<u><u>(364,434)</u></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, 2010

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	\$	(66,163)
--	----	----------

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:

Capital expenditures recorded in capital outlay		137,529
Depreciation expense		(237,485)

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

Decrease in deferred revenue related to property taxes receivable		(20,236)
---	--	----------

Expenses in the Statement of Activities that do not require current financial
resources are not reported as expenditures in the funds:

Decrease in accrued interest		120
Increase in noncurrent and current accrued compensated absences		(6,866)

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 on bonds, loans and notes payable		13,179
--	--	--------

Change in net assets of governmental activities	\$	(179,922)
---	----	-----------

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, 2010

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ 51,000	\$ 50,815	\$ 48,327	\$ (2,488)
Gross receipts	20,500	20,500	15,150	(5,350)
Gasoline and motor vehicle	147,500	147,500	111,358	(36,142)
Other	157,000	17,000	17,214	214
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	180,850	149,089	(31,761)
State capital grants	-	-	-	-
Charges for services	38,150	20,400	11,358	(9,042)
Licenses and fees	15,550	15,900	14,767	(1,133)
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	2,000	158,550	103,857	(54,693)
<i>Total revenues</i>	<u>431,700</u>	<u>611,515</u>	<u>471,120</u>	<u>(140,395)</u>
<i>Expenditures:</i>				
Current:				
General government	333,790	325,290	251,061	74,229
Public safety	183,804	183,804	217,989	(34,185)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>517,594</u>	<u>509,094</u>	<u>469,050</u>	<u>40,044</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(85,894)</u>	<u>102,421</u>	<u>2,070</u>	<u>(100,351)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(182,106)	(195,421)	-	195,421
Proceeds from sale of fixed assets	180,000	-	-	-
Transfers in	-	-	-	-
Transfers (out)	88,000	93,000	-	(93,000)
<i>Total other financing sources (uses)</i>	<u>85,894</u>	<u>(102,421)</u>	<u>-</u>	<u>102,421</u>
<i>Net change in fund balance</i>	-	-	2,070	2,070
<i>Fund balance - beginning of year</i>	-	-	(171,163)	(171,163)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (169,093)</u>	<u>\$ (169,093)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ 2,070
Adjustments to revenues for taxes and miscellaneous revenues				12,898
Adjustments to expenditures for public safety expenditures				87,662
Net change in fund balance (GAAP basis)				<u>\$ 102,630</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, 2010

	Joint Utilities Fund	Other Enterprise Funds	Total
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 6,894	\$ 6,279	\$ 13,173
Receivables:			
Utility receivables, net of allowance	192,845	-	192,845
Inventory	66,146	-	66,146
Due from other funds	626,730	-	626,730
<i>Total current assets</i>	<u>892,615</u>	<u>6,279</u>	<u>898,894</u>
<i>Noncurrent assets</i>			
Unamortized bond issuance cost	6,185	-	6,185
Capital assets	6,532,059	107,496	6,639,555
Less: accumulated depreciation	<u>(4,361,816)</u>	<u>(24,254)</u>	<u>(4,386,070)</u>
<i>Total noncurrent assets</i>	<u>2,176,428</u>	<u>83,242</u>	<u>2,259,670</u>
<i>Total Assets</i>	<u>\$ 3,069,043</u>	<u>\$ 89,521</u>	<u>\$ 3,158,564</u>
<i>Liabilities and Net Assets</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 50,224	\$ -	\$ 50,224
Accrued payroll expenses	8,845	-	8,845
Accrued compensated absences	13,908	-	13,908
Accrued interest payable	30,203	-	30,203
Current portion of bonds payable	13,932	-	13,932
Due to other funds	-	36,728	36,728
<i>Total current liabilities</i>	<u>117,112</u>	<u>36,728</u>	<u>153,840</u>
<i>Noncurrent liabilities</i>			
Bonds payable	1,018,869	-	1,018,869
<i>Total noncurrent liabilities</i>	<u>1,018,869</u>	<u>-</u>	<u>1,018,869</u>
<i>Total liabilities</i>	<u>1,135,981</u>	<u>36,728</u>	<u>1,172,709</u>
<i>Net Assets:</i>			
Invested in capital assets, net of related debt	1,137,442	83,242	1,220,684
Restricted net assets - debt service	795,620	-	795,620
Unrestricted net assets	<u>-</u>	<u>(30,449)</u>	<u>(30,449)</u>
<i>Total net assets</i>	<u>1,933,062</u>	<u>52,793</u>	<u>1,985,855</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 3,069,043</u>	<u>\$ 89,521</u>	<u>\$ 3,158,564</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, 2010

	Joint Utilities Fund	Other Enterprise Funds	Total
<i>Operating revenues:</i>			
Charges for services	\$ 1,088,793	\$ 4,276	\$ 1,093,069
<i>Total operating revenues</i>	<u>1,088,793</u>	<u>4,276</u>	<u>1,093,069</u>
<i>Operating expenses:</i>			
General and administrative	713,264	2,694	715,958
Personnel services	193,964	6,614	200,578
Contractual services	11,773	101	11,874
Supplies and purchased power	58,801	700	59,501
Maintenance and materials	8,238	809	9,047
Utilities	46,141	5,081	51,222
Depreciation	682,089	-	682,089
Miscellaneous	300	-	300
<i>Total operating expenses</i>	<u>1,714,570</u>	<u>15,999</u>	<u>1,730,569</u>
<i>Operating income (loss)</i>	<u>(625,777)</u>	<u>(11,723)</u>	<u>(637,500)</u>
<i>Non-operating revenues (expenses):</i>			
Environmental taxes	(625)	-	(625)
Interest expense	(48,903)	-	(48,903)
Miscellaneous	7,025	-	7,025
<i>Total non-operating revenues (expenses)</i>	<u>(42,691)</u>	<u>-</u>	<u>(42,691)</u>
Transfers in	-	-	-
Transfers out	-	-	-
<i>Capital grants and net transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in net assets</i>	<u>(668,468)</u>	<u>(11,723)</u>	<u>(680,191)</u>
<i>Net assets, beginning of year</i>	<u>2,601,530</u>	<u>64,516</u>	<u>2,666,046</u>
<i>Net assets, end of year</i>	<u>\$ 1,933,062</u>	<u>\$ 52,793</u>	<u>\$ 1,985,855</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, 2010

Exhibit D-3

	<u>Joint Utilities</u> <u>Fund</u>	<u>Other</u> <u>Proprietary</u> <u>Funds</u>	<u>Total</u>
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 1,151,683	\$ 4,276	\$ 1,155,959
Cash payments to employees for services	(186,996)	(6,968)	(193,964)
Cash payments to suppliers for goods and services	(1,046,035)	3,457	(1,042,578)
	<u>(81,348)</u>	<u>765</u>	<u>(80,583)</u>
<i>Net cash provided (used) by operating activities</i>			
<i>Cash flows from noncapital financing activities:</i>			
Principal payments on bonds payable	(14,000)	-	(14,000)
Interest paid on long-term debt	(48,903)	-	(48,903)
Change in accrued interest payable	(271)	-	(271)
Environmental taxes	(625)	-	(625)
Acquisitions and construction of capital assets	(79,432)	-	(79,432)
Miscellaneous income	7,025	-	7,025
Transfers from (to) other funds	-	-	-
	<u>(136,206)</u>	<u>-</u>	<u>(136,206)</u>
<i>Net cash provided (used) by noncapital financing activities:</i>			
	(217,554)	765	(216,789)
<i>Net increase (decrease) in cash and cash equivalents</i>			
<i>Cash and cash equivalents - beginning of year</i>	<u>224,448</u>	<u>5,514</u>	<u>229,962</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 6,894</u>	<u>\$ 6,279</u>	<u>\$ 13,173</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ (625,777)	\$ (11,723)	\$ (637,500)
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	(270,071)	12,901	(257,170)
Accounts receivable	62,890	-	62,890
Accounts payable	(16,879)	(59)	(16,938)
Current accrued compensated absences	5,966	-	5,966
Accrued payroll	1,002	(354)	648
	<u>(81,348)</u>	<u>765</u>	<u>(80,583)</u>
<i>Net cash provided (used) by operating activities</i>	<u>\$ (81,348)</u>	<u>\$ 765</u>	<u>\$ (80,583)</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, 2010

Exhibit E-1

<i>Assets</i>	
Cash	<u>\$ 3,700</u>
<i>Total assets</i>	<u><u>\$ 3,700</u></u>
<i>Liabilities</i>	
Due to other entities	<u>\$ 3,700</u>
<i>Total liabilities</i>	<u><u>\$ 3,700</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, 2010

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, 2010

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, 2010

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 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, 2010

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, 2010

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, 2010

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, 2010, 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.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2010

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

- a. Invested in capital assets, net of related debt:
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, 2010

NOTE 2. Stewardship, Compliance and Accountability (continued)

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ (85,894)	\$ 102,421
Legislative Appropriations- Water Capital Projects Fund	87,156	7,014
Nonmajor Funds	\$ (423,588)	\$ 68,215

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, 2010, \$210,151 of the Town’s bank balance of \$576,138 was exposed to custodial credit risk. \$210,151 was collateralized with collateral held by the pledging bank’s trust department, not in the Town’s name. All deposits were insured and collateralized at year end June 30, 2010.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2010

NOTE 3. Deposits and Investments (continued)

	Wells Fargo	International Bank	Total Deposits
Amount of deposits	\$ 460,151	\$ 115,987	\$ 576,138
FDIC coverage	250,000	115,987	365,987
Total uninsured public funds	210,151	-	210,151
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Town's name			
	210,151	-	210,151
Uninsured and uncollateralized	\$ -	\$ -	\$ -
Collateral requirement (50%)			
	\$ 105,076	\$ -	\$ 105,076
Pledged securities	321,397	-	321,397
Over (under) collateralized	\$ 216,322	\$ -	\$ 216,322

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	\$ 200,854
Cash and cash equivalents per Exhibit E-1	3,700
Add: Unreconciled difference	348,093
Total cash and cash equivalents	552,647
Plus: Reconciling items	23,491
Less: petty cash	-
Bank balance of deposits	\$ 576,138

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2010

NOTE 4. Receivables

Receivables as of June 30, 2010 are as follows:

Primary Government:

	General Fund	Nonmajor Funds	Total Governmental
Governmental Activities:			
Receivables:			
Property taxes	\$ 4,750	\$ -	\$ 4,750
Other taxes:			
Gross receipts taxes	54,996	-	54,996
Gasoline and oil taxes	-	-	-
Other receivables:			
Licenses and fees	-	-	-
Intergovernmental grants:			
State	-	-	-
Federal	-	-	-
Miscellaneous	-	-	-
Total receivables	\$ 59,746	\$ -	\$ 59,746

Business-type Activities:

	Joint Utilities Fund	Total	Housing Authority
Customer receivables	\$ 226,492	\$ 226,492	\$ 2,293
Other receivables:			
Interest	-	-	195
Total gross receivables	226,492	226,492	2,488
Less: allowance for doubtful accounts	33,647	33,647	1,010
Total net receivables	\$ 192,845	\$ 192,845	\$ 1,478

NOTE 5. Interfund Receivables, Payables, and Transfers

The Town recorded interfund receivables/payables to reflect temporary loans between funds. The purpose of the loans was to cover cash shortages until grant reimbursements or other sources of funds could be obtained. The composition of interfund receivables/payables during the year ended June 30, 2010 is as follows:

Interfund receivable	Interfund payable	Amount
Joint Utilities Fund	Nonmajor Governmental Funds	\$ 283,908
Joint Utilities Fund	Legislative Appropriation Water Capital Projects Fund	173,729
Joint Utilities Proprietary Fund	General Fund	169,093
General Fund	Nonmajor Governmental Funds	90,299
Nonmajor Governmental Funds	Nonmajor Governmental Funds	63,952
Nonmajor Governmental Funds	Other Enterprise Funds	36,728
	Total	\$ 817,709

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2010

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

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

The Town did not make any transfers during the fiscal year ended June 30, 2010.

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2010 follows. Land and construction in progress are not subject to depreciation.

Governmental Activities

Primary Government	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Capital assets, not depreciated:				
Land	\$ 68,529	\$ 10,963	\$ -	\$ 79,492
Construction in progress	<u>24,212</u>	<u>126,566</u>	<u>-</u>	<u>150,778</u>
Total capital assets, not depreciated	<u>92,741</u>	<u>137,529</u>	<u>-</u>	<u>230,270</u>
Capital assets, depreciated:				
Buildings and improvements	1,458,150	-	-	1,458,150
Vehicles	525,028	-	-	525,028
Equipment	585,452	-	-	585,452
Infrastructure	<u>240,078</u>	<u>-</u>	<u>-</u>	<u>240,078</u>
Total capital assets, depreciated	<u>2,808,708</u>	<u>-</u>	<u>-</u>	<u>2,808,708</u>
Total capital assets	<u>2,901,449</u>	<u>137,529</u>	<u>-</u>	<u>3,038,978</u>
Less accumulated depreciation:				
Buildings and improvements	220,812	37,388	-	258,200
Vehicles	441,671	75,004	-	516,675
Equipment	522,726	117,090	-	639,816
Infrastructure	<u>16,538</u>	<u>8,003</u>	<u>-</u>	<u>24,541</u>
Total accumulated depreciation	<u>1,201,747</u>	<u>237,485</u>	<u>-</u>	<u>1,439,232</u>
Total capital assets, net of depreciation	<u>\$ 1,699,702</u>	<u>\$ (99,956)</u>	<u>\$ -</u>	<u>\$ 1,599,746</u>

For the year ended June 30, 2010, 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, 2010

NOTE 6. Capital Assets (continued)

Business-type Activities

Proprietary Funds	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Capital assets, not depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	<u>167,500</u>	<u>-</u>	<u>-</u>	<u>167,500</u>
Total capital assets, not depreciated	<u>167,500</u>	<u>-</u>	<u>-</u>	<u>167,500</u>
Capital assets, depreciated:				
Buildings and improvements	279,978	-	-	279,978
Vehicles	28,148	-	-	28,148
Equipment	2,792,546	-	-	2,792,546
Infrastructure	<u>3,371,383</u>	<u>-</u>	<u>-</u>	<u>3,371,383</u>
Total capital assets, depreciated	<u>6,472,055</u>	<u>-</u>	<u>-</u>	<u>6,472,055</u>
Total capital assets	<u>6,639,555</u>	<u>-</u>	<u>-</u>	<u>6,639,555</u>
Less accumulated depreciation:				
Buildings and improvements	164,240	7,179	-	171,419
Vehicles	24,439	4,021	-	28,460
Equipment	3,049,546	558,509	-	3,608,055
Infrastructure	<u>465,756</u>	<u>112,380</u>	<u>-</u>	<u>578,136</u>
Total accumulated depreciation	<u>3,703,981</u>	<u>682,089</u>	<u>-</u>	<u>4,386,070</u>
Total capital assets, net of depreciation	<u>\$ 2,935,574</u>	<u>\$ (682,089)</u>	<u>\$ -</u>	<u>\$ 2,253,485</u>

For the year ended June 30, 2010, depreciation expense of \$ 682,089 was charged to the Joint Utilities Fund.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2010

NOTE 7. Long-term Debt

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

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010	Due Within One Year
Governmental Activities:					
NMFA Loans	\$ 20,506	\$ -	\$ 13,179	\$ 7,327	\$ 7,327
Compensated Absences	12,329	6,866	-	19,195	-
Total long-term debt	\$ 32,835	\$ 6,866	\$ 13,179	\$ 26,522	\$ 7,327

Business- Type Activities:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010	Due Within One Year
USDA Revenue Bonds	\$ 1,046,801	\$ -	\$ 14,000	\$ 1,032,801	\$ 13,932
Compensated Absences	7,942	5,966	-	13,908	13,908
Total long-term debt	\$ 1,054,743	\$ 5,966	\$ 14,000	\$ 1,046,709	\$ 27,840

The General Fund usually pays the compensated absences liability.

Revenue Bonds (USDA)

Bonds outstanding at June 30, 2010 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, 2010

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the Revenue Bonds Payable as of June 30, 2010, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	16,271	45,990	62,261
2016-2020	96,841	217,363	314,204
2021-2025	122,716	191,887	314,603
2026-2030	155,236	159,667	314,903
2031-2035	194,544	119,059	313,603
2036-2040	203,618	69,304	272,922
2041-2045	167,773	24,931	192,704
2046-2049	15,582	1,011	16,593
	<u>\$ 1,032,801</u>	<u>\$ 1,020,586</u>	<u>\$ 2,053,387</u>

NMFA Loans

The Town has entered into a loan agreement 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, 2010
NMFA Loan	6/1/2007	3.00%	\$ 21,000	\$ 7,327
Total NMFA Loans				<u>\$ 7,327</u>

The annual requirements to amortize the Loans as of June 30, 2010, including interest payments are as follows:

NMFA Loans

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2011	\$ 7,327	\$ 202	\$ 7,529
	<u>\$ 7,327</u>	<u>\$ 202</u>	<u>\$ 7,529</u>

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2010

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, 2010, 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 2010, 2009 and 2008 were approximately \$31,425, \$33,598 and \$36,015, respectively, which did equal the amount of the required contributions.

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, 2010

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, 2010, 2009, and 2008, Town of Springer remitted \$5,814, \$4,194 and \$5,051 respectively, to the Retiree Health Care Authority, which equals the amount of required contributions.

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, 2010, 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, 2010

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	(4,414)
Legislative Appropriations - Water Capital Projects Fund	(21,490)
Airport Improvements Capital Projects Fund	(5,494)

- B. Deficit fund balances of individual funds.

Fund	Amount
General Fund	\$ (38,022)
Legislative Appropriation Water Capital Projects Fund	(173,729)
EMS Special Revenue Fund	(90,954)
Library Special Revenue Fund	(14,083)
Streets Special Revenue Fund	(90,544)
Juvenile Recreation Special Revenue Fund	(66,858)
CDBG Sewer System Improvements Capital Projects Fund	(1,160)
RUS - Water Improvements Capital Projects Fund	(90,299)
Rehab of Dams 1 and 2 Capital Projects Fund	(26,738)
Scenic Byways Capital Projects Fund	(2,431)
Airport Improvements Capital Projects Fund	(61,109)

- C. Designated cash appropriations in excess of available balances

	Designated Cash	Beginning year Cash & AR Available	Cash Appropriation in excess of available
EMS Special Revenue Fund	\$ 19,650	\$ 211	\$ 19,439
Library Special Revenue Fund	14,358	2,526	11,832
CDBG Sewer System Improvements Capital Projects Fund	475,000	-	475,000
Airport Improvements Capital Projects Fund	2,713	-	2,713
Museum Proprietary Fund	9,100	-	9,100

NOTE 13. Restricted Net Assets

The government wide statement of net assets did not report any restricted net assets at year end, however did report (\$381,365) of unrestricted net assets for the year end June 30, 2010.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2010

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.

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 \$294,800 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 \$553,670.

The Town of Springer has pledged future revenues from the joint electric, water and sewer system, net of specified operating expenses, to repay \$576,500 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 \$1,181,400.

Also, the Town of Springer has pledged future revenues from the joint electric, water and sewer system, net of specified operating expenses, to repay \$161,501 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 \$318,317.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2010

NOTE 16. Subsequent Pronouncements

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

Due to internal control weaknesses identified in the schedule of findings and questioned costs as item FS 06-07. The Town of Springer was not able to provide a listing of capital outlay appropriations received from the State Legislature during the year ended June 30, 2010 or for any fiscal year prior to that date.

SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
Town of Springer
Nonmajor Fund Descriptions
June 30, 2010

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.

CDBG Water Siphon Project Fund – To account for the disbursements made to the Town from CDBG & NMED Grants to complete the project of the Water Siphon Project.

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.

Airport Improvements Capital Projects Fund – To account for the rehabilitation to the Town Airport for restriping and resurfacing.

STATE OF NEW MEXICO
Town of Springer
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2010

Special Revenue

	<u>Corrections</u>	<u>EMS</u>	<u>Fire Protection</u>	<u>LEPF</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 7,574	\$ -	\$ 22,377	\$ 24,539
Due from other funds	36,728	-	63,952	-
<i>Total assets</i>	<u>\$ 44,302</u>	<u>\$ -</u>	<u>\$ 86,329</u>	<u>\$ 24,539</u>
<i>Liabilities and fund balances</i>				
<i>Liabilities</i>				
Accrued payroll expenses	\$ -	\$ 1,989	\$ 568	\$ -
Due to other funds	-	88,965	-	-
<i>Total liabilities</i>	<u>-</u>	<u>90,954</u>	<u>568</u>	<u>-</u>
<i>Fund balances</i>				
Unreserved, reported in:				
Special revenue	44,302	(90,954)	85,761	24,539
Capital projects	-	-	-	-
<i>Total fund balances</i>	<u>44,302</u>	<u>(90,954)</u>	<u>85,761</u>	<u>24,539</u>
<i>Total liabilities and fund balances</i>	<u>\$ 44,302</u>	<u>\$ -</u>	<u>\$ 86,329</u>	<u>\$ 24,539</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>
\$ -	\$ 7,503	\$ -	\$ -	\$ 10,802
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 7,503</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,802</u>
\$ 1,122	\$ -	\$ -	\$ 2,906	\$ -
<u>12,961</u>	<u>-</u>	<u>90,544</u>	<u>63,952</u>	<u>-</u>
<u>14,083</u>	<u>-</u>	<u>90,544</u>	<u>66,858</u>	<u>-</u>
(14,083)	7,503	(90,544)	(66,858)	10,802
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(14,083)</u>	<u>7,503</u>	<u>(90,544)</u>	<u>(66,858)</u>	<u>10,802</u>
<u>\$ -</u>	<u>\$ 7,503</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,802</u>

STATE OF NEW MEXICO
Town of Springer
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2010

	Capital Projects			
	CDBG Sewer System Improvements	CDBG Water Siphon Project	RUS Water Improvements	Rehab of Dams 1 and 2
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ 32,329	\$ -
Due from other funds	-	-	-	-
<i>Total assets</i>	\$ -	\$ -	\$ 32,329	\$ -
<i>Liabilities and fund balances</i>				
<i>Liabilities</i>				
Accrued payroll expenses	\$ -	\$ -	\$ -	\$ -
Due to other funds	1,160	90,299	-	26,738
<i>Total liabilities</i>	1,160	90,299	-	26,738
<i>Fund balances</i>				
Unreserved, reported in:				
Special revenue	-	-	-	-
Capital projects	(1,160)	(90,299)	32,329	(26,738)
<i>Total fund balances</i>	(1,160)	(90,299)	32,329	(26,738)
<i>Total liabilities and fund balances</i>	\$ -	\$ -	\$ 32,329	\$ -

The accompanying notes are an integral part of these financial statements

Capital Projects

<u>Co-op Grant</u>	<u>Sewer Lagoon Fund</u>	<u>Scenic Byways</u>	<u>Airport Improvements</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 37,609	\$ 48,648	\$ -	\$ -	\$ 191,381
-	-	-	-	100,680
<u>\$ 37,609</u>	<u>\$ 48,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 292,061</u>
\$ -	\$ -	\$ -	\$ -	\$ 6,585
-	-	2,431	61,109	377,050
-	-	2,431	61,109	383,635
-	-	-	-	(89,532)
<u>37,609</u>	<u>48,648</u>	<u>(2,431)</u>	<u>(61,109)</u>	<u>(2,042)</u>
<u>37,609</u>	<u>48,648</u>	<u>(2,431)</u>	<u>(61,109)</u>	<u>(91,574)</u>
<u>\$ 37,609</u>	<u>\$ 48,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 292,061</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, 2010

	Special Revenue			
	Corrections	EMS	Fire Protection	LEPF
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
State operating grants	-	7,718	77,451	21,301
State capital grants	-	-	-	-
Charges for services	-	27,303	-	-
Licenses and fees	2,021	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	2,021	35,021	77,451	21,301
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	882	56,937	34,352	1,367
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	10,963	-
Debt service:				
Principal	-	-	-	13,179
Interest	-	-	-	564
<i>Total expenditures</i>	882	56,937	45,315	15,110
<i>Excess (deficiency) of revenues over expenditures</i>	1,139	(21,916)	32,136	6,191
<i>Other financing sources (uses)</i>				
Transfers in/(out)	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	1,139	(21,916)	32,136	6,191
<i>Fund balances - beginning of year</i>	43,163	(69,038)	53,625	18,348
<i>Fund balances - end of year</i>	\$ 44,302	\$ (90,954)	\$ 85,761	\$ 24,539

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>
\$ -	\$ -	\$ -	\$ 1,207	\$ -
-	-	4,109	-	-
-	1,579	-	-	-
9,889	-	-	(1,796)	-
36,500	-	-	-	-
346	-	-	412	-
-	-	-	2,977	-
10	-	-	-	-
<u>46,745</u>	<u>1,579</u>	<u>4,109</u>	<u>2,800</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	54,944	-	-
41,015	1,945	-	8,524	-
-	-	-	-	-
-	-	-	-	-
<u>41,015</u>	<u>1,945</u>	<u>54,944</u>	<u>8,524</u>	<u>-</u>
<u>5,730</u>	<u>(366)</u>	<u>(50,835)</u>	<u>(5,724)</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
5,730	(366)	(50,835)	(5,724)	-
<u>(19,813)</u>	<u>7,869</u>	<u>(39,709)</u>	<u>(61,134)</u>	<u>10,802</u>
<u>\$ (14,083)</u>	<u>\$ 7,503</u>	<u>\$ (90,544)</u>	<u>\$ (66,858)</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, 2010

	Capital Projects			
	CDBG Sewer System Improvements	CDBG Water Siphon Project	RUS Water Improvements	Rehab of Dams 1 and 2
<i>Revenues:</i>				
<i>Taxes:</i>				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and oil	-	-	-	-
Other	-	-	-	-
<i>Intergovernmental:</i>				
State operating grants	-	-	-	-
State capital grants	-	-	-	22,317
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	-	22,317
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	1,617
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	90,299	-	33,638
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	90,299	-	35,255
<i>Excess (deficiency) of revenues over expenditures</i>	-	(90,299)	-	(12,938)
<i>Other financing sources (uses)</i>				
Transfers in/(out)	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	-	(90,299)	-	(12,938)
<i>Fund balances - beginning of year</i>	(1,160)	-	32,329	(13,800)
<i>Fund balances - end of year</i>	\$ (1,160)	\$ (90,299)	\$ 32,329	\$ (26,738)

The accompanying notes are an integral part of these financial statements

Capital Projects

Co-op Grant	Sewer Lagoon Project	Scenic Byways	Airport Improvements	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,207
-	-	-	-	4,109
-	-	-	-	1,579
-	-	-	-	114,563
-	-	-	-	58,817
-	-	-	-	28,061
-	-	-	-	4,998
-	-	-	-	10
-	-	-	-	213,344
-	-	-	825	2,442
-	-	-	-	93,538
-	-	-	-	54,944
-	-	-	-	51,484
-	-	-	2,629	137,529
-	-	-	-	13,179
-	-	-	-	564
-	-	-	3,454	353,680
-	-	-	(3,454)	(140,336)
-	-	-	-	-
-	-	-	-	-
-	-	-	(3,454)	(140,336)
37,609	48,648	(2,431)	(57,655)	(12,347)
<u>\$ 37,609</u>	<u>\$ 48,648</u>	<u>\$ (2,431)</u>	<u>\$ (61,109)</u>	<u>\$ (152,683)</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, 2010

	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	11,650	11,650	(7,279)	(18,929)
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>11,650</u>	<u>11,650</u>	<u>(7,279)</u>	<u>(18,929)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	1,500	1,500	882	618
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,500</u>	<u>1,500</u>	<u>882</u>	<u>618</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>10,150</u>	<u>10,150</u>	<u>(8,161)</u>	<u>(18,311)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(10,150)	(10,150)	-	10,150
Proceeds from sale of equipment	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(10,150)</u>	<u>(10,150)</u>	<u>-</u>	<u>10,150</u>
<i>Net change in fund balance</i>	-	-	(8,161)	(8,161)
<i>Fund balance - beginning of year</i>	-	-	43,163	43,163
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,002</u>	<u>\$ 35,002</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (8,161)
Adjustment to revenue for incorrectly posted agency cash				9,300
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 1,139</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, 2010

	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	-	-	7,718	7,718
State capital grants	-	-	-	-
Charges for services	40,000	40,000	27,514	(12,486)
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>40,000</u>	<u>40,000</u>	<u>35,232</u>	<u>(4,768)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	82,650	52,650	57,064	(4,414)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>82,650</u>	<u>52,650</u>	<u>57,064</u>	<u>(4,414)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(42,650)</u>	<u>(12,650)</u>	<u>(21,832)</u>	<u>(9,182)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	19,650	(10,350)	-	10,350
Proceeds from sale of equipment	-	-	-	-
Transfers in	23,000	23,000	-	(23,000)
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>42,650</u>	<u>12,650</u>	<u>-</u>	<u>(12,650)</u>
<i>Net change in fund balance</i>	-	-	(21,832)	(21,832)
<i>Fund balance - beginning of year</i>	-	-	(67,133)	(67,133)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (88,965)</u>	<u>\$ (88,965)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (21,832)
Adjustments to revenues for charges for services				(211)
Adjustments to expenditures for public safety expenditures				127
Net change in fund balance (GAAP basis)				<u>\$ (21,916)</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, 2010

	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	55,584	58,584	77,451	18,867
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>55,584</u>	<u>58,584</u>	<u>77,451</u>	<u>18,867</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	36,400	56,400	34,774	21,626
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	20,000	-	10,945	(10,945)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>56,400</u>	<u>56,400</u>	<u>45,719</u>	<u>10,681</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(816)</u>	<u>2,184</u>	<u>31,732</u>	<u>29,548</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	816	(2,184)	-	2,184
Proceeds from sale of equipment	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>816</u>	<u>(2,184)</u>	<u>-</u>	<u>2,184</u>
<i>Net change in fund balance</i>	-	-	31,732	31,732
<i>Fund balance - beginning of year</i>	-	-	54,597	54,597
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,329</u>	<u>\$ 86,329</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ 31,732
No adjustments to revenues				-
Adjustments to expenditures for public safety and capital outlay expenditures				404
Net change in fund balance (GAAP basis)				<u>\$ 32,136</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, 2010

	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	14,952	14,952	7,558	(7,394)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>14,952</u>	<u>14,952</u>	<u>7,558</u>	<u>(7,394)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	14,952	14,952	1,367	13,585
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>14,952</u>	<u>14,952</u>	<u>1,367</u>	<u>13,585</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>6,191</u>	<u>6,191</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
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>	-	-	6,191	6,191
<i>Fund balance - beginning of year</i>	-	-	18,348	18,348
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,539</u>	<u>\$ 24,539</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ 6,191
Adjustment to revenue for state operating grants				(13,743)
Adjustments to expenditures for long term debt and interest payments				13,743
Net change in fund balance (GAAP basis)				<u>\$ 6,191</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, 2010

	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	14,592	-	12,415	12,415
State capital grants	-	16,992	36,500	19,508
Charges for services	1,000	-	346	346
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	10	10
<i>Total revenues</i>	<u>15,592</u>	<u>16,992</u>	<u>49,271</u>	<u>32,279</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	44,950	44,950	41,178	3,772
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>44,950</u>	<u>44,950</u>	<u>41,178</u>	<u>3,772</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(29,358)</u>	<u>(27,958)</u>	<u>8,093</u>	<u>36,051</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	14,358	(2,042)	-	2,042
Proceeds from sale of equipment	-	-	-	-
Transfers in	15,000	30,000	-	(30,000)
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>29,358</u>	<u>27,958</u>	<u>-</u>	<u>(27,958)</u>
<i>Net change in fund balance</i>	-	-	8,093	8,093
<i>Fund balance - beginning of year</i>	-	-	(21,054)	(21,054)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>(12,961)</u>	<u>(12,961)</u>
Net change in fund balance (Non-GAAP budgetary basis)				8,093
Adjustments to revenues for state operating grants				(2,526)
Adjustments to expenditures for culture and recreation expenditures				163
Net change in fund balance (GAAP basis)				<u>\$ 5,730</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, 2010

	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	4,000	4,000	1,579	(2,421)
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>4,000</u>	<u>4,000</u>	<u>1,579</u>	<u>(2,421)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	4,000	4,000	1,945	2,055
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,000</u>	<u>4,000</u>	<u>1,945</u>	<u>2,055</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(366)</u>	<u>(366)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
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>	-	-	(366)	(366)
<i>Fund balance - beginning of year</i>	-	-	7,869	7,869
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,503</u>	<u>\$ 7,503</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (366)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (366)</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, 2010

	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	7,000	7,000	4,760	(2,240)
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	65,986	65,986	-	(65,986)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>72,986</u>	<u>72,986</u>	<u>4,760</u>	<u>(68,226)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	14,500	33,454	54,944	(21,490)
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>14,500</u>	<u>33,454</u>	<u>54,944</u>	<u>(21,490)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>58,486</u>	<u>39,532</u>	<u>(50,184)</u>	<u>(89,716)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(78,486)	(77,032)	-	77,032
Proceeds from sale of equipment	-	-	-	-
Transfers in	20,000	37,500	-	(37,500)
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(58,486)</u>	<u>(39,532)</u>	<u>-</u>	<u>39,532</u>
<i>Net change in fund balance</i>	-	-	(50,184)	(50,184)
<i>Fund balance - beginning of year</i>	-	-	(40,360)	(40,360)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>(90,544)</u>	<u>(90,544)</u>
Net change in fund balance (Non-GAAP budgetary basis)				(50,184)
Adjustments to revenues for gasoline and oil taxes				(651)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (50,835)</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, 2010

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	1,000	1,000	1,207	207
Gasoline and oil	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	12,608	12,608
State capital grants	-	-	-	-
Charges for services	-	-	412	412
Licenses and fees	1,200	1,200	2,977	1,777
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,200</u>	<u>2,200</u>	<u>17,204</u>	<u>15,004</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	36,100	36,100	19,642	16,458
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>36,100</u>	<u>36,100</u>	<u>19,642</u>	<u>16,458</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(33,900)</u>	<u>(33,900)</u>	<u>(2,438)</u>	<u>31,462</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	8,900	(1,100)	-	1,100
Proceeds from sale of equipment	-	-	-	-
Transfers in	25,000	35,000	-	(35,000)
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>33,900</u>	<u>33,900</u>	<u>-</u>	<u>(33,900)</u>
<i>Net change in fund balance</i>	-	-	(2,438)	(2,438)
<i>Fund balance - beginning of year</i>	-	-	(61,514)	(61,514)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (63,952)</u>	<u>\$ (63,952)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (2,438)
Adjustments to revenues for state operating grants				(14,404)
Adjustments to expenditures for culture and recreation expenditures				11,118
Net change in fund balance (GAAP basis)				<u>\$ (5,724)</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, 2010

	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	70,782	70,782	-	(70,782)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>70,782</u>	<u>70,782</u>	<u>-</u>	<u>(70,782)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	4,950	4,950	-	4,950
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,950</u>	<u>4,950</u>	<u>-</u>	<u>4,950</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>65,832</u>	<u>65,832</u>	<u>-</u>	<u>(65,832)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(65,832)	(65,832)	-	65,832
Proceeds from sale of equipment	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(65,832)</u>	<u>(65,832)</u>	<u>-</u>	<u>65,832</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 adjustments to revenues				-
No adjustments to expenditures				-
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, 2010

	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	-	-	-	-
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>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
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 adjustments to revenues				-
No adjustments to expenditures				-
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

CDBG Water Siphon Project 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, 2010

	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	-	475,000	-	(475,000)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>475,000</u>	<u>-</u>	<u>(475,000)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	475,000	475,000	-	475,000
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>475,000</u>	<u>475,000</u>	<u>-</u>	<u>475,000</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(475,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	475,000	-	-	-
Proceeds from sale of equipment	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>475,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	0	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ -
No adjustments to revenues				-
Adjustments to expenditures for capital outlay expenses				(90,299)
Net change in fund balance (GAAP basis)				<u>\$ (90,299)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-12

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, 2010

	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	-	-	-	-
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>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
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 adjustments to revenues				-
No adjustments to expenditures				-
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-13

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, 2010

	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	1,742,000	1,742,000	22,317	(1,719,683)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,742,000</u>	<u>1,742,000</u>	<u>22,317</u>	<u>(1,719,683)</u>
<i>Expenditures:</i>				
Current:				
General government	1,742,000	1,742,000	33,638	1,708,362
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,742,000</u>	<u>1,742,000</u>	<u>33,638</u>	<u>1,708,362</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(11,321)</u>	<u>(11,321)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
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>	-	-	(11,321)	(11,321)
<i>Fund balance - beginning of year</i>	-	-	(15,417)	(15,417)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,738)</u>	<u>\$ (26,738)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (11,321)
No adjustments to revenues				-
Adjustments to expenditures for general government expenditures				(1,617)
Net change in fund balance (GAAP basis)				<u>\$ (12,938)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-14

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, 2010

	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	87,156	7,014	49,290	42,276
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>87,156</u>	<u>7,014</u>	<u>49,290</u>	<u>42,276</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	77,747	(77,747)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>77,747</u>	<u>(77,747)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>87,156</u>	<u>7,014</u>	<u>(28,457)</u>	<u>(35,471)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(87,156)	(7,014)	-	7,014
Proceeds from sale of equipment	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(87,156)</u>	<u>(7,014)</u>	<u>-</u>	<u>7,014</u>
<i>Net change in fund balance</i>	-	-	(28,457)	(28,457)
<i>Fund balance - beginning of year</i>	-	-	(145,272)	(145,272)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (173,729)</u>	<u>\$ (173,729)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (28,457)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (28,457)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-15

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, 2010

	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	-	1,357	-	(1,357)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>1,357</u>	<u>-</u>	<u>(1,357)</u>
<i>Expenditures:</i>				
Current:				
General government	36,500	36,500	-	36,500
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>36,500</u>	<u>36,500</u>	<u>-</u>	<u>36,500</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(36,500)</u>	<u>(35,143)</u>	<u>-</u>	<u>35,143</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	36,500	35,143	-	(35,143)
Proceeds from sale of equipment	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>36,500</u>	<u>35,143</u>	<u>-</u>	<u>(35,143)</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	37,609	37,609
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,609</u>	<u>\$ 37,609</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ -
No adjustments to revenues				-
Adjustments to expenditures for general government expenditures				-
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

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, 2010

	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	62,881	62,881	-	(62,881)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>62,881</u>	<u>62,881</u>	<u>-</u>	<u>(62,881)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
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>62,881</u>	<u>62,881</u>	<u>-</u>	<u>(62,881)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(62,881)	(62,881)	-	62,881
Proceeds from sale of equipment	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(62,881)</u>	<u>(62,881)</u>	<u>-</u>	<u>62,881</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 adjustments to revenues				-
No adjustments to expenditures				-
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

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, 2010

	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	-	-	-	-
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>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
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 adjustments to revenues				-
No adjustments to expenditures				-
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-18

Town of Springer

Airport 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, 2010

	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	51,557	51,557	-	(51,557)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>51,557</u>	<u>51,557</u>	<u>-</u>	<u>(51,557)</u>
<i>Expenditures:</i>				
Current:				
General government	54,270	54,270	59,764	(5,494)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>54,270</u>	<u>54,270</u>	<u>59,764</u>	<u>(5,494)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,713)</u>	<u>(2,713)</u>	<u>(59,764)</u>	<u>(57,051)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	2,713	2,713	-	(2,713)
Proceeds from sale of equipment	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>2,713</u>	<u>2,713</u>	<u>-</u>	<u>(2,713)</u>
<i>Net change in fund balance</i>	-	-	(59,764)	(59,764)
<i>Fund balance - beginning of year</i>	-	-	(1,345)	(1,345)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (61,109)</u>	<u>\$ (61,109)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (59,764)
No adjustments to revenues				-
Adjustments to expenditures for general government expenditure and capital outlay				56,310
Net change in fund balance (GAAP basis)				<u>\$ (3,454)</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, 2010

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP	Favorable
			Budgetary	(Unfavorable)
				Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 1,206,400	\$ 1,206,400	\$ 1,088,793	\$ (117,607)
<i>Total operating revenues</i>	<u>1,206,400</u>	<u>1,206,400</u>	<u>1,088,793</u>	<u>(117,607)</u>
<i>Operating expenditures:</i>				
Operating	-	-	-	-
General and administrative	920,123	920,123	713,264	206,859
Personnel services	210,000	210,000	193,964	16,036
Contractual services	16,300	16,300	11,773	4,527
Supplies	20,000	20,000	58,801	(38,801)
Maintenance and materials	29,200	29,200	8,238	20,962
Utilities	50,850	50,850	46,141	4,709
Equipment	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	48,903	(48,903)
Miscellaneous	300	300	300	-
Depreciation	-	-	682,089	(682,089)
Gross receipts tax	-	-	-	-
Capital outlay	-	-	-	-
<i>Total operating expenditures</i>	<u>1,246,773</u>	<u>1,246,773</u>	<u>1,763,473</u>	<u>(516,700)</u>
<i>Operating income (loss)</i>	<u>(40,373)</u>	<u>(40,373)</u>	<u>(674,680)</u>	<u>(634,307)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(945)	(66,613)	-	66,613
Other taxes	-	-	(625)	(625)
Miscellaneous	99,440	106,986	7,025	(99,961)
Bond Issuance Costs	-	-	(188)	(188)
Transfers in	-	30,000	-	(30,000)
Transfers out	(58,122)	(30,000)	-	30,000
<i>Total other financing sources (uses)</i>	<u>40,373</u>	<u>40,373</u>	<u>6,212</u>	<u>(34,161)</u>
<i>Change in net assets</i>	-	-	(668,468)	(668,468)
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>2,601,530</u>	<u>2,601,530</u>
<i>Net assets- end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,933,062</u>	<u>\$ 1,933,062</u>
Change in net assets above			\$ 13,621	
Depreciation			(682,089)	
Change in net assets per Exhibit D-2			<u>\$ (668,468)</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, 2010

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP Budgetary)	Favorable (Unfavorable)
				Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 3,000	\$ 3,000	\$ 1,350	\$ (1,650)
<i>Total operating revenues</i>	<u>3,000</u>	<u>3,000</u>	<u>1,350</u>	<u>(1,650)</u>
<i>Operating expenditures:</i>				
Operating	-	-	-	-
General and administrative	-	-	-	-
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Supplies	-	-	-	-
Maintenance and materials	1,500	1,500	585	915
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>585</u>	<u>915</u>
<i>Operating income (loss)</i>	<u>1,500</u>	<u>1,500</u>	<u>765</u>	<u>(735)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(1,500)	(1,500)	-	1,500
Other taxes	-	-	-	-
Miscellaneous	-	-	-	-
Bond Issuance Costs	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(1,500)</u>	<u>(1,500)</u>	<u>-</u>	<u>1,500</u>
<i>Change in net assets</i>	-	-	765	765
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>5,514</u>	<u>5,514</u>
<i>Net assets- end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,279</u>	<u>\$ 6,279</u>
Change in net assets above			\$ 765	
Depreciation			-	
Change in net assets per Statement D-2			<u>\$ 765</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, 2010

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP Budgetary)	Favorable (Unfavorable)
				Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 4,000	\$ 4,000	\$ 2,926	\$ (1,074)
<i>Total operating revenues</i>	<u>4,000</u>	<u>4,000</u>	<u>2,926</u>	<u>(1,074)</u>
<i>Operating expenditures:</i>				
Operating	-	-	-	-
General and administrative	6,700	6,700	2,694	4,006
Personnel services	9,000	9,000	6,614	2,386
Contractual services	-	-	101	(101)
Supplies	700	700	700	-
Maintenance and materials	1,000	1,000	224	776
Utilities	5,700	5,700	5,081	619
Equipment	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Depreciation	-	-	-	-
Gross receipts tax	-	-	-	-
Capital outlay	-	-	-	-
<i>Total operating expenditures</i>	<u>23,100</u>	<u>23,100</u>	<u>15,414</u>	<u>7,686</u>
<i>Operating income (loss)</i>	<u>(19,100)</u>	<u>(19,100)</u>	<u>(12,488)</u>	<u>6,612</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	9,100	9,100	-	(9,100)
Other taxes	-	-	-	-
Miscellaneous	-	-	-	-
Bond Issuance Costs	-	-	-	-
Transfers in	10,000	10,000	-	(10,000)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>19,100</u>	<u>19,100</u>	<u>-</u>	<u>(19,100)</u>
<i>Change in net assets</i>	-	-	(12,488)	(12,488)
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>59,002</u>	<u>59,002</u>
<i>Net assets- end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,514</u>	<u>\$ 46,514</u>
Change in net assets above			\$ (12,488)	
Depreciation			-	
Change in net assets per Statement D-2			<u>\$ (12,488)</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, 2010

Statement D-1

	Cemetery	Museum	Total
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 6,279	\$ -	\$ 6,279
<i>Total current assets</i>	6,279	-	6,279
<i>Noncurrent assets</i>			
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>	\$ 6,279	\$ 83,242	\$ 89,521
<i>Liabilities and Net Assets</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	36,728	36,728
<i>Total current liabilities</i>	-	36,728	36,728
<i>Noncurrent liabilities</i>			
Bonds payable	-	-	-
<i>Total noncurrent liabilities</i>	-	-	-
<i>Total liabilities</i>	-	36,728	36,728
<i>Net Assets:</i>			
Invested in capital assets, net of related debt	-	83,242	83,242
Unrestricted net assets	6,279	(36,728)	(30,449)
<i>Total net assets</i>	6,279	46,514	52,793
<i>Total Liabilities and Net Assets</i>	\$ 6,279	\$ 83,242	\$ 89,521

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, 2010

	Cemetery	Museum	Total
<i>Operating revenues:</i>			
Charges for services	\$ 1,350	\$ 2,926	\$ 4,276
<i>Total operating revenues</i>	<u>1,350</u>	<u>2,926</u>	<u>4,276</u>
<i>Operating expenses:</i>			
General and administrative	-	2,694	2,694
Personnel services	-	6,614	6,614
Contractual services	-	101	101
Supplies and purchased power	-	700	700
Maintenance and materials	585	224	809
Utilities	-	5,081	5,081
<i>Total operating expenses</i>	<u>585</u>	<u>15,414</u>	<u>15,999</u>
<i>Operating income (loss)</i>	<u>765</u>	<u>(12,488)</u>	<u>(11,723)</u>
<i>Non-operating revenues (expenses):</i>			
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>	765	(12,488)	(11,723)
<i>Net assets, beginning of year</i>	<u>5,514</u>	<u>59,002</u>	<u>64,516</u>
<i>Net assets, end of year</i>	<u>\$ 6,279</u>	<u>\$ 46,514</u>	<u>\$ 52,793</u>

The accompanying notes are an integral part of these financial statements

SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
Town of Springer
Schedule of Collateral Pledged By Depository
For Public Funds
June 30, 2010

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					
	FGH00895	6/1/2037	3128MS7G9	\$ 132,910	Wells Fargo, San Francisco, CA
	FNMAP #257004	12/1/2037	31371NNV3	<u>188,487</u>	Wells Fargo, San Francisco, CA
	Total Pledged Collateral			<u><u>\$ 321,397</u></u>	

See independent auditor's report

STATE OF NEW MEXICO
Town of Springer
Schedule of Deposits and Investments
by Depository
June 30, 2010

General Government

Account	Account Type	Wells Fargo Bank	International Bank	Total
General Account	Checking	\$ 451,213	\$ -	\$ 451,213
Revenue Bond Account	Checking	5,687	-	5,687
Cemetery Memorial Fund	Checking	1,870	-	1,870
Construction Account	Checking	977	-	977
Veteran's Memorial Fund	Checking	404	-	404
Springer CDBG	Checking	-	-	-
Payroll Account	Checking	-	71,570	71,570
Meter Deposit Account	Checking	-	40,059	40,059
Municipal Court Escrow Account	Checking	-	3,538	3,538
Veterans Memorial Fund	Checking	-	492	492
Municipal Court Bond Account	Checking	-	328	328
Total per bank		460,151	115,987	576,138
Reconciling Items		(5,198)	(18,294)	(23,492)
Reconciled balance - June 30, 2010		<u>\$ 454,953</u>	<u>\$ 97,693</u>	
Total deposits				<u><u>\$ 552,646</u></u>
Cash and cash equivalents and investments per financial statements:				
Governmental Activities - Exhibit A-1				\$ 187,681
Business-type Activities - Exhibit A-1				13,173
Agency funds - Exhibit E-1				3,700
Add: Unreconciled difference				<u>348,092</u>
Total cash and cash equivalents				<u><u>\$ 552,646</u></u>

See independent auditor's report

STATE OF NEW MEXICO
 Town of Springer
 Schedule of Deposits and Investments
 by Depository
 June 30, 2010

Component Unit-Housing Authority

Account	Account Type	Wells Fargo Bank
Public Fund- regular checking	Checking	\$ 221,563
Public Fund- Interest checking	Checking	9,407
CFP- regular checking	Checking	-
CFP- regular checking	Savings	(7)
CFP- regular checking	Checking	(7)
Certificate of deposit- investments	CD	39,167
Certificate of deposit- investments	CD	33,133
		303,256
Total per bank		303,256
Petty cash		100
Reconciling items		14
Reconciled balance - June 30, 2010		\$ 303,370

Cash and cash equivalents per discretely presented component unit financial statements:

Cash and cash equivalents- Exhibit A-1	\$ 221,571
Investments- Exhibit A-1	72,300
Restricted cash and cash equivalents- Exhibit A-1	9,499
	303,370
Total cash and cash equivalents	\$ 303,370

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, 2010

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<i>Municipal Court Escrow Fund</i>				
Assets				
Cash and cash equivalents	\$ 760	\$ 8,126	\$ 5,186	\$ 3,700
<i>Total assets</i>	<u>\$ 760</u>	<u>\$ 8,126</u>	<u>\$ 5,186</u>	<u>\$ 3,700</u>
Liabilities				
Due to other entities	\$ 760	\$ 8,126	\$ 5,186	\$ 3,700
<i>Total liabilities</i>	<u>\$ 760</u>	<u>\$ 8,126</u>	<u>\$ 5,186</u>	<u>\$ 3,700</u>
<i>Economic Development Fund</i>				
Assets				
Cash and cash equivalents	\$ 9,300	\$ -	\$ 9,300	\$ -
<i>Total assets</i>	<u>\$ 9,300</u>	<u>\$ -</u>	<u>\$ 9,300</u>	<u>\$ -</u>
Liabilities				
Due to other entities	\$ 9,300	\$ -	\$ 9,300	\$ -
<i>Total liabilities</i>	<u>\$ 9,300</u>	<u>\$ -</u>	<u>\$ 9,300</u>	<u>\$ -</u>
<i>Total Agency Funds</i>				
Assets				
Cash and cash equivalents	\$ 10,060	\$ 8,126	\$ 14,486	\$ 3,700
<i>Total assets</i>	<u>\$ 10,060</u>	<u>\$ 8,126</u>	<u>\$ 14,486</u>	<u>\$ 3,700</u>
Liabilities				
Due to other entities	\$ 10,060	\$ 8,126	\$ 14,486	\$ 3,700
<i>Total liabilities</i>	<u>\$ 10,060</u>	<u>\$ 8,126</u>	<u>\$ 14,486</u>	<u>\$ 3,700</u>

See independent auditor's report

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COMPLIANCE SECTION



**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 have audited 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, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents and have issued our report thereon dated April 29, 2011. 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, 2010 as listed in the table of contents. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Listed 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, FS 10-01, FS 10-02, FS 10-03, FS 10-04, and FS 10-05.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We and the other auditors consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. Listed as items FS 10-07 and FS 10-01HA.

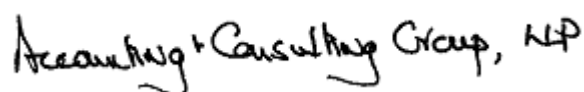
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, FS 09-07, and FS 10-07.

We also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as item FS 10-06.

The 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 the 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
Albuquerque, NM
April 29, 2011



Accounting & Consulting Group, LLP
Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT ARE DIRECT AND MATERIAL 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 the Town of Springer, 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, 2010. The 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 the Town of Springer's management. Our responsibility is to express an opinion on the 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 the 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 the 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 of Springer 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.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the Town of Springer did not comply in all material respects, with the requirements referred to above that are applicable to its Water and Wastewater Loan and Grant Program.

Internal Control Over Compliance

Management of the 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 the 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Town of Springer's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirements of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control compliance described in the accompanying schedule of findings and questioned costs as item FA 09-01 to be a significant deficiency.

The Town of Springer'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 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 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

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
April 29, 2011

STATE OF NEW MEXICO
 Town of Springer
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2010

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, 2010. 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>\$ 1,032,801</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, 2010

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? | Yes |
| 2. Type of auditors' report issued on compliance for major programs | Adverse |
| 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: Physical inventories of each Department were completed by May 28, 2010, as indicated in the previous year's response. During the audit the new Clerk-Treasurer was unable to locate where the previous Clerk-Treasurer had filed said inventories. The previous acting Clerk-Treasurer also failed to complete an inventory for the Admin office fixed assets after reporting to the Mayor and Board that this had been done. Once inventories are located a copy will be provided to the auditor. A computerized software system for accounting for fixed assets will be purchased. Not all information requested at a minimum in section 2.20.18B will be able to be provided due to lack of historical documents.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2010

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, 2010:

Fund	Amount
General Fund	\$ (18,394)
EMS Special Revenue Fund	(4,414)
Legislative Appropriations - Water Capital Projects Fund	(21,490)
Airport Improvements Capital Projects Fund	(5,494)

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 Town did improve on its budget monitoring and as a result only four (4) versus thirteen (13) the previous year line items were over budget. As of the audit finding these four (4) line items have been corrected and a Board of Finance has approved an interim budget and a Resolution was adopted and submitted to DFA and is awaiting approval.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 05-09 — Late Filing of Audit Report

Condition: The Town did not issue its 2010 audit report by the December 1, 2010 deadline.

Criteria: The Town of Springer is required to submit their audit reports for the year ended June 30, 2010 on or before December 1, 2010 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, 2010 audit report on a timely basis because the prior year audit was late, and certain items held up the submission of the 2010 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 previous acting Clerk-Treasurer failed to meet the December 1st deadline after having assured the Mayor and Board that this had been completed. The town will work and 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: Previous acting Clerk-Treasurer was not capable and trained to perform this function. As of January the new Clerk-Treasurer has been complying with this requirement. In addition to last year's response the Town will send all financial management staff to the appropriate trainings beginning in FY 2011-2012.

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 10 randomly selected payroll disbursements totaling \$8,038 revealed that 4 payroll disbursements totaling \$3,634 did not have proper time sheets on file and the hours worked could not be verified.
- Tests performed on 10 randomly selected payroll disbursements totaling \$8,038 revealed that 1 payroll disbursements totaling \$829 did not have proper authorization on employee time sheet from department head.
- 8 out of the 10 randomly selected payroll disbursements did not have verification of the employee's employment status or employee pay rate, or any approval by the Council.
- 1 out of the 10 randomly selected payroll disbursements did not have any supporting documentation to support the employment of the employee with the City as they were not able to locate a personnel file or any additional information supporting the amount paid.

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 2010 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: All of the noted deficiencies occurred during the tenure of the previous acting Clerk-Treasurer and all payroll deficiencies have been corrected as September 2010. Town will follow the auditor's recommendation that the Town will follow internal controls over payroll that are already in place and conduct quarterly reviews.

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.
- Lack of internal controls over bank reconciliations.
- No management review performed over voided checks
- Lack of internal controls where the Town is not properly tracking check sequences for all bank accounts
- Lack of IT controls over the QuickBooks accounting software including controls over modifications of vendor and customer master files.
- Lack of internal controls over approval and documentation for adjustments of cash accounts by management

Criteria: 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.

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 2010 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 will continue to work to improve as per the auditor’s recommendation.

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, no supporting documentation was maintained supporting the existence of bids.

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 previous Clerk-Treasurer had no knowledge of the Procurement Code requirements. Since September the new Clerk-Treasurer has been abiding by the Procurement Code for all purchases and a requisition and review process with required quotes is in place. At the Town's next Regular meeting for June 21st the Town will adopt a Resolution for compliance with the State Procurement Code and a copy will be provided 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:

- 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, 2010, by a difference of \$348,093. Also, the accounting system's trial balance did not tie to the reconciled balance at June 30, 2010 by \$2,721.
- Bank reconciliation for May 2010 had deposits that cleared in February 2010 due to amounts being re-deposited in the accounting system. In order to reconcile a journal entry was posted to an "unused funds" expense account to tie out to the total ending balance per the bank statement.
- No reconciliation could be obtained for the General Operations Checking Account for April 2010.
- No reconciliations were not prepared in a timely manner for the Cemetery Checking Account for the majority of the 2010 fiscal year. Upon reconciliation the Town debited cash and credited the "unused funds" expense account to tie out to the ending balance per the bank statement.
- Check issued from the General Operations Checking Account totaling \$100 was not entered in the QuickBooks Accounting software and was added to a journal entry as documented above as an expense to "unused funds" account.
- Check issued from the General Operations Checking Account totaling \$3,857 was posted to the fiscal year 2010, however the check was dated subsequent to that time period resulting in fiscal year 2011 expenses understated and fiscal year 2010 expenses being overstated.
- Payroll expenses totaling \$5,022 were found to be incorrectly posted to repair and maintenance expense account

Criteria: All Towns shall establish and maintain a general ledger in accordance with established rules and regulations. Generally accepted accounting principals dictate that 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.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

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

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, 2010. 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, 2009. 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, 2010. 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.

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 previous acting Clerk-Treasurer had no training or experience in bank reconciliations. The new Clerk has been balancing monthly and reports are available for review. Monthly cash balance reconciliations and quarterly budget reviews will be incorporated in FY 2011-2012 Practices.

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, 2010 the Joint Utility Fund was owed \$626,730 by various other funds of the Town.

Criteria: Bond Series 1997A, \$294,800 –

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, \$294,800 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, \$576,500 -

Per the U.S. Department of Agriculture, Rural Development, Rural Utilities Service (RUS) letter of conditions dated January 28, 1999, for the Series 2003, \$576,500 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, 2010 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 previous Clerk-Treasurer had no knowledge of USDA Debt requirements and thusly were just not completed or reported to the Mayor and Board. The new Clerk-Treasurer discovered this deficiency and corrected it immediately and has been made timely. Town has been in compliance since September 2010 and USDA is aware that we are in compliance.

FS 09-01 — Stale Dated Transactions Not Cancelled

Condition: The Town is in violation of state statutes regarding stale-dated checks. The Town maintained four checks in the general fund that were dated over one year old at June 30, 2010. These checks totaled \$623.94.

Criteria: Chapter 7 Article 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: Previous acting Clerk-Treasurer did not cancel stale check as reported. On January 8, 2011 the General Account reconciliation detail ledger shows that all stale checks were cancelled by the new Clerk-Treasurer.

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 2010 bank reconciliations:

- The CDBG, Cemetery, General, Revenue Bond, Meter Deposit, Municipal Court Bond, Municipal Court Escrow, Payroll and both Veterans accounts are not being reconciled in a timely manner for the fiscal year 2010.
- There was no evidence of review from appropriate management personnel for all cash accounts including activity funds.

Criteria: Good internal control policy dictates 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 state statute and internal control recommendations.

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: The previous Clerk-Treasurer was not capable to perform this duty and never reconciled and thusly the Mayor and Board were not informed. The new Clerk-Treasurer has conducted, recorded and documented Bank Reconciliations to the General ledger dating back to May 2010 and has been reconciling timely since January 2011. Records exist to substantiate this response.

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, 2010, the Town's trial balance reported \$208,254 of cash, the cash reconciliations reported \$552,646 of cash, and the Department of Finance and Administration (DFA) report reported \$577,703 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: Timely Quarterly Reports have been submitted to DFA and can be verified by DFA. The last Timely Quarterly Report was submitted to DFA on April 29, 2011.

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: Good internal control policy dictates 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: This deficiency existed during the tenure of the acting Clerk-Treasurer. Effective immediately all blank checks are kept locked in the safe day and night and only accessed when needed.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 09-05 — Inadequate Review of Manual Journal Entries

Condition: During the 2010 fiscal year, the Town did not have procedures in place for authorization and review of manual journal entries. Multiple journal entries were posted to reconcile cash with no documentation to support the 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: Previous Clerk-Treasurer did not abide by the agency's response to this finding and since the new Clerk-Treasurer was hired this has been done.

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 1 disbursement totaling \$237.50 out of 5 samples tested totaling \$1,045.60
- In 3 out of 5 items tested the employees were paid 100% of anticipated allowable expenses prior to the date of travel.

Criteria: 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. 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 10-8-4 NMSA. The policy should be clear, written, and communicated to all to whom it applies and enforced uniformly.

Agency's Response: The previous Clerk-Treasurer did again not abide with the agency's response and the New Clerk-Treasurer has been instructed to complete and comply with the previous year agency's response and corrective action plan.

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: Due to Lack of Budget controls by the previous Clerk-Treasurer a clear history from the original to the final budget could not be verified. The Town recently has two (2) Budget hearings with Mayor, Board and Staff to insure accuracy of budget adjustment requests and all budget adjustment requests have been submitted and approved by DFA for FY 2010-2011.

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 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’ Recommendation: 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: Due to the complete turn-over of Admin staff last year’s recommendation has been implemented with the new staff.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 10-01 - Internal Controls over Revenue Receivables

Condition: During our testwork of cash receipts we noted the following:

- There is a lack of internal controls and management review over the Receipting of payments at the Town due to inadequate segregation of duties
- In 3 out of 5 receipts tested the employee preparing the deposit slip did not sign off on the deposit slip prior to deposit as required.
- In 4 out of 5 receipts tested the deposit was not made timely.
- Cash receipts are kept in a lock box, however during our internal control walkthrough it was noted that the lock box is kept within reach of the Receipts counter and is not kept locked.
- Utility receipt drop box was not being emptied on a daily basis as required by Town internal control policies and procedures resulting in untimely posting to customer accounts and untimely deposits.
- The Town is not following stated internal controls policies and procedures when applying interest and penalties to delinquent Utility receivable accounts.
- During testwork it was noted that there is no formal policy or management review for the write-off, abatements and adjustments of customer receivable accounts.

Criteria: The Town of Springer policies and procedures requires that receipts are reconciled on a daily basis and that the individual who performs the daily cash report reconciliation signs off and dates the documentation (i.e. including deposit slip) and dates the documentation to show the daily cash report had been done and reconciled to daily collections. According to NMSA 1978, 6-10, receipts should be deposited as soon as administratively possible. For a municipality having suitable banking facilities within its boundaries, receipts should be deposited within one business day of collection.

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. Non-adherence to state statutes places the Town in noncompliance and lack of timeliness of deposits could subject the Town to a possible occurrence of fraud.

Cause: For the fiscal year 2010 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. The Town of Springer is not properly monitoring that all receipts are being protected, recorded and deposited in a timely manner.

Auditors' Recommendation: 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. The body charged with governance should emphasize the importance of protecting Town assets through the timely deposits of receipts and assign a responsible person the responsibility of determining that receipts are deposited in a timely manner as set forth in state statutes.

Agency's Response: The new Clerk-Treasurer is training the new utility Billing Clerk and Deputy Clerk on these duties and responsibilities. The Clerk has instructed the Admin staff to receipt in all payments daily and prepare a deposit slip for each. Deposits are being made daily.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 10-02 – Lack of Internal Control over Credit Cards

Condition: During our testwork it was noted that in 3 instances totaling \$8,340 out of 7 instances tested the Town was not able to provide any supporting documentation to support the credit card payments other than the posting to the general ledger.

Criteria: The Town is required to establish and implement written policies and procedures for purchasing which shall be in compliance with the procurement Code, Section 13-1-21 et seq., NMSA 1978.

Effect: Having lack of authorization for purchases made increases the risk for misappropriation, budget over expending, or fraudulent activities.

Cause: There was an oversight in the internal control process, and items were not authorized through a P.O. before the purchase was made.

Auditors' Recommendation: It is our recommendation that the internal controls that are in place are followed for all nonrecurring items.

Agency's Response: The Town only holds one (1) credit card account which is State Agency Wright Express for Fuel. The previous Clerk-Treasurer did not make the required necessary credit card payments. The new Clerk has caught up and paid this balance to Wright Express in full and has been paying in on a timely basis.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 10-03 — Internal Control over Cash Disbursements

Condition: During our testwork of cash disbursements we noted the following:

- In 5 disbursements out of 6 tested during the disbursement cycle testwork totaling \$9,369 the Town was not able to provide a copy of the check issued to the vendor as required to be attached to the disbursement supporting documentation per the Town's internal control policies and procedures.
- In 1 out of 6 disbursements tested the Town was not able to provide any supporting documentation for the purchase of goods and services.
- In 1 out of 6 disbursements tested the check was signed by an ineligible check signer. The Check contained two signatures as required, but was not in accordance with Town policy.

Criteria: According to the Town's Purchasing Policies a purchase requisition and purchase order must be issued for all non-routine and non-recurring purchases. Several instance were noted where the Town did not follow the stated policy as disbursements had little and/or no supporting documentation. The Town is required to implement written policies and procedures for purchasing which shall be in compliance with the procurement Code, Section 13-1-21 et seq., NMSA 1978.

Effect: When purchases are made without proper authorization, items could be procured that are inappropriate and/or unallowed and the risk of misappropriation is increased.

Cause: There is a lack of internal control structure over Cash Disbursements. The Town Purchasing Policy is not adequately safeguarding the Town's assets by allowing the purchasing policy to be bypassed.

Auditors' Recommendation: We recommend all Requisition/Purchase Orders be completed and authorized for all purchases regardless of amount. We also recommend the City train employees on the purchasing procedure and implement new procedures to properly review and approved expenditures.

Agency's Response: The Town has had a full Admin staff turn-over and since the new Clerk-Treasurer has arrived there have been changes in the purchasing procedures.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 10-04 – PERA Reconciliation

Condition: From testwork performed it was noted that the Town was not making PERA contributions in a timely fashion due to a lack of internal controls and lack of management review. Testwork revealed that PERA contributions for all June 2010 payroll runs were not made until November 9, 2010.

Criteria: Section 2.2.2.10G (7) NMAC (Audit Rule) requires that total wages paid by a public entity must be reported for the Public Employees Retirement Act.

Effect: Total contributions due to the Public Employees Retirement Fund may not have been accurately reported or remitted.

Cause: The Town is not effectively reporting the Town and employee withholding contributions to PERA.

Auditor's Recommendation: We recommend the Town perform a reconciliation of total wages paid per pay period to the total wages subject to PERA withholding per pay period and report the withheld amount at the time of the Payroll run.

Agency's Response: The new Clerk-Treasurer has been submitting these reports bi-weekly when she started in September 2010. After every pay period reconciliation is being done and reports and payments are submitted to PERA.

FS 10-05 – RHC Reconciliation

Condition: From testwork performed it was noted that the Town was not making RHC contributions in a timely fashion due to a lack of internal controls and lack of management review. Testwork revealed that RHC contributions for all June 2010 payroll runs were not made until November 9, 2010. The Town was also unable to provide an accurate reconciliation of total wages paid in fiscal year ended June 30, 2010 to reported RHC wages for the same period.

Criteria: Section 2.2.2.10G (18) NMAC (Audit Rule) requires that total wages paid by a public entity must be reported to the Retiree Health Care Authority.

Effect: Total contributions due to Retiree Health Care Authority may not have been accurately reported or remitted.

Cause: The Town is not effectively reporting the Town and employee withholding contributions to RHC.

Auditor's Recommendation: We recommend the Town perform a reconciliation of total wages paid per pay period to the total wages subject to RHC withholding per pay period and report the withheld amount at the time of the Payroll run.

Agency's Response: The new Clerk-Treasurer has been submitting these reports bi-weekly when she started in September 2010. After every pay period a reconciliation is being done and reports and payments are submitted to RHC.

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 10-06 — Gross Pay is Not Correct

Condition: During payroll testwork, we noted that all Board of Trustees members are receiving a monthly stipend of \$400 regardless of the number of official board meetings held. This violates the amount nonsalaried public officers may receive in accordance with State Audit Rule.

Criteria: As indicated in 10-8-4 NMSA nonsalaried public officers of municipalities may elect to receive either: \$95 per meeting day for attending each board of committee meeting day or per diem rates in accordance with subsection B of this section provided that the local governing body as not established a lesser rate. Subsection B per diem rates are as follows:

- (a) for less than 2 hours of travel beyond normal work day, none
- (b) for 2 hours, but less than 6 hours beyond normal work day, \$12
- (c) for 6 hours, but less than 12 hours beyond normal work day, \$20
- (d) for 12 hours or more beyond the normal work day. \$30

Effect: The Town overpaid the aforementioned board members resulting in a violation of the New Mexico State Audit Rule.

Cause: There was a conflict between the approved Town resolution and the amount allowed per State Regulation.

Auditors' Recommendation: We recommend that the Town adopt a new resolution of Board member pay that is in accordance with pay rates allowed by State of New Mexico Regulation effective immediately.

Agency's Response: At the next regular meeting of June 21st the Town will adopt a resolution to abide by the state statute 10-8-4 NMSA.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2010

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 10-07 — Cash Appropriations in Excess of Available Cash Balances

Condition: The Town rebudgeted “cash balances” in excess of available cash balances in the following funds:

	Designated Cash	Beginning year Cash & AR Available	Cash Appropriation in excess of available
EMS Special Revenue Fund	\$ 19,650.00	\$ 211	\$ 19,439
Library Special Revenue Fund	14,358	2,526	11,832
CDBG Sewer System Improvements Capital Projects Fund	475,000	-	475,000
Airport Improvements Capital Projects Fund	2,713	-	2,713
Museum Proprietary Fund	9,100	-	9,100

Criteria: Per Section 6-6-11 NMSA, it is unlawful for any municipal governing body, for any purpose whatsoever to become indebted or contract any debts of any kind or mature whatsoever during any current year which, at the end of such current year, is not and cannot then be paid out of the money actually collected and belonging to that current year.

Effect: The Town has budgeted cash balances that do not exist. If the Town expends all budgeted expenditures it could incur debt if the budgeted designated cash does not exist.

Cause: Inadequate monitoring of ending cash balances and budgeting are the cause of this problem.

Auditors’ Recommendation: The budget should be reviewed to insure all funds have adequate budget authority and cash balances for budgeted expenditures. Greater attention should be given to the budget monitoring process end-of-the-year cash balance estimates.

Agency’s Response: Transfers from the General Fund have been transferred to these funds in the negative and they are now balanced.

C. FINANCIAL STATEMENT FINDINGS – COMPONENT UNIT

FS 10-01HA — Unable to Locate Petty Cash Fund

Condition: The accounting records identify a \$100 petty cash fund that Housing Authority personnel were unable to produce.

Criteria: Good internal controls require procedures to be in place to track all petty cash transactions, i.e. imprest accounts.

Effect: The Housing Authority has incurred a loss of \$100 due to missing petty cash fund.

Cause: Change in personnel.

Auditors' Recommendation: The Housing Authority should implement periodic review procedures over the petty cash fund to insure accountability at all times.

Agency's Response: The Springer Housing Authority's Board of Commissioners will review the need for a petty cash fund and, if one is necessary, ensure at every Board Meeting that the petty cash fund is accounted for and expenditures are proper.

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 Agriculture – Rural 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: This will be an agenda item at the Board of Finance meetings. Every month the Board will receive financial summaries from the Clerk-Treasurer.

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 Agriculture – Rural 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 Housing Authority operates under its own Boards of Directors and they have a separate auditor conducting their audit and the Town keeps no records on petty cash for Housing. The Clerk-Treasurer will obtain a copy of the audit and forward it to the USDA.

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 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 (Repeated and Modified)

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

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

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

FS 09-01 – Stale Dated Transactions Not Cancelled (Repeated)

FS 09-02 – Bank Reconciliations Not Timely (Repeated)

FS 09-03 – DFA Cash Report Does not Reconcile to the Town’s Accounting Records (Repeated)

FS 09-04 – Lack of Internal Controls Over Blank Checks (Repeated)

FS 09-05 – Inadequate Review of Manual Journal Entries (Repeated and Modified)

FS 09-06 – Inadequate Documentation for Travel and Per Diem Expenditures (Repeated and Modified)

FS 09-07 – Budget Adjustment Requests (Repeated)

FS 09-08 – Entity-Wide Control Deficiency (Repeated)

Component Unit: Housing Authority

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

Primary Government Federal Award Findings:

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

FA 09-01 – Noncompliance with Federal Reporting Requirements (Repeated)

STATE OF NEW MEXICO

Town of Springer

Other Disclosures

Year Ended June 30, 2010

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 May 10, 2011. The following individuals were in attendance.

Town of Springer Officials

Stephanie Gillespie, Trustee/Mayor Pro Tem
Leticia Torres, Clerk Treasurer
Aixa Arellano, Deputy Clerk
Gina Garcia, Utility Clerk

Auditors

James Hartogensis, CPA
Kyle Reeves